

Financial Statements

Town of China, Maine

June 30, 2012

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Town of China, Maine

June 30, 2012

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Independent Auditors' Report

**To the Board of Selectmen
Town of China
China, Maine**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of China, Maine, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of China, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of China, Maine, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of China, Maine's financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Purdy Powers + Company
Professional Association

Portland, Maine
October 25, 2012

Management's Discussion and Analysis

Town of China, Maine

As management of the Town of China, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Town's assets exceeded liabilities by approximately \$4.6 million as of June 30, 2012, compared to approximately \$4.1 million as of June 30, 2011.
- The Town's governmental funds General Fund Balance was \$1.2 million as of June 30, 2012, compared to \$915 thousand as of June 30, 2011.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report supplemental information to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the Town as a whole and present both a long-term and short-term view of the Town's finances. Financial reporting at this level is similar to the accounting used by most private-sector companies.

The Statement of Net Assets includes all assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. Evaluation of the overall economic health requires other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads, as well as many others.

The Statement of Activities reports the current year change in net assets. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

- **Governmental activities:** Most of the Town's basic services are reported here, including public works, general administration, public safety and solid waste operations. Taxes, fees, fines, and state and federal grants finance most of these activities.

Management's Discussion and Analysis - Continued

Town of China, Maine

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The Town has the following fund types:

- Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Management's Discussion and Analysis - Continued

Town of China, Maine

Financial Analysis of the Town as a Whole - Government-wide Financial Statements

The following schedule is a summary of nets assets for the years ended June 30, 2012 and 2011:

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
Current and other assets	\$ 3,116,181	\$ 3,203,475	\$ (87,294)
Capital assets	<u>2,564,169</u>	<u>2,374,933</u>	<u>189,236</u>
Total Assets	5,680,350	5,578,408	101,942
Long-term liabilities	576,423	682,166	(105,743)
Other liabilities	<u>481,600</u>	<u>800,545</u>	<u>(318,945)</u>
Total Liabilities	1,058,023	1,482,711	(424,688)
Net assets:			
Invested in capital assets, net of related debt	1,940,363	1,638,504	301,859
Restricted	833,144	722,821	110,323
Unrestricted	<u>1,848,820</u>	<u>1,734,372</u>	<u>114,448</u>
	<u>\$ 4,622,327</u>	<u>\$ 4,095,697</u>	<u>\$ 526,630</u>

You will note by the increase in net assets over the past several years that this is an indicator of consistently good financial health of the town. The activities of the town as a whole have been focused on a long term plan revisited annually by the Select Board. This has resulted in actions by the Select Board that are conservative and responsible, understanding that the town's growth needs to have a corresponding increase in the ability to provide the services demanded of a growing municipality.

The Select Board manages the town's finances through the Town manager. The Board manages by involving strategic and operational components. Strategically, the finances are managed to accommodate changes in the economy and the resulting changes in costs and revenues. Operationally, the Board attempts to put in place some clear financial goals, policies, and tools to implement that strategic plan.

Management's Discussion and Analysis - Continued

Town of China, Maine

The following schedule is a summary of the statement of activities for the years ended June 30, 2012 and 2011:

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 146,608	\$ 145,595	\$ 1,013
Operating grants and contributions	81,581	84,635	(3,054)
General revenues			
Taxes	5,484,259	5,500,257	(15,998)
Intergovernmental	500,421	410,753	89,668
Investment	5,487	114,307	(108,820)
All others	148,226	139,441	8,785
Total Revenues	<u>6,366,582</u>	<u>6,394,988</u>	<u>(28,406)</u>
Expenses:			
Administration	755,815	767,492	(11,677)
Protection	239,952	213,778	26,174
Public works	610,456	800,415	(189,959)
Solid waste operations	335,329	318,574	16,755
Community services	89,693	93,953	(4,260)
Education	3,407,415	3,573,407	(165,992)
Recreation	24,225	27,120	(2,895)
County tax	365,820	367,265	(1,445)
Interest on long-term debt	2,807	1,390	1,417
Capital outlay	8,440	(16,138)	24,578
Total Expenses	<u>5,839,952</u>	<u>6,147,256</u>	<u>(307,304)</u>
Change in Net Assets	<u>\$ 526,630</u>	<u>\$ 247,732</u>	<u>\$ 278,898</u>

The town's basic activities are grouped and reported in the above multi-year numbers. The net change is a positive number reflecting an overall conservative posture throughout the time period reflected. The negative net changes in revenues are mostly attributed to economic factors the town cannot control. For instance, the interest rate on invested funds has dropped significantly resulting in reduced investment revenues. The reduced revenues are more than offset by the favorable changes reflected in reduced expenses.

Management's Discussion and Analysis - Continued

Town of China, Maine

Digressing, it seems to me to note that growing municipalities such as China need to be focused strategically to anticipate fluctuations in the economy but also to understand that the demands of residents in this growth oriented town will need additional staff and capital considerations over time. The town will only be able to accommodate the increased service demands resulting from relative rapid growth in China by infrastructure and support staff.

Financial Analysis of the Town's Funds - Fund Financial Statements - *Governmental funds.*

The focus of the Town of China, Maine's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of China, Maine governmental funds reported combined ending fund balances at June 30, 2012 of \$2.1 million. Approximately 26% of this total constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion.

The town has been consistent in its focus of trying to maintain an unrestricted or undesignated fund balance equal to two month's gross expenditures. Of recent times and because of national and state economic circumstances, it has not been possible to maintain these balances at the desired levels. In the current fiscal year audited, there was a significant improvement in the balance though not at the long term level desired. It may take another two to three years to arrive at the desired balance.

The town recognizes the importance of maintaining a healthy unrestricted or undesignated fund balance.

