

**Financial Statements**

**Town of China, Maine**

**June 30, 2013**

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## Town of China, Maine

June 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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, 2013, 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.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 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 Combining and Individual Fund Statements and Other Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining and Individual Fund Financial Statements and Other Schedules are 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.

  
Professional Association

Portland, Maine  
December 02, 2013

## **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, 2013. 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 \$5.3 million as of June 30, 2013, compared to approximately \$4.6 million as of June 30, 2012.
- The Town's governmental funds General Fund Balance was \$1.7 million as of June 30, 2013, compared to \$1.2 million as of June 30, 2012.

#### **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.

It should be noted here that management is only commenting on the financial condition of the municipal budget. Included in some of the financial information in these statements are numbers that reflect a former association between the town and school budgets. At this time the schools in China are part of a Regional School Unit #18.

#### **Government-wide Financial Statements**

The government-wide financial statements include a Statement of Net Position 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 Position includes all assets and liabilities, with the difference reported as net position. Over time, increases or decreases in the Town's net position is 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 position. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

## **Management's Discussion and Analysis - Continued**

### **Town of China, Maine**

- **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.

#### **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 nonmajor 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 a 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 the statement of net position for the years ended June 30, 2013 and 2012:

	<u>Governmental Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Current and other assets	\$ 3,411,045	\$ 3,116,181	\$ 294,864
Capital assets	<u>2,736,801</u>	<u>2,564,169</u>	<u>172,632</u>
<b>Total Assets</b>	<b>6,147,846</b>	<b>5,680,350</b>	<b>467,496</b>
Long-term liabilities	503,445	576,423	(72,978)
Other liabilities	<u>393,330</u>	<u>481,600</u>	<u>(88,270)</u>
<b>Total Liabilities</b>	<b>896,775</b>	<b>1,058,023</b>	<b>(161,248)</b>
Invested in capital assets, net of related debt	2,213,417	1,940,363	273,054
Restricted	897,292	833,144	64,148
Unrestricted	<u>2,140,362</u>	<u>1,848,820</u>	<u>291,542</u>
<b>Net Position</b>	<b><u>\$ 5,251,071</u></b>	<b><u>\$ 4,622,327</u></b>	<b><u>\$ 628,744</u></b>

There continues to be an increase in the net asset position of the town as has been the case in the last several years. This is indicative of a town in relatively good financial health and one with a consistent long term perspective. The focus on the long term has served the town well as the Select Board and administration have been conservative and responsible in fiscal stewardship. China is a growing municipality; growth has to be managed and understood from a perspective that there will be service demands from residents as this growth continues. The ability to provide the added services demanded, if planned for, will be dependent on the town's relative financial position going forward.

The Select Board manages the town's finances through the Town Manager. The Board manages by involving strategic and operational components. Periodic review of the progress on each component continues throughout the year and has been a tradition for many years. Strategically, the finances are managed to accommodate the changes in the economy and the resulting changes in expenses and revenues. Operationally, the Select Board attempts to put in place some clear financial goals, policies, and tools to implement the strategic plan.

The Select Board is aware that any statement about the net financial position of the town necessarily should have a complimentary statement about other factors indicative of a healthy community financially. The town's property tax base is a stable one, the town's roads, culverts, and ditches are in good condition, and stationary and rolling equipment are also in good condition. The town's buildings are periodically inspected and are all in good condition.

## 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, 2013 and 2012:

	<u>Governmental Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 134,065	\$ 146,608	\$ (12,543)
Operating grants and contributions	79,059	81,581	(2,522)
General revenues			
Taxes	5,725,503	5,484,259	241,244
Intergovernmental	350,890	500,421	(149,531)
Investment	76,683	5,493	71,190
All others	48,293	148,220	(99,927)
<b>Total Revenues</b>	<u>6,414,493</u>	<u>6,366,582</u>	<u>47,911</u>
Expenses:			
Administration	764,396	755,815	8,581
Protection	162,327	239,952	(77,625)
Public works	546,476	610,456	(63,980)
Solid waste operations	271,815	335,329	(63,514)
Community services	105,653	89,693	15,960
Education	3,433,346	3,407,415	25,931
Recreation	20,630	24,225	(3,595)
County tax	369,587	365,820	3,767
Interest on long-term debt	1,747	2,807	(1,060)
Capital outlay	109,772	8,440	101,332
<b>Total Expenses</b>	<u>5,785,749</u>	<u>5,839,952</u>	<u>(54,203)</u>
<b>Change in Net Position</b>	<u>\$ 628,744</u>	<u>\$ 526,630</u>	<u>\$ 102,114</u>

The town's basic functions are grouped and reported in the above multi-year reporting numbers. You will note in the revenue numbers that there might be some sensitivity about the shift in the sources of revenues away from intergovernmental to other sources. Specifically, the stability of the source of funds from State revenue sharing is questionable. The town will need to have a conversation about the sources of revenues and the reliability of each source over the longer term.

In the expense numbers you will note overall, the actual expenses were under budget for the year ending June 30, 2013. The town continues to look for additional efficiencies in all departmental budgets. The change in the net fiscal position is a positive one contributing to a healthier fund balance.

