

Financial Statements

Town of China, Maine

June 30, 2015

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Town of China, Maine

June 30, 2015

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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, 2015, 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.

Auditors' 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 from 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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 3, the Schedule of the Town's Proportionate Share of the Net Pension Liability on page 40, the Schedule of Town Contributions on page 41, and the Notes to the Schedules on page 42 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.

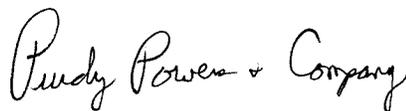
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of China, Maine's basic financial statements. The introductory section, combining and individual nonmajor financial 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 nonmajor fund financial statements 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Implementation of New Accounting Standards

As disclosed in Note A to the financial statements, the Town of China implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015.


Professional Association

Portland, Maine
November 05, 2015

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, 2015. 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 \$5.9 million as of June 30, 2015, compared to approximately \$5.7 million (before a prior period adjustment) as of June 30, 2014.
- The Town's governmental funds General Fund Balance was \$2.0 million as of June 30, 2015, compared to \$1.9 million as of June 30, 2014.
- Historical and prospective analysis and dynamics of a municipality can portray information surrounding municipal management's framework for decision making. It usually can be a benchmark to determine if the municipality is meeting its stated objectives in its strategic plan. The increase in town assets and increase in the General Fund Balance informs us of an improved financial position.

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 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.

- 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 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 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, 2015 and 2014:

	<u>Governmental Activities</u>		
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current and other assets	\$ 3,809,478	\$ 3,699,582	\$ 109,896
Capital assets	<u>2,907,429</u>	<u>2,803,543</u>	<u>103,886</u>
Total Assets	<u>6,716,907</u>	<u>6,503,125</u>	<u>213,782</u>
Deferred outflows related to pensions	<u>25,972</u>	<u>-</u>	<u>25,972</u>
Total Deferred Outflows	<u>25,972</u>	<u>-</u>	<u>25,972</u>
Long-term liabilities	406,576	408,931	(2,355)
Other liabilities	<u>366,144</u>	<u>353,271</u>	<u>12,873</u>
Total Liabilities	<u>772,720</u>	<u>762,202</u>	<u>10,518</u>
Deferred inflows related to pensions	<u>90,045</u>	<u>-</u>	<u>90,045</u>
Total Deferred Inflows	<u>90,045</u>	<u>-</u>	<u>90,045</u>
Net investment in capital assets	2,557,897	2,375,466	182,431
Restricted	1,016,644	976,163	40,481
Unrestricted	<u>2,305,573</u>	<u>2,389,294</u>	<u>(83,721)</u>
Net Position	<u>\$ 5,880,114</u>	<u>\$ 5,740,923</u>	<u>\$ 139,191</u>

Comparative data is not available for the year ending June 30, 2014 related to deferred outflows, deferred inflows and net pension liability due to the pension accounting change required by GASBS No. 68 and 71. (See Note H.)

- Is China better or worse off as a result of the year's activities? The current year's activities reflect a substantial increase in the net position of the town, an indicator that the town's financial health is improving in the current year and over time. Considered with the town's stable tax base, and the good condition of town roads and other infrastructure, the overall health financial health assessment is good for China. It seems appropriate to suggest continuation of the current policies to continue to improve on the town's net position going forward. Net assets of the town governmental activities increased by 2.4 percent, \$5,880,114 compared to \$5,740,923. Unrestricted assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal obligations changed from a \$2,389,294 surplus at 06/30/2014 to a \$2,305,573 surplus at 06/30/2015.

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, 2015 and 2014:

	<u>Governmental Activities</u>		
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 109,864	\$ 124,003	\$ (14,139)
Operating grants and contributions	69,326	72,760	(3,434)
General revenues			
Taxes	6,529,705	5,977,936	551,769
Intergovernmental	270,060	259,372	10,688
Investment	20,957	91,932	(70,975)
All others	34,733	139,987	(105,254)
Total Revenues	<u>7,034,645</u>	<u>6,665,990</u>	<u>368,655</u>
Expenses:			
Administration	795,655	816,319	(20,664)
Protection	220,179	220,617	(438)
Public works	727,092	546,190	180,902
Solid waste operations	249,129	316,334	(67,205)
Community services	104,462	107,894	(3,432)
Education	4,189,415	3,677,653	511,762
Recreation	29,200	19,522	9,678
County tax	372,515	376,046	(3,531)
Interest on long-term debt	(247)	1,707	(1,954)
Capital outlay	58,765	93,856	(35,091)
Total Expenses	<u>6,746,165</u>	<u>6,176,138</u>	<u>570,027</u>
Change in Net Position	<u>\$ 288,480</u>	<u>\$ 489,852</u>	<u>\$ (201,372)</u>