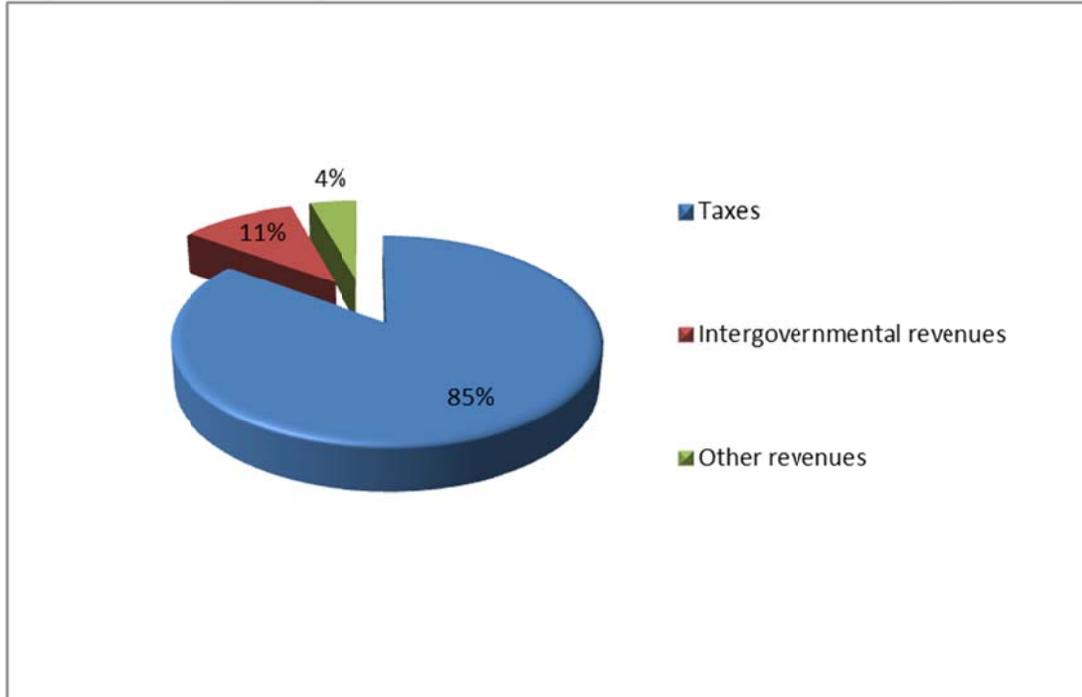
The general fund is the central operating fund of the Town of China, Maine. At the end of the current fiscal year the unassigned fund balance of the general fund was \$541,421. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

This comparison of unreserved and total fund balances focuses on one of China's most significant funds and reflects on a trend in general fund equity and therefore liquidity. The comparison is also significant when considering reserved fund balances in that several of the capital needs in the future are anticipated by a healthy reserve or restricted fund balance, allowing for accommodation of unexpected circumstances by use of the unreserved funds. Moreover, the town has very little long term indebtedness reflecting strong general fund equity.

Management's Discussion and Analysis - Continued

Town of China, Maine

The Town's general fund operating fund revenues were as follows:

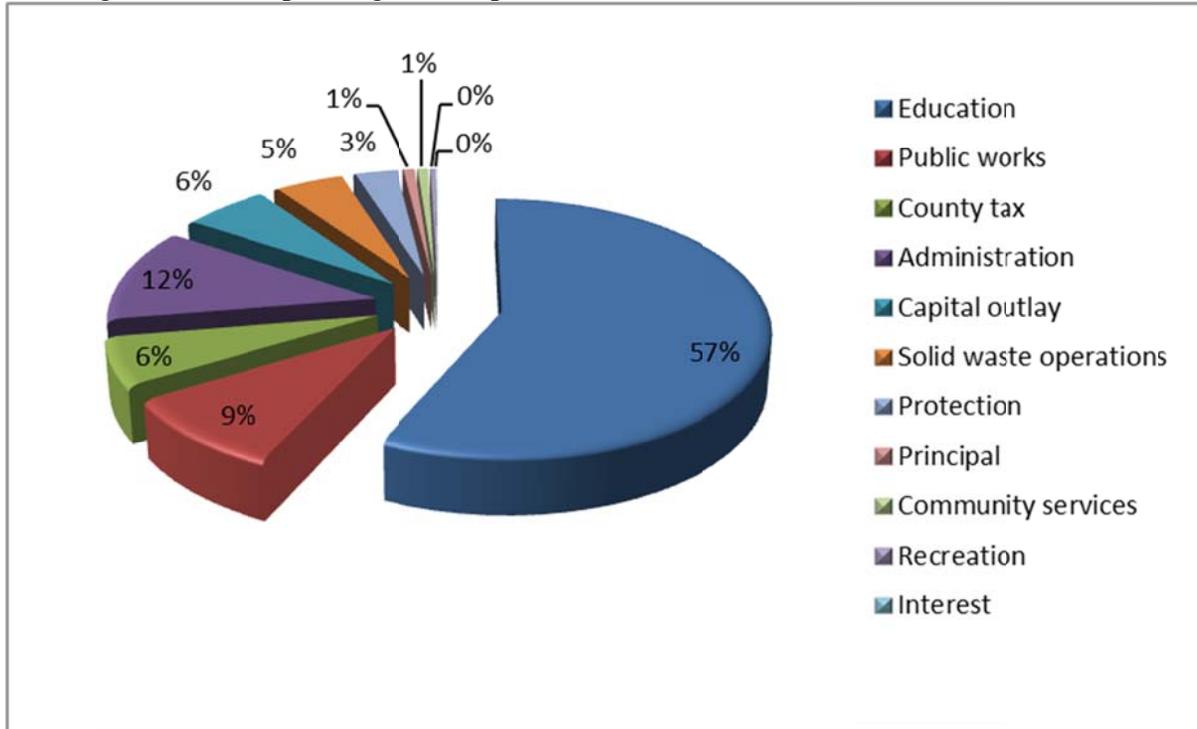


The revenue distribution reflected in the chart reflects a high dependency on property tax revenues. Revenue growth limitations have always been a concern of small municipalities, including China. Indeed, achieving a balanced budget in tough economic times necessarily demands a look at the municipal tax base and the need for spending adjustments. Intergovernmental revenues are subject to downward adjustment during tough economic times. Other revenues from building permits issued, excise taxes, transfer station services and so forth are additionally dependent on local, regional, and national economic factors. As such, a strong and diverse tax base balanced with a fee structure reflecting payments by users of services would make for a sound fiscal policy.