## Management's Discussion and Analysis - Continued

### Town of China, Maine

Digressing, it is understood that growing municipalities like China need to be focused strategically to anticipate fluctuations in the economy and also to understand that the demands of residents in this growth oriented town will need additional staff and capital considerations over time to accommodate that growth. A Brookings Institution report, *Charting Maine's Future*, notes that in municipalities with populations between 2,500 and 6,500, the residents begin to demand more services from their respective towns. Additional police, fire, and recreational offerings are a few of the examples. To oblige those demands, a municipality necessarily has to anticipate the needs and build additional capacity into its staff and infrastructure. The alternative is to not be prepared with all the accompanying issues.

#### 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, 2013 of \$3.1 million. Approximately 31% of this total constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion.

The town has been diligent in trying to hold to a standard of having a balance in the undesignated fund equal to two month's gross expenditures. With due diligence the Select Board has managed to increase the undesignated fund balance to a more desirable level and very close to the standard. Going forward, it appears that by the end of the 2013-14 fiscal year, the standard will have been met.

China has a relatively low debt obligation. In the near future it seems that that the town will continue operations without additional debt obligations. The healthy undesignated/unrestricted fund balance will also relieve pressures to incur additional debt obligations.

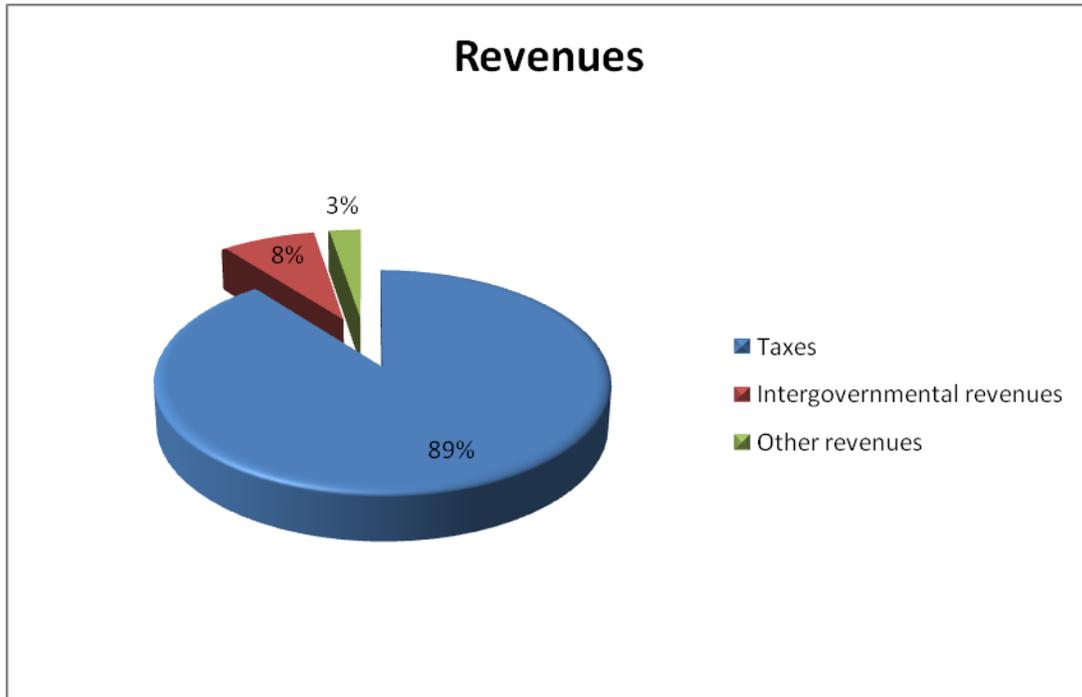
The general fund is the central operating fund of the Town of China, Maine. At the end of the current fiscal year the unassigned fund balance of the general fund was \$915,966. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance 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 reserve fund balances in that several of the capital needs in the future are anticipated by a healthy reserve or unrestricted fund balance, allowing for accommodation of planned and unexpected circumstances by use of these funds if needed. Moreover, China has very little long term indebtedness reflecting strong general fund equity. Stewardship of taxpayer funds is very important to the town officials and officers.