- All of China's basic services are reported above with appropriations mostly derived from property taxes, intergovernmental appropriations and charges for services. This report focuses on how money flows into and out of those funds and the balances at year-end that are available for spending. You will note above that the majority of increased revenues comes from taxes and that the majority of increased expenses is driven by increased education costs. Municipal expenditures have remained relatively stable over time and have not contributed to the increase in the mil rate. The municipal budget has achieved a high degree of efficiency in operations because of a long term perspective in budgeting.

Management's Discussion and Analysis - Continued

Town of China, Maine

- The town's total revenues, excluding special items, increased by 5.5 percent, \$368,655. The total cost of all programs and services, except education, was virtually stable with not any new programs added this year. Even with this low growth in expenditures the town was able to cover this year's costs.

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, 2015 of \$3.0 million. Approximately 45% of this total constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion.

- The town's unreserved and undesignated fund balances are very healthy based on recommended ratios from entities knowledgeable about financial best management practices, e.g. bond rating agencies (Standard and Poor's) and multi-municipal organizations (International City/County Management Association and the Maine Municipal Association).
- The town's financing requirements have been a topic of conversation in financial planning sessions over time. Sufficient liquid resources are available for spending if the need arises. A long term perspective on operational and capital needs has proven to be beneficial. The town does not have any long-term indebtedness relating solely to municipal operations.

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 \$1,380,382. 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.

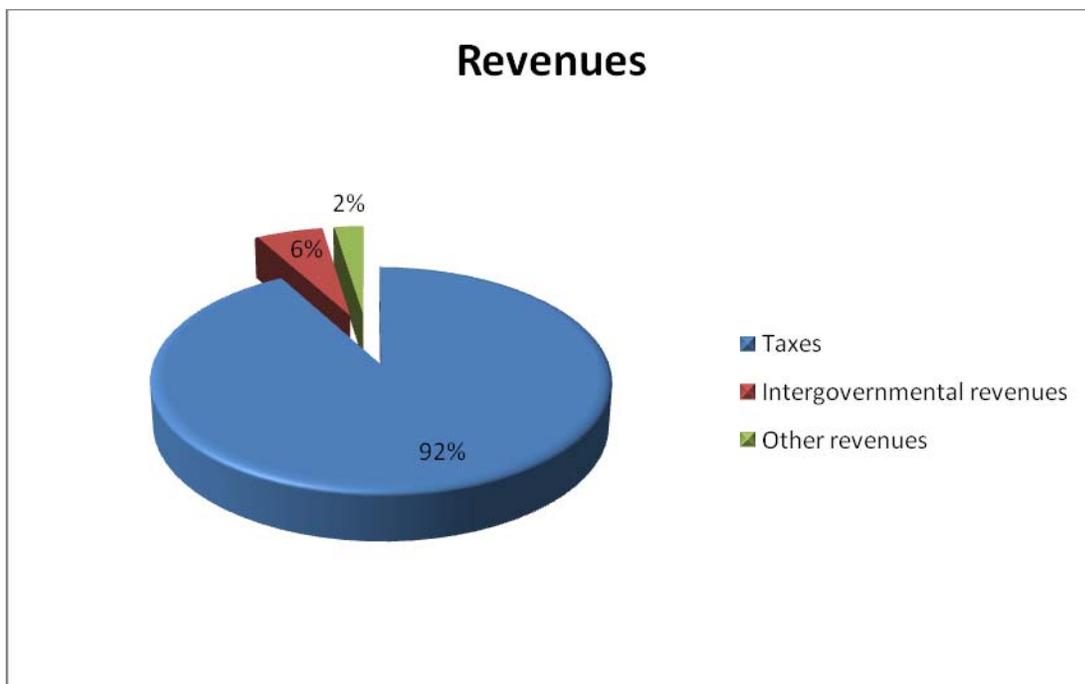
- All of the town's basic services are reported in the general fund. The financials measure cash and all other financial assets that can be readily converted to cash. The information noted should help you determine whether there are more or fewer financial resources that can be spent in the near future to finance the town's programs. The ending fund balance for China is indicative of a very strong financial position in both reserved and unreserved balances.
- The town maintains a highly liquid position, with cash on hand and other assets that are readily converted to cash. The town's unreserved fund balance has been steadily increasing over the past few years and has become a greater percentage when compared to total fund expenditures. The increase in this percentage indicates that the town is able to sustain itself if unforeseen circumstances present financial demands over a certain period of time.