Management's Discussion and Analysis - Continued

Town of China, Maine

The Town's general fund operating fund expenditures were as follows:



The distribution of expenditures over time has been consistent, the largest operating fund expenditures, education, public works, administration, county budget and transfer station equaling approximately ninety percent. The town's capital outlay is also significant in that a town must manage the capital budget by forecasting the timing and financial requirements of the town relative to the condition of the infrastructure. Making recommendations on the allocation of current and future resources at the right time minimizes the longer term costs that would otherwise increase substantially as a result of postponing needed capital investment. The allocated and approximate percentages of operating fund expenditures have served the town well over time.

General Fund Budgetary Highlights

The general fund revenues have remained relatively flat over the past several years with a slight decrease recently due to a reduction in intergovernmental receipts and a weak economy. Some of the larger general fund revenues are derived from property taxes, intergovernmental revenues; excise taxes; Planning Board and CEO permit fees and transfer station fees. Though relatively stable, there may need to be a review of how to increase revenues outside of the property tax to be able to accommodate growth of the town.

The general fund expenditures have also remained relatively flat over the past three or four years corresponding with the national economic recession. The adjustments to expenditures to maintain a balanced budget without an increase in property taxes may become a sensitive item as we move forward

Management's Discussion and Analysis - Continued

Town of China, Maine

and attempt to compensate for some of the delayed operational maintenance of infrastructure. Long term liabilities remain very low and therefore do not obligate the town to high fixed payments annually. The Rescue vehicle is the only piece of equipment financed through a lending institution and should be fully amortized within the next six years.

Capital Assets

Capital assets have increased slightly over the past several years, an indicator of the town's relatively strong financial health. The capital planning process is synchronized with the annual operations budget, allowing for the regular reassessment of capital needs and projections, as well as the update of a rolling intermediate and long term capital plan.

The town funds its capital plan primarily through an appropriation at the annual town business meeting into a capital reserve fund.

Long Term Liabilities

The long term liability of the town consists of a loan from a local institution for a new Rescue vehicle. All other long term liabilities in the financial statements are the obligation of the education system, which is part of RSU#18, an autonomous entity under the laws of the State of Maine?

Economic Factors and Next Year's Budgets and Rates

Local, state and national economic conditions do impact the town's budget going forward. At the time these financial statements are being developed, the town has moved to commitment of taxes. The mil rate slightly increased over last year due to an increase in the school expenses. The local economy seems to have stabilized and the town has experienced a slight increase in the number of Planning Board and CEO permits issued. The intergovernmental transfer of funds has also seemed to increase slightly indicating the State economy is improving. Motor vehicle excise tax revenue reflects similar conclusions, raising only slightly over last year.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 445-2014 and ask for the Town Manager. Citizens are welcomed to visit with the appropriate staff on any financial matters.

Statement of Net Assets

Town of China, Maine

As of June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,700,096
Investments	645,418
Accounts receivable	19,467
Taxes receivable	215,741
Receivable for long-term obligations from RSU #18	535,459
Capital assets, net of accumulated depreciation	<u>2,564,169</u>
Total Assets	5,680,350
Liabilities	
Accounts payable	8,509
Accrued wages payable to RSU #18	184,897
County tax payable	102,923
Accrued interest payable	14,850
Amounts held in escrow	25,000
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and notes payable	32,367
Capital lease obligations	68,054
Accrued compensated absences	45,000
Portion due or payable after one year:	
Bonds and notes payable	150,576
Capital lease obligations	372,809
Accrued compensated absences	<u>53,038</u>
Total Liabilities	<u>1,058,023</u>
Net Assets	
Invested in capital assets, net of related debt	1,940,363
Restricted	833,144
Unrestricted	<u>1,848,820</u>
Total Net Assets	<u>\$ 4,622,327</u>

See accompanying independent auditors' report and notes to the financial statements.

Statement of Activities

Town of China, Maine

For the Year Ended June 30, 2012

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Administration	\$ 755,815	\$ 60,222	\$ -	\$ (695,593)
Protection	239,952	-	-	(239,952)
Public works	610,456	-	62,724	(547,732)
Solid waste operations	335,329	86,386	-	(248,943)
Community services	89,693	-	-	(89,693)
Education	3,407,415	-	18,857	(3,388,558)
Recreation	24,225	-	-	(24,225)
County tax	365,820	-	-	(365,820)
Interest on long-term debt	2,807	-	-	(2,807)
Capital outlay - special projects	8,440	-	-	(8,440)
Total Governmental Activities	5,839,952	146,608	81,581	(5,611,763)
Total Primary Government	\$ 5,839,952	\$ 146,608	\$ 81,581	(5,611,763)
General revenues:				
Taxes				5,484,259
Intergovernmental				500,421
Miscellaneous				148,220
Interest income				12,118
Change in investment value				(6,625)
Gain (loss) on disposal of capital assets				-
			Total General Revenues	6,138,393
			Change in Net Assets	526,630
Net assets at beginning of year				4,095,697
			Net Assets at End of Year	\$ 4,622,327

See accompanying independent auditors' report and notes to the financial statements.

Balance Sheet - Governmental Funds

Town of China, Maine

As of June 30, 2012

	General	D.L. Young Scholarship	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>D.L. Young Scholarship</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 1,628,866	\$ 70,473	\$ 757	\$ 1,700,096
Investments	-	645,418	-	645,418
Accounts receivable	19,467	-	-	19,467
Taxes receivable	215,741	-	-	215,741
Due from other funds	16,450	-	132,946	149,396
	<u>16,450</u>	<u>-</u>	<u>132,946</u>	<u>149,396</u>
Total Assets	<u>\$ 1,880,524</u>	<u>\$ 715,891</u>	<u>\$ 133,703</u>	<u>\$ 2,730,118</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 8,509	\$ -	\$ -	\$ 8,509
Accrued wages payable to RSU #18	184,897	-	-	184,897
County tax payable	102,923	-	-	102,923
Amounts held in escrow	25,000	-	-	25,000
Due to other funds	132,946	16,450	-	149,396
Deferred property taxes	195,000	-	-	195,000
	<u>195,000</u>	<u>-</u>	<u>-</u>	<u>195,000</u>
Total Liabilities	649,275	16,450	-	665,725
Fund Balances				
Nonspendable				
Permanent funds	-	649,736	73,085	722,821
Restricted				
Permanent funds	-	49,705	42,526	92,231
Special revenue funds	-	-	18,092	18,092
Assigned				
General fund	694,526	-	-	694,526
Unassigned				
General fund	536,723	-	-	536,723
	<u>536,723</u>	<u>-</u>	<u>-</u>	<u>536,723</u>
Total Fund Balances	<u>1,231,249</u>	<u>699,441</u>	<u>133,703</u>	<u>2,064,393</u>
Total Liabilities and Fund Balances	<u>\$ 1,880,524</u>	<u>\$ 715,891</u>	<u>\$ 133,703</u>	<u>\$ 2,730,118</u>

See accompanying independent auditors' report and notes to the financial statements.