## Management's Discussion and Analysis - Continued

### Town of China, Maine

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

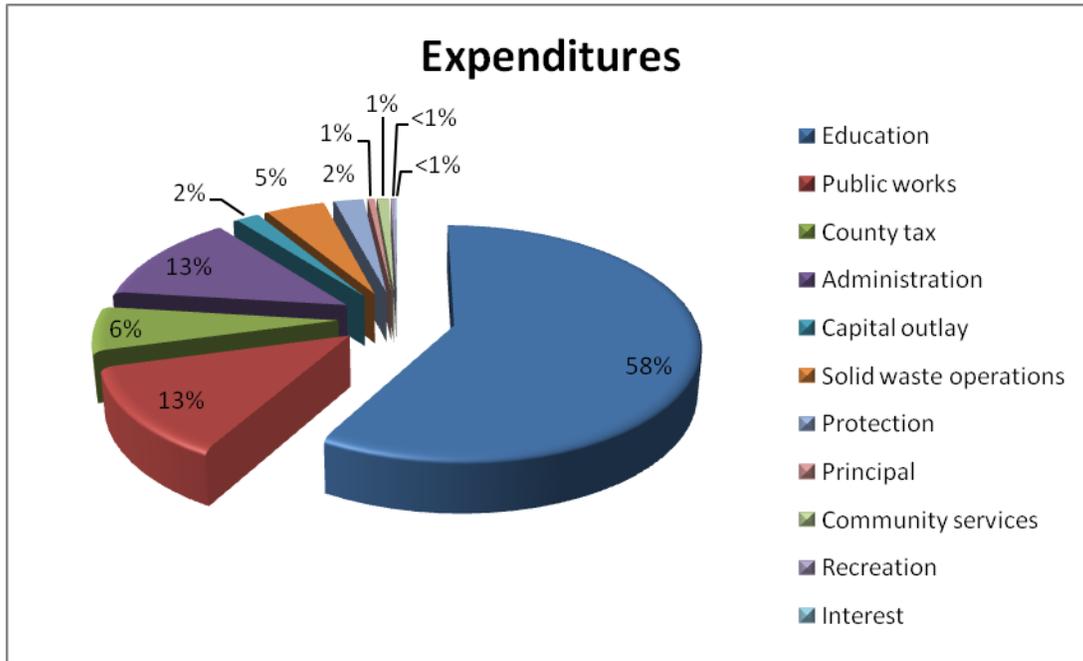


The revenue distribution reflected in the chart above reflects a high dependency on property tax revenues. It is important to note that the town's property tax base is relatively stable. Revenue growth limitations have always been a concern of small communities, including China. Intergovernmental revenues are subject to downward adjustment during tough economic times. It looks as though the State economy is improving and therefore the outlook is a little brighter than it was over the last few years. Other revenues will necessarily need to be considered more seriously if intergovernmental revenues and taxes are not available to accommodate circumstances. Preferably it would be good to have a more diverse group of revenue sources balanced progressively away from taxes and intergovernmental revenues and toward revenues based on the premise that those who create expenses should pay for those expenses.

## 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, transfer station, and the county budgeted numbers equaling approximately ninety percent of the total. China’s capital outlay is also significant in that a town must manage the capital infrastructure proactively. If not, there will be a tendency to incur indebtedness or for the infrastructure to deteriorate. Resource allocation equitably is important yet very difficult as some expenses drive a budget more than others.

#### General Fund Budgetary Highlights

The general fund revenues from certain sources have been unreliable over the last few years, e.g. State revenue sharing distributions. The strengthening of the national and State of Maine economies are encouraging. Some of the larger general fund revenues are derived from property taxes, intergovernmental revenues, excise taxes, Planning Board and CEO fees and transfer station fees. Though relatively stable over time these revenues will not be able to sustain growth over time by themselves. There may need to be a conversation about how to increase revenues outside of the property tax to be able to accommodate growth of the town.

The general fund expenses have also remained relatively flat over the past three or four years corresponding to the national and State of Maine economic circumstances. It will be increasingly difficult to “hold the line” as we move forward as we 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 debt payments annually.

## **Management's Discussion and Analysis - Continued**

### **Town of China, Maine**

#### **Capital Assets**

China's capital assets increased eight percent over the previous year. In the past year the town needed to purchase plowing equipment to complete the plowing for the winter season after a plowing contract was terminated. Traditionally the capital planning process is coordinated with the annual operations budget, allowing for the regular assessment of capital needs as well as the update of a rolling intermediate and long term capital plan. Cash allocations to a capital reserve account in the fund balance are done annually to accommodate capital needs.

#### **Long Term Liabilities**

China has a very low amount of long term liabilities. It does not appear that there will be any additional indebtedness over the near term. The town has a significant undesignated/unrestricted fund balance that will accommodate the small capital needs or unforeseen capital needs in the near term.

#### **Economic Factors and Next Year's Budgets and Rates**

Local, state, and national economic conditions seem to be improving, though slowly. We are anticipating revenues to be stable or to increase slightly. Expenses will be relatively flat except that health insurance premiums and wages will need to be accommodated. Two autonomous budgets could impact the municipal mil rate, the County budget and the RSU#18 budget. The Select Board does not have any authority in those areas of governance.

Central Maine Power Company's Maine Power Reliability Program should add to the town's taxable valuation over the next two years. CMP is upgrading power lines throughout the state and they are working in China at this time. The increased taxable values will serve to stabilize the town's mil rate.

#### **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 Position

### Town of China, Maine

As of June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 2,047,339
Investments	658,701
Accounts receivable	20,418
Taxes receivable	232,949
Receivable for long-term obligations from RSU #18	451,638
Capital assets, net of accumulated depreciation	<u>2,736,801</u>
<b>Total Assets</b>	6,147,846
<b>Liabilities</b>	
Accounts payable	19,970
Payable to RSU #18	142,897
County tax payable	68,648
Prepaid taxes	1,863
Accrued interest payable	12,500
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	43,085
Accrued compensated absences	47,000
Portion due or payable after one year:	
Bonds and notes payable	118,208
Capital lease obligations	329,724
Accrued compensated absences	<u>55,513</u>
<b>Total Liabilities</b>	<u>896,775</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	2,213,417
Restricted	897,292
Unrestricted	<u>2,140,362</u>
<b>Net Position</b>	<u><u>\$ 5,251,071</u></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, 2013