Management's Discussion and Analysis - Continued

Town of China, Maine

- From an additional perspective and at the end of the current fiscal year, the town of China maintains the recommended and appropriate ratio of unassigned fund balance to total/gross operational expenditures. This is a result of a proactive management approach to municipal finance. Continuing to be mindful of the need for sufficient funds in this part of the general fund will serve the town positively over time.

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

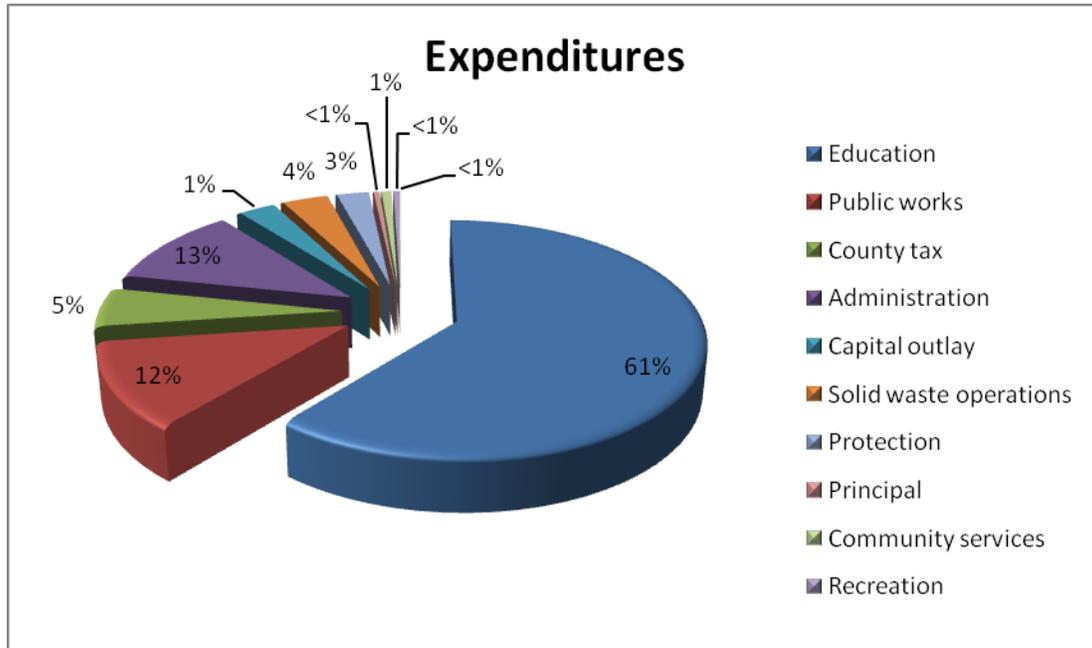


- As you note here, the main/largest revenue source for China, and for most municipalities, is the property tax. A broader based design of revenue sources or an adjusted balance away from property taxes and toward other revenues would be a positive step and deserving of consideration by voters and policy setters and administration going forward.
- Credit ratings are based on how diverse and stable a tax base is in a given municipality. Intergovernmental revenues are not very dependable and so too are "other revenues" subject to local political circumstances; local governing Boards may not be able to implement fee based structures for services provided.
- The town maintains a relatively low mil rate and has strived to balance the need for additional demanded services with the resources provided through the various revenue sources available.

Management's Discussion and Analysis - Continued

Town of China, Maine

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



You will note here that the highest expense categories are education, administration, public works and the county tax. The education assessment is one derived from an independent Regional School Unit #18 and has been the single highest expense for decades. Recently the education budget has increased and been the sole reason for the mil rate increasing. The municipal budget has been stable for the last few years, decreasing as a percentage of the total tax bill for the last two years and becoming less of a financial burden to property owners.

General Fund Budgetary Highlights

- Appropriations (expenditures) were in line with the final budget amounts. The most significant positive variances occurred in the town's transfer station budget and administration line items, where the programs promoting the increase in recycling resulted in a reduction in the tipping fees for the disposal of MSW and a shift in the scope of work of the administrative staff realized reduced overall wages.
- On the other hand, resources available for appropriation were \$155,573 above the final budgeted amount. Increases in intergovernmental funding and higher than expected motor vehicle excise tax collections accounted for most of the increase.

Management's Discussion and Analysis - Continued

Town of China, Maine

- The town's general fund is a healthy one best financial management practices have been observed by the town's elected officials. Budgetary review is done periodically by the town's Budget Committee and Select Board.