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets**

Town of China, Maine

As of June 30, 2012

Total Fund Balances - Governmental Funds \$ 2,064,393

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Long-term assets are not available in the current period and therefore are not reported as assets in the funds. The Receivable for long-term obligations from RSU #18 at year-end was: 535,459

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of capital assets, net of accumulated depreciation is: 2,564,169

Property tax revenues are presented on the modified accrual basis of accounting in the governmental funds but in the Statement of Activities, property tax revenue is reported under the accrual method. The balance in deferred property tax revenue in the governmental funds as a liability is: 195,000

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and related liabilities at year-end consist of:

Bonds and notes payable	\$ (182,943)	
Capital lease obligations	(440,863)	
Accrued interest payable	(14,850)	
Accrued compensated absences	<u>(98,038)</u>	
		<u>(736,694)</u>

Total Net Assets - Governmental Activities \$ 4,622,327

See accompanying independent auditors' report and notes to the financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Town of China, Maine

For the Year Ended June 30, 2012

	General	D.L. Young Scholarship	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 5,484,259	\$ -	\$ -	\$ 5,484,259
Intergovernmental revenues	678,025	-	-	678,025
Other revenues	281,309	12,740	12,897	306,946
Total Revenues	<u>6,443,593</u>	<u>12,740</u>	<u>12,897</u>	<u>6,469,230</u>
Expenditures				
Current				
Administration	723,350	-	-	723,350
Protection	182,566	-	-	182,566
Public works	579,157	-	-	579,157
Solid waste operations	290,942	-	-	290,942
Community services	44,768	19,595	25,330	89,693
Education	3,471,650	-	-	3,471,650
Recreation	22,383	-	-	22,383
County tax	365,820	-	-	365,820
Debt service - principal	48,390	-	-	48,390
- interest	4,957	-	-	4,957
Capital outlay - Special projects	367,377	-	-	367,377
Total Expenditures	<u>6,101,360</u>	<u>19,595</u>	<u>25,330</u>	<u>6,146,285</u>
Revenues Over (Under) Expenditures	342,233	(6,855)	(12,433)	322,945
Other Financing Sources (Uses)				
Operating transfers in	-	-	26,200	26,200
Operating transfers out	(26,200)	-	-	(26,200)
Change in investment value	-	(6,625)	-	(6,625)
Total Other Financing Sources (Uses)	<u>(26,200)</u>	<u>(6,625)</u>	<u>26,200</u>	<u>(6,625)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	316,033	(13,480)	13,767	316,320
Fund balances at beginning of year	<u>915,216</u>	<u>712,921</u>	<u>119,936</u>	<u>1,748,073</u>
Fund Balances at End of Year	<u>\$ 1,231,249</u>	<u>\$ 699,441</u>	<u>\$ 133,703</u>	<u>\$ 2,064,393</u>

See accompanying independent auditors' report and notes to the financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Town of China, Maine

As of June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 316,320

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and capital asset additions were different in the current period:

Capital asset additions	\$ 358,937	
Depreciation expense	<u>(169,701)</u>	
		189,236

Governmental funds report the long-term obligation payments made by RSU #18 on behalf of the Town as revenues. However, in the Statement of Activities, these amounts are reported as a reduction of the receivable from RSU #18 .

(96,023)

Bond proceeds, issuance of long-term debt and entering into capital lease obligations provide current resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments differed from proceeds and additions to debt and capital lease obligations in the current period:

Principal portion of debt service payments	48,390	
Reductions in capital lease obligations	<u>64,235</u>	
		112,625

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in accrued compensated absences	2,322	
Change in accrued interest payable	<u>2,150</u>	
		<u>4,472</u>

Change in Net Assets of Governmental Activities \$ 526,630

See accompanying independent auditors' report and notes to the financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund**

Town of China, Maine

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Revenues				
Taxes	\$ 5,466,670	\$ 5,466,670	\$ 5,484,258	\$ 17,588
Intergovernmental revenues	480,007	643,673	678,024	34,351
Other revenues	158,650	158,650	275,428	116,778
Total Revenues	6,105,327	6,268,993	6,437,710	168,717
Expenditures				
Current				
Administration	755,742	755,742	723,351	32,391
Protection	163,874	163,874	182,567	(18,693)
Public works	674,164	674,164	666,778	7,386
Solid waste operations	280,617	280,617	290,942	(10,325)
Community services	51,051	51,051	44,768	6,283
Education	3,513,650	3,513,650	3,513,650	-
Recreation	22,450	22,450	20,612	1,838
County tax	400,679	400,679	400,071	608
Debt service - principal	47,788	47,788	48,390	(602)
- interest	-	-	4,957	(4,957)
Capital outlay - Special projects	167,535	331,201	339,679	(8,478)
Total Expenditures	6,077,550	6,241,216	6,235,765	5,451
Revenues Over (Under) Expenditures	27,777	27,777	201,945	174,168
Other Financing Sources (Uses)				
Operating transfers out	(26,200)	(26,200)	(26,200)	-
Transfer to assigned fund balances	(50,000)	(50,000)	(50,000)	-
Utilization of unassigned fund balance	176,700	176,700	-	(176,700)
Utilization of assigned fund balance	-	-	-	-
Total Other Financing Sources (Uses)	100,500	100,500	(76,200)	(176,700)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 128,277	\$ 128,277	125,745	\$ (2,532)
Budgetary fund balance at beginning of year			<u>711,963</u>	
Budgetary Fund Balance at End of Year			<u>\$ 837,708</u>	

See accompanying independent auditors' report and notes to the financial statements.

Notes to Financial Statements

Town of China, Maine

Note A - Summary of Significant Accounting Policies

The Town of China, Maine operates under a Selectmen - Town Manager form of government. The accounting policies of the Town of China, Maine, conform to United States generally accepted accounting principles (GAAP). The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies established in GAAP and used by the Town are discussed below.