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Administration	\$ 764,396	\$ 67,852	\$ -	\$ (696,544)
Protection	162,327	-	-	(162,327)
Public works	546,476	-	62,724	(483,752)
Solid waste operations	271,815	66,213	-	(205,602)
Community services	105,653	-	-	(105,653)
Education	3,433,346	-	16,335	(3,417,011)
Recreation	20,630	-	-	(20,630)
County tax	369,587	-	-	(369,587)
Interest on long-term debt	1,747	-	-	(1,747)
Capital outlay - special projects	109,772	-	-	(109,772)
<b>Total Governmental Activities</b>	<b>5,785,749</b>	<b>134,065</b>	<b>79,059</b>	<b>(5,572,625)</b>
<b>Total Primary Government</b>	<b>\$ 5,785,749</b>	<b>\$ 134,065</b>	<b>\$ 79,059</b>	<b>(5,572,625)</b>
General revenues:				
Taxes				5,725,503
Intergovernmental				350,890
Miscellaneous				48,293
Interest income				6,571
Change in investment value				70,112
			<b>Total General Revenues</b>	<b>6,201,369</b>
			<b>Change in Net Position</b>	<b>628,744</b>
			Net position at beginning of year	4,622,327
			<b>Net Position at End of Year</b>	<b>\$ 5,251,071</b>

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

## Balance Sheet - Governmental Funds

### Town of China, Maine

As of June 30, 2013

	General	D.L. Young Scholarship	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 1,910,110	\$ 136,471	\$ 758	\$ 2,047,339
Investments	-	658,701	-	658,701
Accounts receivable	20,418	-	-	20,418
Taxes receivable	232,949	-	-	232,949
Due from other funds	32,900	-	134,262	167,162
	<u>2,196,377</u>	<u>795,172</u>	<u>135,020</u>	<u>3,126,569</u>
<b>Total Assets</b>	<b>\$ 2,196,377</b>	<b>\$ 795,172</b>	<b>\$ 135,020</b>	<b>\$ 3,126,569</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 19,970	\$ -	\$ -	\$ 19,970
Accrued wages payable to RSU #18	142,897	-	-	142,897
County tax payable	68,648	-	-	68,648
Prepaid taxes	1,863	-	-	1,863
Amounts held in escrow	25,000	-	-	25,000
Due to other funds	134,262	32,900	-	167,162
Deferred property taxes	105,000	-	-	105,000
	<u>497,640</u>	<u>32,900</u>	<u>-</u>	<u>530,540</u>
<b>Total Liabilities</b>	<b>497,640</b>	<b>32,900</b>	<b>-</b>	<b>530,540</b>
<b>Fund Balances</b>				
Nonspendable				
Permanent funds	-	649,736	73,085	722,821
Restricted				
Permanent funds	-	112,536	43,197	155,733
Special revenue funds	-	-	18,738	18,738
Assigned				
General fund	734,492	-	-	734,492
Unassigned				
General fund	964,245	-	-	964,245
	<u>1,698,737</u>	<u>762,272</u>	<u>135,020</u>	<u>2,596,029</u>
<b>Total Fund Balances</b>	<b>1,698,737</b>	<b>762,272</b>	<b>135,020</b>	<b>2,596,029</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,196,377</b>	<b>\$ 795,172</b>	<b>\$ 135,020</b>	<b>\$ 3,126,569</b>

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

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

**Town of China, Maine**

**As of June 30, 2013**

**Total Fund Balances - Governmental Funds** \$ 2,596,029

Amounts reported for governmental activities in the Statement of  
Net Position is 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: 451,638

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: 2,736,801

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: 105,000

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	\$ (150,575)	
Capital lease obligations	(372,809)	
Accrued interest payable	(12,500)	
Accrued compensated absences	<u>(102,513)</u>	
		<u>(638,397)</u>

**Net Position - Governmental Activities** \$ 5,251,071

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, 2013**

	General	D.L. Young Scholarship	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 5,815,503	\$ -	\$ -	\$ 5,815,503
Intergovernmental revenues	513,769	-	-	513,769
Other revenues	171,340	14,909	2,680	188,929
<b>Total Revenues</b>	<b>6,500,612</b>	<b>14,909</b>	<b>2,680</b>	<b>6,518,201</b>
<b>Expenditures</b>				
Current				
Administration	749,930	-	-	749,930
Protection	136,241	-	-	136,241
Public works	750,616	-	-	750,616
Solid waste operations	277,357	-	-	277,357
Community services	55,900	22,190	27,563	105,653
Education	3,501,400	-	-	3,501,400
Recreation	19,657	-	-	19,657
County tax	369,587	-	-	369,587
Debt service - principal	32,367	-	-	32,367
- interest	4,097	-	-	4,097
Capital outlay - Special projects	109,772	-	-	109,772
<b>Total Expenditures</b>	<b>6,006,924</b>	<b>22,190</b>	<b>27,563</b>	<b>6,056,677</b>
<b>Revenues Over (Under) Expenditures</b>	<b>493,688</b>	<b>(7,281)</b>	<b>(24,883)</b>	<b>461,524</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	26,200	26,200
Operating transfers out	(26,200)	-	-	(26,200)
Change in investment value	-	70,112	-	70,112
<b>Total Other Financing Sources (Uses)</b>	<b>(26,200)</b>	<b>70,112</b>	<b>26,200</b>	<b>70,112</b>
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>467,488</b>	<b>62,831</b>	<b>1,317</b>	<b>531,636</b>
Fund balances at beginning of year	1,231,249	699,441	133,703	2,064,393
<b>Fund Balances at End of Year</b>	<b>\$ 1,698,737</b>	<b>\$ 762,272</b>	<b>\$ 135,020</b>	<b>\$ 2,596,029</b>