Capital Assets

- At the end of the current fiscal year, the town had significant amounts of funds invested in a broad range of capital assets, including public works equipment, transfer station equipment, police and fire department equipment and buildings and roads, etc. Please see the following breakdown in capital assets from 2014 year end to 2015 year end, net of depreciation. This year's ending amount represents a net increase of \$103,886, or 3.7 percent over last year.

Table – Capital Assets at Year-end (Net of Depreciation, in Thousands)	2014	2015
	\$2,803,543	\$2,907,429

This year's major additions included the purchase of a new snow plowing vehicle and an addition to the town's transfer station recycling building.

- The town's fiscal-year 2016 capital budget calls for it to spend another \$175,000 for capital projects, principally for the replacement of a plow truck and digital sign for the town office. The town does not plan to issue debt to finance these items; on the contrary, it intends to use money in the reserve accounts in the fund balance. More detailed information about the town's capital assets is presented on page 19 of these financial statements.

Long Term Liabilities

- The greater amounts of long term liabilities reported in these financial statements are associated with the relationship with RSU#18 when the entity was formed and include a bond and note payable, capital lease obligations, and accrued interest payable. The long term liabilities associated with the RSU#18 relationships are also listed as receivables to the town from the RSU#18.
- The town, other than those items noted immediately above, has long term liabilities for accrued compensated balances and net pension liability associated with employees and benefits.

Management's Discussion and Analysis - Continued

Town of China, Maine

Economic Factors and Next Year's Budgets and Rates

- The town's elected and appointed officials considered many factors when setting the 2016 fiscal-year budget, tax rates, and fees that will be charged for the for the business-type activities. The education and county budgets are, to a great extent outside of the local official's influence though have a propensity to impact the tax rate.
- Municipal expenditures have remained stable for the last few years as a result of increased efficiencies in operations. Infrastructure maintenance and improvements have been considerations in budget deliberations.
- Municipal revenues have mostly been dependent on the property taxes and motor vehicle excise taxes. A broader base of revenues would serve the town positively if officials considered alternative sources. Intergovernmental revenue flows have not been reliable for the past few years and will have to be covered by property tax increases if the intergovernmental revenues are further decreased.
- Material items either having been realized or to be anticipated are:
 1. The town has been successful with a 20 year Tax Incremental Financing District and Development Program driven by a substantial power-line improvement/upgrade, during the 20 year period the town is projected to allocate \$5.2 million to economic development projects;
 2. A Municipal Solid Waste Agreement matures in 2018 and a new Agreement will have to be negotiated for post 2018 disposal of MSW and that is currently being considered;
 3. The town has continually been mindful of capital maintenance and improvement and has endeavored to support a capital improvement/replacement account in the fund balance and anticipates a substantial allocation to that account in the upcoming budget to remain current in the capital improvement/replacement cycles.
 4. Looking ahead, the town is well positioned financially without any China municipal indebtedness and the town does not anticipate the need for indebtedness in the financing of capital or projects. Conservative fiscal policies with a long term planning perspective have served the town well over the years. Emergency service needs for building and site development and equipment replacement will be a topic of conversation in the years ahead. Appropriate consideration will be given to the financing of any initiatives.

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 or e-mail the Town Manager at danl@chinamaine.org. 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, 2015

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,469,840
Investments	748,594
Accounts receivable	53,292
Taxes receivable	206,909
Receivable for long-term obligations from RSU #18	330,843
Capital assets, net of accumulated depreciation	2,907,429
Total Assets	<u>6,716,907</u>
Deferred Outflows	
Deferred outflows related to pension	25,972
Total Deferred Outflows	<u>25,972</u>
Liabilities	
Accounts payable	131,232
Payable to RSU #18	58,897
Prepaid taxes	6,907
Accrued interest payable	9,300
Amounts held in escrow	25,000
Long-term liabilities:	
Portion due or payable within one year:	
Bond and note payable	32,367
Capital lease obligations	49,441
Accrued compensated absences	53,000
Portion due or payable after one year:	
Bond and note payable	33,619
Capital lease obligations	234,105
Accrued compensated absences	58,081
Net pension liability	80,771
Total Liabilities	<u>772,720</u>
Deferred Inflows	
Deferred inflows related to pension	90,045
Total Deferred Inflows	<u>90,045</u>
Net Position	
Net investment in capital assets	2,557,897
Restricted	1,016,644
Unrestricted	2,305,573
Net Position	<u>\$ 5,880,114</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, 2015