Principles Determining Scope of Reporting Entity

The basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in GAAP include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of China has no component units.

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Notes to Financial Statements - Continued

Town of China, Maine

Note A - Summary of Significant Accounting Policies - Continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Activities

Governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization as stipulated by the specific trust instrument.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Notes to Financial Statements - Continued

Town of China, Maine

Note A - Summary of Significant Accounting Policies - Continued

Modified Accrual

Governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The Town follows GASBS No. 31, Accounting and Reporting of Certain Investments and External Investment Pools. Under GASBS No. 31, certain investments held by governments are reported at their fair value in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenditures and changes in fund balance.

Capital Assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$3,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method. Estimated useful lives are as follows: land improvements, 15 to 20 years; buildings and improvements, 20 to 50 years; infrastructure, 5 to 60 years; and vehicles and equipment, 3 to 25 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

Vacation and Sick Leave

Under the terms of personnel policies, vacation leave is granted in varying amounts according to length of service. Sick leave is granted in equal amounts to all employees. In some cases, employees are entitled to payment for unused vacation upon termination or retirement.

Notes to Financial Statements - Continued

Town of China, Maine

Note A - Summary of Significant Accounting Policies - Continued

Budget

The Town of China's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

- Early in the second half of the last fiscal year the Town prepared a budget for this fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- A vote of the inhabitants of the Town was then taken for the purpose of adopting the proposed budget after public notice of the vote was given.
- The budget was adopted subsequent to passage by the inhabitants of the Town.

The Town does not adopt budgets for special revenue funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund loan receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide presentation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. Since not all funds maintain a separate cash account, cash is pooled in the General Fund cash account and activity for individual funds are recorded through the General Fund and each respective individual fund through the recognition of a "due to/due from" as appropriate. The due to/from other funds balances are subject to elimination upon consolidation in the government-wide presentation. All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Notes to Financial Statements - Continued

Town of China, Maine

Note A - Summary of Significant Accounting Policies - Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Debt Issuance Costs

In governmental funds, debt issuance costs are recognized in the current period. For the government-wide financial statements, governmental activity debt issuance costs are amortized over the life of the debt issue.

Revenue Recognition - Property Taxes

The Town's property tax for the current year was levied September 26, 2011, on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Taxes were due September 30, 2011, and March 31, 2012. Interest on unpaid taxes commenced on October 1, 2011 and April 1, 2012, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$128,277 for the year ended June 30, 2012.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Notes to Financial Statements - Continued

Town of China, Maine

Note A - Summary of Significant Accounting Policies - Continued

Government-wide Fund Net Assets

Government-wide net assets are divided into three components:

Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets - consist of net assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted - All other net assets are reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted - resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed through constitutional provisions or enabling legislation.

Committed - resources which are subject to limitations the government imposes upon itself at its highest level of design making, and that remain binding unless removed in the same manner.

Assigned - resources neither restricted nor committed for which a government has a stated intended use as established by the Selectboard or a body or official to which the Selectboard has designated the authority to assign amounts for specific purposes.

Unassigned - resources which cannot be properly classified in one of the other four categories.

Use of Restricted Resources

The Town has no formal fund balance policy. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Notes to Financial Statements - Continued

Town of China, Maine

Note B - Cash and Investments

The Town conducts all its banking and investment transactions with depository banks and investment firms.

Custodial Credit Risk - Deposits

At June 30, 2012, the carrying amount of the Town's deposits was \$1,700,096, and the bank balance was \$1,823,948. The difference between these balances relates to deposits in transit and outstanding checks. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy on custodial credit risk. As of June 30, 2012 \$537,834 of the Town's bank balance of \$1,823,948 was exposed to credit risk as the funds were uninsured and the collateral was held by the pledging bank's trust department in the Town's name.

Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks, bonds and mutual funds.

Interest Rate Risk

The Town does not have an investment policy on interest rate risk. At June 30, 2012, the Town had the following investments and maturities:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Maturity</u>		
			<u>Less than 1 Year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Corporate bonds	\$ 154,038	\$ -	\$ -	\$ 154,038	\$ -
U.S. Treasury securities	45,113	-	-	20,107	25,006
Common stock	367,100	367,100	-	-	-
Mutual funds	79,167	79,167	-	-	-
	<u>\$ 645,418</u>	<u>\$ 446,267</u>	<u>\$ -</u>	<u>\$ 174,145</u>	<u>\$ 25,006</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy on custodial credit risk. As of June 30, 2012 the Town had no investments subject to custodial credit risk.

Notes to Financial Statements - Continued

Town of China, Maine

Note B - Cash and Investments - Continued

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy on credit risk. At June 30, 2012, the Town had the following credit quality distribution in debt securities:

<u>Standard & Poor Rating</u>	<u>Fair Value</u>
AA	\$ 30,721
A	<u>123,317</u>
Total debt securities	<u>\$ 154,038</u>

Concentration of Credit Risk

The Town does not have an investment policy on concentration of credit risk. At June 30, 2012, the Town held the following corporate bonds which represented greater than 5% of total investments held; \$49,133 of SBC Communications.

Notes to Financial Statements - Continued

Town of China, Maine

Note C - Capital Assets

A summary of capital asset transactions for the year ended June 30, 2012, follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Non-Depreciable Assets:				
Land	\$ 312,989	\$ -	\$ -	\$ 312,989
Construction in progress	112,570	-	112,570	-
Depreciable Assets:				
Buildings	1,339,648	10,650	-	1,350,298
Equipment	789,674	114,715	-	904,389
Improvements	156,488	17,500	-	173,988
Land Improvements	4,150	308,216	-	312,366
Vehicles	<u>798,970</u>	<u>20,426</u>	<u>-</u>	<u>819,396</u>
Totals at historical cost	3,514,489	471,507	112,570	3,873,426
Less Accumulated Depreciation:				
Buildings	382,323	45,611	-	427,934
Equipment	477,772	41,650	-	519,422
Improvements	50,505	12,125	-	62,630
Land Improvements	726	5,866	-	6,592
Vehicles	<u>228,230</u>	<u>64,449</u>	<u>-</u>	<u>292,679</u>
Total accumulated depreciation	<u>1,139,556</u>	<u>169,701</u>	<u>-</u>	<u>1,309,257</u>
Capital Assets, Net	<u>\$ 2,374,933</u>	<u>\$ 301,806</u>	<u>\$ 112,570</u>	<u>\$ 2,564,169</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
Administration	\$ 29,984
Protection	57,386
Public works	37,933
Solid waste operations	42,556
Recreation	<u>1,842</u>
Total governmental activities depreciation expense	<u>\$ 169,701</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2012, consisted of the following:

Governmental Activities:	<u>Due from</u>	<u>Due to</u>	
General Fund:			
Special Revenue Funds	\$ -	\$ (18,092)	
Major Permanent Fund: D.L. Young Scholarship	16,450	-	
Non-major Permanent Funds	<u>-</u>	<u>(114,854)</u>	
	16,450	(132,946)	\$ (116,496)
Special Revenue Fund:			
General Fund	18,092	-	18,092
Major Permanent Fund: D.L. Young Scholarship:			
General Fund	-	16,450	16,450
Non-major Permanent Funds:			
General Fund	<u>114,854</u>	<u>-</u>	<u>114,854</u>
Net Governmental Activities	<u>\$ 149,396</u>	<u>\$ (149,396)</u>	<u>\$ -</u>

All interfund balances resulted from (1) the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Notes to Financial Statements - Continued

Town of China, Maine

Note E - Interfund Transfers

Interfund transfers for the year ended June 30, 2012 consisted of the following amounts:

Governmental Activities:	<u>Transfers in</u>	<u>Transfers out</u>	
General Fund:			
Special Revenue Funds	\$ ---	\$ (26,200)	
Non-major Permanent Funds	<u> ---</u>	<u> ---</u>	
	---	(26,200)	(26,200)
Special Revenue Fund:			
General Fund	26,200	---	26,200
Non-major Permanent Fund:			
General Fund	<u> ---</u>	<u> ---</u>	<u> ---</u>
Net Governmental Activities	<u>\$ 26,200</u>	<u>\$ (26,200)</u>	<u>\$ ---</u>

Transfers are used to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note F - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
General obligation debt	\$ 231,331	\$ ---	\$ 48,388	\$ 182,943	\$ 32,367
Capital lease obligations	505,098	---	64,235	440,863	68,054
Compensated absences	<u> 100,361</u>	<u> 48,485</u>	<u> 50,808</u>	<u> 98,038</u>	<u> 45,000</u>
Total Governmental	<u>\$ 836,790</u>	<u>\$ 48,485</u>	<u>\$ 163,431</u>	<u>\$ 721,844</u>	<u>\$ 145,421</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note F - Long-Term Liabilities - Continued

The following is a summary of debt outstanding at June 30, 2012:

School Renovation Revolving loan payable to Maine Municipal Bond Bank from 2008, due in annual installments of \$15,766, through March 2018. Interest is stated at 0%. \$ 94,595

Note payable to a financial institution, due in monthly installments of \$1,383 plus interest payment at 5%, through December 2018. 88,348
\$ 182,943

The annual requirements to amortize debt payable are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 32,367	\$ 4,042	\$ 36,409
2014	32,367	3,212	35,579
2015	32,367	2,382	34,749
2016	32,367	1,552	33,919
2017	32,367	722	33,089
2018	<u>21,108</u>	<u>56</u>	<u>21,164</u>
Total Governmental	<u>\$ 182,943</u>	<u>\$ 11,966</u>	<u>\$ 194,909</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note F - Long-Term Liabilities - Continued

Capital Lease Obligations:

The present value of capital lease obligations and future years' minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2013	\$ 84,389
2014	56,749
2015	58,138
2016	59,576
2017	61,064
2018-2020	<u>192,650</u>
	512,566
Less amount representing interest (various rates)	<u>71,703</u>
Obligations under capital leases	<u>\$ 440,863</u>

As of June 30, 2012 the gross amount of fixed assets associated with capital lease obligations was \$0 with accumulated depreciation of \$0. This obligation is included in a receivable for long-term obligations from RSU #18.

Note G - Commitment

The Town has entered into an agreement for support services related to energy efficiency at the school through 2020. Future required payments under the agreement are as follows:

<u>Year ending June 30,</u>	
2013	\$ 3,606
2014	3,714
2015	3,826
2016	3,941
2017	4,059
2018-2020	<u>12,921</u>
	<u>\$ 32,067</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note H - Pension Plan

Maine Public Employees Retirement System

Town employees contribute to the Maine Public Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers, state employees (except as members of the judiciary and legislature who are covered under the Judicial and Legislative Retirement Systems) and political subdivisions.

Benefits vest after five years of service. Employees who retire at or after age sixty with one year of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two percent of the average of their highest three years earnings per year of service. The system also provides death and disability benefits. These benefits provisions and all other requirements are established by state statute.

The System also allows maintenance, support workers, and custodial support staff to participate voluntarily in the System. Participants are required to contribute 6.5% of their annual gross salary to the plan and the district is required to make a contribution based on an historical assessment of the plan by the System. Vesting of benefits occurs after five years of service. Disability, pre-retirement and death benefits are provided under the Town's plan. No cost of living increase is provided under the Town's plan. Upon retirement at or after age sixty, the participant is entitled to an annual retirement benefit of two-percent of the average of their three highest years earnings multiplied by the number of years of credited service. The Town's contribution as a participating local district for the year ended June 30, 2012 was \$25,207

Effective July 1, 1995 the Town's Participating Local District (PLD) joined with other PLD's forming a consolidated PLD. All PLD's that enter the Consolidated Plan cease to be individual sponsors of a "Single - Employer Defined Benefit Pension Plan" and instead become participants in a "Cost-Sharing Multiple - Employer Defined Benefit Pension Plan." As such, the disclosures made by individual PLD's reflect the assets and liabilities under the Consolidated Plan in which the PLD participates and not those of the PLD itself. A complete report is available from the Maine Public Employees Retirement System.

Note I - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, or is effectively self-insured. Currently, the Town carries commercial insurance for any risks of loss to which it may be exposed.

Based on the coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2012.