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, 2013**

**Net Change in Fund Balances - Total Governmental Funds** \$ 531,636

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

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 current year change in deferred property tax revenue reported in the governmental funds and not in the statement of activities is: (90,000)

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	\$ 393,066	
Depreciation expense	<u>(220,434)</u>	172,632

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 . (83,820)

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 Position. 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 Position. 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	32,367	
Reductions in capital lease obligations	<u>68,054</u>	100,421

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	(4,475)	
Change in accrued interest payable	<u>2,350</u>	<u>(2,125)</u>

**Change in Net Position of Governmental Activities** \$ 628,744

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, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 5,693,327	\$ 5,693,327	\$ 5,815,503	\$ 122,176
Intergovernmental revenues	449,605	449,605	513,769	64,164
Other revenues	146,150	146,150	168,432	22,282
<b>Total Revenues</b>	<b>6,289,082</b>	<b>6,289,082</b>	<b>6,497,704</b>	<b>208,622</b>
<b>Expenditures</b>				
Current				
Administration	791,389	791,389	743,356	48,033
Protection	166,144	166,144	135,765	30,379
Public works	687,682	687,682	691,130	(3,448)
Solid waste operations	279,965	279,965	277,357	2,608
Community services	50,657	50,657	55,900	(5,243)
Education	3,668,400	3,668,400	3,543,400	125,000
Recreation	23,450	23,450	19,375	4,075
County tax	402,846	402,846	403,861	(1,015)
Debt service - principal	32,766	32,766	32,367	399
- interest	-	-	4,097	(4,097)
Capital outlay - Special projects	134,035	134,035	83,698	50,337
<b>Total Expenditures</b>	<b>6,237,334</b>	<b>6,237,334</b>	<b>5,990,306</b>	<b>247,028</b>
<b>Revenues Over (Under) Expenditures</b>	<b>51,748</b>	<b>51,748</b>	<b>507,398</b>	<b>455,650</b>
<b>Other Financing Sources (Uses)</b>				
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	142,200	142,200	-	(142,200)
Utilization of assigned fund balance	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>66,000</b>	<b>66,000</b>	<b>(76,200)</b>	<b>(142,200)</b>
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ 117,748</b>	<b>\$ 117,748</b>	<b>431,198</b>	<b>\$ 313,450</b>
Budgetary fund balance at beginning of year			<u>837,708</u>	
<b>Budgetary Fund Balance at End of Year</b>			<u><b>\$ 1,268,906</b></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 Selectboard - 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 position 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. 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. Currently, the Town has no business-type activities.

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 position. 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 August 13, 2012, on the assessed value listed as of April 1, 2012, for all real and personal property located in the Town. Taxes were due September 28, 2012, and March 30, 2013. Interest on unpaid taxes commenced on September 29, 2012 and March 31, 2013, 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 \$117,748 for the year ended June 30, 2013.

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 Position**

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 position* - 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 asset positions 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 A - Summary of Significant Accounting Policies - Continued

##### New Accounting Pronouncement

During the year ended June 30, 2013, the Town implemented Governmental Accounting Standards Board Statement (GASBS) No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Asset Position*. Balances reported in net asset position were not changed with the implementation of the new standard.

#### 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, 2013, the carrying amount of the Town's deposits was \$2,047,339, and the bank balance was \$2,122,738. 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, 2013 \$706,175 of the Town's bank balance of \$2,112,738 was exposed to credit risk as follows:

Uncollateralized	<u>\$ 61,292</u>
Collateralized with securities held by the pledging financial institution	<u>\$ 644,883</u>

##### 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, 2013, 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	\$ 150,664	\$ ---	\$ 30,278	\$ 120,386	\$ ---
Common stock	422,997	422,997	---	---	---
Mutual funds	<u>85,040</u>	<u>85,040</u>	<u>---</u>	<u>---</u>	<u>---</u>
	<u>\$ 658,701</u>	<u>\$ 508,037</u>	<u>\$ 30,278</u>	<u>\$ 120,386</u>	<u>\$ ---</u>

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note B - Cash and Investments - Continued

##### 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, 2013 the Town had no investments subject to custodial credit risk.

##### 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, 2013, the Town had the following credit quality distribution in debt securities:

<u>Standard &amp; Poor Rating</u>	<u>Fair Value</u>
A	\$ <u>150,664</u>
Total debt securities	\$ <u>150,664</u>

##### Concentration of Credit Risk

The Town does not have an investment policy on concentration of credit risk. At June 30, 2013, the Town held the following corporate bonds which represented greater than 5% of total investments held; \$47,268 of AT&T Incorporated.

## 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, 2013, follows:

<b>Governmental Activities:</b>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Non-Depreciable Assets:				
Land	\$ 312,989	\$ ---	\$ ---	\$ 312,989
Construction in progress	---	2,600	---	2,600
Depreciable Assets:				
Buildings	1,350,298	16,978	---	1,367,276
Equipment	904,389	48,439	---	952,828
Improvements	173,988	20,888	---	194,876
Land Improvements	312,366	234,161	---	546,527
Vehicles	<u>819,396</u>	<u>70,000</u>	---	<u>889,396</u>
Totals at historical cost	3,873,426	393,066	---	4,266,492
Less Accumulated Depreciation:				
Buildings	427,934	45,934	---	473,868
Equipment	519,422	45,547	---	564,969
Improvements	62,630	9,845	---	72,475
Land Improvements	6,592	50,891	---	57,483
Vehicles	<u>292,679</u>	<u>68,217</u>	---	<u>360,896</u>
Total accumulated depreciation	<u>1,309,257</u>	<u>220,434</u>	---	<u>1,529,691</u>
Capital Assets, Net	<u>\$ 2,564,169</u>	<u>\$ 172,632</u>	<u>\$ ---</u>	<u>\$ 2,736,801</u>

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
Administration	\$ 31,962
Protection	57,726
Public works	86,510
Solid waste operations	43,263
Recreation	<u>973</u>
Total governmental activities depreciation expense	<u>\$ 220,434</u>

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2013, consisted of the following:

<b>Governmental Activities:</b>	<u>Due from</u>	<u>Due to</u>	
General Fund:			
Special Revenue Funds	\$     - - -	\$   (18,738)	
Major Permanent Fund: D.L. Young Scholarship	32,900	- - -	
Non-major Permanent Funds	<u>      - - -</u>	<u>  (115,524)</u>	
	32,900	(134,262)	\$ (101,362)
Special Revenue Fund:			
General Fund	18,738	- - -	18,738
Major Permanent Fund: D.L. Young Scholarship:			
General Fund	- - -	(32,900)	(32,900)
Non-major Permanent Funds:			
General Fund	<u>      115,524</u>	<u>      - - -</u>	<u>      115,524</u>
<b>Net Governmental Activities</b>	<u>\$  167,162</u>	<u>\$ (167,162)</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, 2013 consisted of the following amounts:

<b>Governmental Activities:</b>	<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>
<b>Net Governmental Activities</b>	<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, 2013, was as follows:

<b>Governmental Activities:</b>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
General obligation debt	\$    182,942	\$            - - -	\$     32,367	\$    150,575	\$     32,367
Capital lease obligations	440,863	- - -	68,054	372,809	43,085
Compensated absences	<u>98,038</u>	<u>50,586</u>	<u>46,111</u>	<u>102,513</u>	<u>47,000</u>
Total Governmental	<u>\$    721,843</u>	<u>\$     50,586</u>	<u>\$    146,532</u>	<u>\$    625,897</u>	<u>\$    122,452</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, 2013:

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%.

\$ 78,829

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

71,746  
\$ 150,575

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>
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>21,107</u>	<u>56</u>	<u>21,163</u>
Total Governmental	<u>\$ 150,575</u>	<u>\$ 7,924</u>	<u>\$ 158,499</u>

#### 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>	
2014	\$ 56,749
2015	58,138
2016	59,576
2017	61,064
2018	62,604
2019-2020	<u>130,045</u>
	428,176
Less amount representing interest (various rates)	<u>55,367</u>
Obligations under capital leases	<u>\$ 372,809</u>

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note F - Long-Term Liabilities - Continued

The lease obligations represent fixed assets owned by the school department. The Town is obligated to make these lease payments. These obligations are 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>	
2014	\$ 3,714
2015	3,826
2016	3,941
2017	4,059
2018	4,180
2019-2020	<u>8,741</u>
	<u>\$ 28,461</u>

#### 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.

## **Notes to Financial Statements - Continued**

### **Town of China, Maine**

#### **Note H - Pension Plan - Continued**

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, 2013 was \$28,227.

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, 2013.



## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note K - Fund Balances

At June 30, 2013, 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, 2013, the restricted fund balance consisted of the following:

	Permanent <u>Funds</u>	Special <u>Revenues</u>
Dinsmore Assistance	\$ 258	\$ - - -
Cemetery Care	42,939	- - -
CRLA	- - -	4,716
Fuel Assistance Fund	<u>- - -</u>	<u>14,022</u>
	<u>\$ 43,197</u>	<u>\$ 18,738</u>

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note K - Fund Balances - Continued

At June 30, 2013, the assigned general fund balance consisted of the following:

	Balance at <u>7/1/2012</u>	<u>Appropriated</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/2013</u>
<i>Carryforwards:</i>					
State revenue sharing	\$ 61,420	\$ (200,000)	\$ 239,164	\$ ---	\$ 100,584
Road assistance	35,085	(62,000)	62,724	---	35,809
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
<i>Other Reserves:</i>					
China Village Volunteer FD	---	8,723	23	---	8,746
Equipment reserve	138,909	39,000	619	85,560	92,968
Compactor reserve	38,709	---	207	---	38,916
Boat launch reserve	1,654	---	9	---	1,663
Thurston Park	4,515	---	24	---	4,539
Growth management reserve	9,108	---	49	---	9,157
Fire Department reserve	66,381	6,000	372	---	72,753
Rescue vehicle reserve	19,749	---	106	---	19,855
Sand/salt shed	29,870	---	160	---	30,030
Lake access	122,994	---	659	---	123,653
Weeks Mills FD building	5,808	70	31	---	5,909
Recreation reserve	5,000	---	---	---	5,000
Legal reserve	26,565	---	125	6,574	20,116
Community days	1,572	---	8	282	1,298
Rescue reserve	10,452	10,499	84	---	21,035
Planning Board	4,322	2,217	29	---	6,568
Dispatching	33,793	18,553	231	---	52,577
PSAP e911	8,677	---	45	476	8,246
South China VFD	885	---	5	---	890
Accrued compensation reserve	20,422	5,000	122	---	25,544
	<u>\$ 694,526</u>	<u>\$ (171,938)</u>	<u>\$ 304,796</u>	<u>\$ 92,892</u>	<u>\$ 734,492</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, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 4,985,827	\$ 4,985,827	\$ 5,075,157	\$ 89,330
Excise taxes	683,500	683,500	710,111	26,611
Interest and costs on taxes	24,000	24,000	30,235	6,235
<b>Total Taxes</b>	<u>5,693,327</u>	<u>5,693,327</u>	<u>5,815,503</u>	<u>122,176</u>
Intergovernmental:				
State revenue sharing	200,000	200,000	239,164	39,164
Road assistance	62,000	62,000	62,724	724
Homestead reimbursement	80,264	80,264	80,264	-
Education	-	-	-	-
Tax reimbursements and relief	4,186	4,186	11,237	7,051
General assistance	3,000	3,000	-	(3,000)
Efficiency Maine grant	-	-	20,225	20,225
RSU debt and capital lease funding	100,155	100,155	100,155	-
<b>Total Intergovernmental</b>	<u>449,605</u>	<u>449,605</u>	<u>513,769</u>	<u>64,164</u>
Other Revenues:				
Interest on investments	15,000	15,000	6,571	(8,429)
Permits and fees	46,000	46,000	67,852	21,852
Miscellaneous revenues	13,150	13,150	27,796	14,646
Solid waste revenues	72,000	72,000	66,213	(5,787)
<b>Total Other Revenues</b>	<u>146,150</u>	<u>146,150</u>	<u>168,432</u>	<u>22,282</u>
<b>Total Revenues</b>	<u>6,289,082</u>	<u>6,289,082</u>	<u>6,497,704</u>	<u>208,622</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, 2013**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
Administration:				
Administrative payroll costs	\$ 359,283	\$ 359,283	\$ 357,272	\$ 2,011
Administrative expenses	107,300	107,300	107,538	(238)
Planning Board expenses	8,200	8,200	5,983	2,217
Association dues	11,517	11,517	11,394	123
Assessing	47,500	47,500	21,614	25,886
Computer costs	20,000	20,000	19,930	70
Legal services	11,500	11,500	11,500	-
Insurance and benefits	226,089	226,089	208,125	17,964
<b>Total Administration</b>	<b>791,389</b>	<b>791,389</b>	<b>743,356</b>	<b>48,033</b>
Protection:				
Constable services	23,092	23,092	14,917	8,175
Fire departments	65,700	65,700	56,908	8,792
China rescue squad	17,000	17,000	10,499	6,501
Health officer	1,020	1,020	460	560
E-911	19,000	19,000	19,000	-
Dispatching	25,000	25,000	21,919	3,081
Emergency services insurance	15,332	15,332	12,062	3,270
<b>Total Protection</b>	<b>166,144</b>	<b>166,144</b>	<b>135,765</b>	<b>30,379</b>
Public Works:				
Road maintenance	658,182	658,182	658,182	-
Street signs	2,500	2,500	2,184	316
Street lights	7,000	7,000	6,230	770
Cemeteries	20,000	20,000	24,534	(4,534)
<b>Total Public Works</b>	<b>687,682</b>	<b>687,682</b>	<b>691,130</b>	<b>(3,448)</b>
<b>Solid Waste Operations</b>	<b>279,965</b>	<b>279,965</b>	<b>277,357</b>	<b>2,608</b>

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, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Expenditures - continued</b>				
Community Services:				
General assistance	\$ 14,500	\$ 14,500	\$ 19,782	\$ (5,282)
Social service agencies	15,575	15,575	15,575	-
China Historical Society	6,000	6,000	5,961	39
South China Library	4,500	4,500	4,500	-
K.V. Humane Society	6,882	6,882	6,882	-
Memorial Day/Veteran's markers	3,200	3,200	3,200	-
<b>Total Community Services</b>	<b>50,657</b>	<b>50,657</b>	<b>55,900</b>	<b>(5,243)</b>
Education:				
RSU Assessment	3,584,011	3,584,011	3,459,011	125,000
Capital lease obligations	84,389	84,389	84,389	-
<b>Total Education</b>	<b>3,668,400</b>	<b>3,668,400</b>	<b>3,543,400</b>	<b>125,000</b>
Recreation:				
General recreation	20,950	20,950	16,875	4,075
China community days	2,500	2,500	2,500	-
<b>Total Recreation</b>	<b>23,450</b>	<b>23,450</b>	<b>19,375</b>	<b>4,075</b>
<b>Total County Tax</b>	<b>402,846</b>	<b>402,846</b>	<b>403,861</b>	<b>(1,015)</b>
Debt service:				
Principal	32,766	32,766	32,367	399
Interest	-	-	4,097	(4,097)
<b>Total Debt Service</b>	<b>32,766</b>	<b>32,766</b>	<b>36,464</b>	<b>(3,698)</b>