Notes to Financial Statements - Continued

Town of China, Maine

Note K - Fund Balances

At June 30, 2012, the nonspendable fund balance consisted of the following:

	Permanent <u>Funds</u>
Dinsmore Assistance	\$ 500
Cemetery Care	<u>72,585</u>
	<u>\$ 73,085</u>

At June 30, 2012, the restricted fund balance consisted of the following:

	Permanent <u>Funds</u>	Special <u>Revenues</u>
Dinsmore Assistance	\$ 257	\$ - - -
Cemetery Care	42,269	- - -
CRLA	- - -	3,690
Fuel Assistance Fund	<u>- - -</u>	<u>14,402</u>
	<u>\$ 42,526</u>	<u>\$ 18,092</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note K - Fund Balances - Continued

At June 30, 2012, the assigned general fund balance consisted of the following:

	Balance at <u>7/1/2011</u>	<u>Appropriated</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/2012</u>
State revenue sharing	\$ 32,836	\$ (190,000)	\$ 218,584	\$ -	\$ 61,420
Road assistance	34,361	(62,000)	62,724	-	35,085
Cemeteries purchase	8,945	-	-	-	8,945
Emergency services supplies	5,000	-	-	-	5,000
Bulk storage tank	11,461	-	-	-	11,461
Transfer station furnace	2,700	-	-	-	2,700
Box trailers	10,000	-	-	-	10,000
Revaluation	10,530	-	-	-	10,530
Equipment reserve	120,050	39,000	1,443	21,584	138,909
Compactor reserve	38,280	-	429	-	38,709
Boat launch reserve	1,636	-	18	-	1,654
Thurston Park	4,465	-	50	-	4,515
Growth management reserve	9,007	-	101	-	9,108
Fire department reserve	59,679	6,000	702	-	66,381
Rescue vehicle reserve	19,530	-	219	-	19,749
Sand/salt shed	29,539	-	331	-	29,870
Lake access	121,631	-	1,363	-	122,994
Weeks Mills FD building	7,141	4,709	72	6,114	5,808
Recreation reserve	4,262	686	52	-	5,000
Legal reserve	23,985	2,298	282	-	26,565
Community days	3,316	-	27	1,771	1,572
Rescue reserve	4,916	5,450	86	-	10,452
Planning board	2,977	1,304	41	-	4,322
Dispatching	32,163	1,262	368	-	33,793
PSAP e911	8,581	-	96	-	8,677
South China VFD	75	805	5	-	885
Accrued compensation reserve	<u>15,223</u>	<u>5,000</u>	<u>199</u>	<u>-</u>	<u>20,422</u>
	<u>\$ 622,289</u>	<u>\$ (185,486)</u>	<u>\$ 287,192</u>	<u>\$ 29,469</u>	<u>\$ 694,526</u>

**Schedule of Revenues, Expenditures and Changes in Fund Balance (1 of 4)
Budget and Actual - General Fund**

Town of China, Maine

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Revenues				
Taxes:				
Property taxes	\$ 4,764,170	\$ 4,764,170	\$ 4,752,867	\$ (11,303)
Excise taxes	678,500	678,500	702,391	23,891
Interest and costs on taxes	24,000	24,000	29,000	5,000
Total Taxes	<u>5,466,670</u>	<u>5,466,670</u>	<u>5,484,258</u>	<u>17,588</u>
Intergovernmental:				
State revenue sharing	190,000	190,000	218,584	28,584
Road assistance	62,000	62,000	62,724	724
Homestead reimbursement	77,297	77,297	77,297	-
Education	-	-	-	-
Tax reimbursements and relief	6,830	6,830	15,873	9,043
General assistance	4,000	4,000	-	(4,000)
Efficiency Maine grant	25,000	25,000	25,000	-
DOT Sidewalk grant	-	163,666	163,666	-
RSU debt and capital lease funding	114,880	114,880	114,880	-
Total Intergovernmental	<u>480,007</u>	<u>643,673</u>	<u>678,024</u>	<u>34,351</u>
Other Revenues:				
Interest on investments	30,000	30,000	12,118	(17,882)
Permits and fees	46,000	46,000	60,222	14,222
Miscellaneous revenues	13,150	13,150	116,701	103,551
Solid waste revenues	69,500	69,500	86,387	16,887
Total Other Revenues	<u>158,650</u>	<u>158,650</u>	<u>275,428</u>	<u>116,778</u>
Total Revenues	<u>6,105,327</u>	<u>6,268,993</u>	<u>6,437,710</u>	<u>168,717</u>

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance (2 of 4)
Budget and Actual - General Fund**

Town of China, Maine

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Expenditures				
Administration:				
Administrative payroll costs	\$ 349,966	\$ 349,966	\$ 334,962	\$ 15,004
Administrative expenses	104,500	104,500	105,420	(920)
Planning Board expenses	7,500	7,500	6,196	1,304
Association dues	10,993	10,993	10,834	159
Assessing	35,350	35,350	35,170	180
Computer costs	20,000	20,000	24,526	(4,526)
Legal services	11,500	11,500	9,202	2,298
Insurance and benefits	215,933	215,933	197,041	18,892
Total Administration	755,742	755,742	723,351	32,391
Protection:				
Constable services	23,452	23,452	26,031	(2,579)
Fire departments	60,070	60,070	54,556	5,514
China rescue squad	20,000	20,000	14,550	5,450
Health officer	1,020	1,020	240	780
E-911	19,000	19,000	35,988	(16,988)
Dispatching	25,000	25,000	36,447	(11,447)
Emergency services insurance	15,332	15,332	14,755	577
Total Protection	163,874	163,874	182,567	(18,693)
Public Works:				
Road maintenance	646,664	646,664	642,111	4,553
Street signs	2,500	2,500	592	1,908
Street lights	7,000	7,000	6,015	985
Cemeteries	18,000	18,000	18,060	(60)
Total Public Works	674,164	674,164	666,778	7,386
Solid Waste Operations	280,617	280,617	290,942	(10,325)

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance (3 of 4)
Budget and Actual - General Fund**

Town of China, Maine

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Expenditures - continued				
Community Services:				
General assistance	\$ 16,500	\$ 16,500	\$ 8,966	\$ 7,534
Social service agencies	13,571	13,571	13,571	-
China Historical Society	4,500	4,500	5,488	(988)
South China Library	4,500	4,500	4,500	-
K.V. Humane Society	6,530	6,530	6,793	(263)
Memorial Day/Veteran's markers	5,450	5,450	5,450	-
Total Community Services	51,051	51,051	44,768	6,283
Education:				
RSU Assessment	3,430,558	3,430,558	3,430,558	-
Capital lease obligations	83,092	83,092	83,092	-
Total Education	3,513,650	3,513,650	3,513,650	-
Recreation:				
General recreation	19,950	19,950	18,112	1,838
China community days	2,500	2,500	2,500	-
Total Recreation	22,450	22,450	20,612	1,838
Total County Tax	400,679	400,679	400,071	608
Debt service:				
Principal	47,788	47,788	48,390	(602)
Interest	-	-	4,957	(4,957)
Total Debt Service	47,788	47,788	53,347	(5,559)

See accompanying independent auditors' report.