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, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Expenditures - continued</b>				
Special Projects:				
Equipment replacement	\$ -	\$ -	\$ -	\$ -
One Room School House	-	-	152	(152)
Oakland Super Park	39,035	39,035	38,515	520
Contingency	45,000	45,000	45,000	-
Project Learning Tree	-	-	31	(31)
Grant expenses	50,000	50,000	-	50,000
<b>Total Special Projects</b>	<u>134,035</u>	<u>134,035</u>	<u>83,698</u>	<u>50,337</u>
<b>Total Expenditures</b>	<u>6,237,334</u>	<u>6,237,334</u>	<u>5,990,306</u>	<u>247,028</u>
<b>Revenues Over (Under) Expenditures</b>	51,748	51,748	507,398	455,650
<b>Other Financing Sources (Uses)</b>				
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	142,200	142,200	-	(142,200)
<b>Total Other Financing Sources (Uses)</b>	66,000	66,000	(76,200)	(142,200)
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	\$ 117,748	\$ 117,748	431,198	\$ 313,450
Budgetary fund balance at beginning of year			<u>837,708</u>	
<b>Budgetary Fund Balance at End of Year</b>			<u>\$ 1,268,906</u>	

See accompanying independent auditors' report.

**Combining Balance Sheet  
Other Governmental Funds**

**Town of China, Maine**

**As of June 30, 2013**

	<u>Permanent Funds</u>	<u>Special Revenues</u>	<u>Total Other Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 758	\$ -	\$ 758
Accounts receivable	-	-	-
Due from other funds	<u>115,524</u>	<u>18,738</u>	<u>134,262</u>
<b>Total Assets</b>	<u>\$ 116,282</u>	<u>\$ 18,738</u>	<u>\$ 135,020</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Liabilities</b>	-	-	-
<b>Fund Balances</b>			
Nonspendable	73,085	-	73,085
Restricted	<u>43,197</u>	<u>18,738</u>	<u>61,935</u>
<b>Total Fund Balances</b>	<u>116,282</u>	<u>18,738</u>	<u>135,020</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 116,282</u>	<u>\$ 18,738</u>	<u>\$ 135,020</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, 2013**

	<u>CRLA</u>	Fuel Assistance <u>Reserve</u>	<u>Total</u>
<b>Revenues</b>			
Interest	\$ -	\$ 9	\$ 9
Other income	-	2,000	2,000
<b>Total Revenues</b>	<u>-</u>	<u>2,009</u>	<u>2,009</u>
<b>Expenditures</b>	<u>25,174</u>	<u>2,389</u>	<u>27,563</u>
<b>Revenues Over (Under) Expenditures</b>	(25,174)	(380)	(25,554)
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	26,200	-	26,200
Operating transfers out	-	-	-
<b>Total Other Sources (Uses)</b>	<u>26,200</u>	<u>-</u>	<u>26,200</u>
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	1,026	(380)	646
Fund balances at beginning of year	<u>3,690</u>	<u>14,402</u>	<u>18,092</u>
<b>Fund Balances at End of Year</b>	<u>\$ 4,716</u>	<u>\$ 14,022</u>	<u>\$ 18,738</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, 2013**

	<u>Dinsmore Assistance</u>	<u>Cemetery Care</u>	<u>Total</u>
<b>Revenues</b>			
Principal additions	\$ -	\$ -	\$ -
Investment income (loss)	<u>1</u>	<u>670</u>	<u>671</u>
<b>Total Revenues</b>	1	670	671
<b>Expenses</b>			
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues Over (Under) Expenses</b>	1	670	671
<b>Other Financing Sources (Uses)</b>			
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues and Other Sources Over (Under) Expenses and Other Uses</b>	1	670	671
Fund balances at beginning of year	<u>757</u>	<u>114,854</u>	<u>115,611</u>
<b>Fund Balances at End of Year</b>	<u><u>\$ 758</u></u>	<u><u>\$ 115,524</u></u>	<u><u>\$ 116,282</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, 2013

### Valuation

Real estate	\$ 397,236,000
Personal property	<u>8,115,800</u>

**Total Valuation** \$ 405,351,800

### Assessment

Valuation x Rate - \$405,351,800 x 0.01230	\$ 4,985,827
Supplemental taxes	<u>5,177</u>

**Total Assessment Charged to Collector** \$ 4,991,004

### Collections and Credits

Cash collections	\$ 4,920,647
Tax abatements & adjustments	<u>5,449</u>

**Total Collections and Credits** 4,926,096

**2013 Taxes Receivable - June 30, 2013** \$ 64,908

See accompanying independent auditors' report.