Schedule of Revenues, Expenditures and Changes in Fund Balance (4 of 4)
Budget and Actual - General Fund

Town of China, Maine

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Expenditures - continued				
Special Projects:				
Equipment replacement	\$ -	\$ -	\$ -	\$ -
One Room School House	-	-	1,547	(1,547)
Oakland Super Park	39,035	39,035	39,035	-
Contingency	45,000	45,000	15,547	29,453
Energy Audit	25,000	25,000	88,710	(63,710)
Project Learning Tree	-	-	535	(535)
Grant expenses	50,000	50,000	32,422	17,578
Transfer station container	8,500	8,500	-	8,500
Weeks Mills fire department building	-	-	-	-
Sidewalk project	-	163,666	161,883	1,783
Total Special Projects	<u>167,535</u>	<u>331,201</u>	<u>339,679</u>	<u>(8,478)</u>
Total Expenditures	<u>6,077,550</u>	<u>6,241,216</u>	<u>6,235,765</u>	<u>5,451</u>
Revenues Over (Under) Expenditures	<u>27,777</u>	<u>27,777</u>	<u>201,945</u>	<u>174,168</u>
Other Financing Sources (Uses)				
Operating transfers out	(26,200)	(26,200)	(26,200)	-
Transfer to assigned fund balances	(50,000)	(50,000)	(50,000)	-
Utilization of unassigned fund balance	176,700	176,700	-	(176,700)
Total Other Financing Sources (Uses)	<u>100,500</u>	<u>100,500</u>	<u>(76,200)</u>	<u>(176,700)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 128,277</u>	<u>\$ 128,277</u>	<u>125,745</u>	<u>\$ (2,532)</u>
Budgetary fund balance at beginning of year			<u>711,963</u>	
Budgetary Fund Balance at End of Year			<u><u>\$ 837,708</u></u>	

See accompanying independent auditors' report.

**Combining Balance Sheet
Other Governmental Funds**

Town of China, Maine

As of June 30, 2012

	<u>Permanent Funds</u>	<u>Special Revenues</u>	<u>Total Other Governmental Funds</u>
Assets			
Cash	\$ 757	\$ -	\$ 757
Accounts receivable	-	-	-
Due from other funds	<u>114,854</u>	<u>18,092</u>	<u>132,946</u>
Total Assets	<u>\$ 115,611</u>	<u>\$ 18,092</u>	<u>\$ 133,703</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	-	-	-
Fund Balances			
Nonspendable	73,085	-	73,085
Restricted	<u>42,526</u>	<u>18,092</u>	<u>60,618</u>
Total Fund Balances	<u>115,611</u>	<u>18,092</u>	<u>133,703</u>
Total Liabilities and Fund Balances	<u>\$ 115,611</u>	<u>\$ 18,092</u>	<u>\$ 133,703</u>

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds**

Town of China, Maine

For the Year Ended June 30, 2012

	<u>CRLA</u>	Fuel Assistance <u>Reserve</u>	<u>Total</u>
Revenues			
Interest	\$ -	\$ 17	\$ 17
Other income	2,500	9,000	11,500
Total Revenues	<u>2,500</u>	<u>9,017</u>	<u>11,517</u>
Expenditures	<u>25,210</u>	<u>120</u>	<u>25,330</u>
Revenues Over (Under) Expenditures	(22,710)	8,897	(13,813)
Other Financing Sources (Uses)			
Operating transfers in	26,200	-	26,200
Operating transfers out	-	-	-
Total Other Sources (Uses)	<u>26,200</u>	<u>-</u>	<u>26,200</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,490	8,897	12,387
Fund balances at beginning of year	<u>200</u>	<u>5,505</u>	<u>5,705</u>
Fund Balances at End of Year	<u>\$ 3,690</u>	<u>\$ 14,402</u>	<u>\$ 18,092</u>

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenses and Changes in Fund Balances
Permanent Funds - Trust Funds**

Town of China, Maine

For the Year Ended June 30, 2012

	<u>Dinsmore Assistance</u>	<u>Cemetery Care</u>	<u>Total</u>
Revenues			
Principal additions	\$ -	\$ -	\$ -
Investment income (loss)	<u>1</u>	<u>1,379</u>	<u>1,380</u>
Total Revenues	1	1,379	1,380
Expenses			
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenses	1	1,379	1,380
Other Financing Sources (Uses)			
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenses and Other Uses	1	1,379	1,380
Fund balances at beginning of year	<u>756</u>	<u>113,475</u>	<u>114,231</u>
Fund Balances at End of Year	<u><u>\$ 757</u></u>	<u><u>\$ 114,854</u></u>	<u><u>\$ 115,611</u></u>

See accompanying independent auditors' report.

Schedule of Valuation, Assessment and Collection of Taxes

Town of China, Maine

For the Year Ended June 30, 2012

Valuation

Real estate		\$ 392,531,600
Personal property		<u>7,818,800</u>
	Total Valuation	<u><u>\$ 400,350,400</u></u>

Assessment

Valuation x Rate - \$400,350,400 x 0.0119	\$ 4,764,170	
Supplemental taxes	<u>9,008</u>	
	Total Assessment Charged to Collector	\$ 4,773,178

Collections and Credits

Cash collections	\$ 4,615,675	
Tax abatements & adjustments	<u>14,802</u>	
	Total Collections and Credits	<u><u>4,630,477</u></u>

2012 Taxes Receivable - June 30, 2012 \$ 142,701

See accompanying independent auditors' report.