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Changes in Net Position
				Governmental Activities
Governmental Activities:				
Administration	\$ 795,655	\$ 47,813	\$ -	\$ (747,842)
Protection	220,179	-	-	(220,179)
Public works	727,092	-	54,200	(672,892)
Solid waste operations	249,129	62,051	-	(187,078)
Community services	104,462	-	-	(104,462)
Education	4,189,415	-	11,960	(4,177,455)
Recreation	29,200	-	-	(29,200)
County tax	372,515	-	-	(372,515)
Interest on long-term debt	(247)	-	-	247
Capital outlay - special projects	58,765	-	3,166	(55,599)
Total Governmental Activities	6,746,165	109,864	69,326	(6,566,975)
General revenues:				
				6,529,705
Taxes				270,060
Intergovernmental				21,122
Miscellaneous				7,444
Interest income				20,957
Change in investment value				6,167
Gain (loss) on disposal of capital assets				
		Total General Revenues		6,855,455
			Change in Net Position	288,480
			Net position at beginning of year, previously stated	5,740,923
			Prior period adjustment	(149,289)
			Net position at beginning of year, as restated	5,591,634
		Net Position at End of Year	\$	5,880,114

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

Balance Sheet - Governmental Funds

Town of China, Maine

As of June 30, 2015

	General	D.L. Young Scholarship	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 2,344,974	\$ 124,866	\$ -	\$ 2,469,840
Investments	-	748,594	-	748,594
Accounts receivable	53,292	-	-	53,292
Taxes receivable	206,909	-	-	206,909
Due from other funds	13,284	-	135,508	148,792
	<u>2,618,459</u>	<u>873,460</u>	<u>135,508</u>	<u>3,627,427</u>
Total Assets	\$ 2,618,459	\$ 873,460	\$ 135,508	\$ 3,627,427
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 131,232	\$ -	\$ -	\$ 131,232
Accrued wages payable to RSU #18	58,897	-	-	58,897
Prepaid taxes	6,907	-	-	6,907
Amounts held in escrow	25,000	-	-	25,000
Due to other funds	135,508	13,284	-	148,792
	<u>357,544</u>	<u>13,284</u>	<u>-</u>	<u>370,828</u>
Total Liabilities	357,544	13,284	-	370,828
Deferred Inflows of Resources				
Unavailable revenue - property taxes	180,000	-	-	180,000
	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>180,000</u>
Total Deferred Inflows of Resources	180,000	-	-	180,000
Fund Balances				
Nonspendable				
Permanent funds	-	649,736	73,085	722,821
Restricted				
General fund	20,960	-	-	20,960
Permanent funds	-	210,440	44,577	255,017
Special revenue funds	-	-	17,846	17,846
Assigned				
General fund	679,573	-	-	679,573
Unassigned				
General fund	1,380,382	-	-	1,380,382
	<u>2,080,915</u>	<u>860,176</u>	<u>135,508</u>	<u>3,076,599</u>
Total Fund Balances	2,080,915	860,176	135,508	3,076,599
Total Liabilities, Deferred Inflows of Resources, and Fund Balances				
	<u>\$ 2,618,459</u>	<u>\$ 873,460</u>	<u>\$ 135,508</u>	<u>\$ 3,627,427</u>

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, 2015

Total Fund Balances - Governmental Funds \$ 3,076,599

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: 330,843

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: 2,907,429

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 unavailable revenue - property taxes in the governmental
funds as a deferred inflow is: 180,000

The following deferred outflows below are not current assets or financial
resources and the following deferred inflows are not current liabilities due
and payable in the current period and therefore are not reported in the
Balance Sheet:

Deferred outflows related to pension	\$ 25,972	
Deferred inflows related to pension	(90,045)	
		(64,073)

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:

Bond and note payable	(65,986)	
Capital lease obligations	(283,546)	
Accrued interest payable	(9,300)	
Accrued compensated absences	(111,081)	
Net pension liability	(80,771)	
		(550,684)

Net Position - Governmental Activities \$ 5,880,114

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, 2015

	General	D.L. Young Scholarship	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 6,539,705	\$ -	\$ -	\$ 6,539,705
Intergovernmental revenues	398,164	-	-	398,164
Other revenues	<u>173,430</u>	<u>16,517</u>	<u>3,649</u>	<u>193,596</u>
Total Revenues	7,111,299	16,517	3,649	7,131,465
Expenditures				
Current				
Administration	768,301	-	-	768,301
Protection	173,150	-	-	173,150
Public works	815,741	-	-	815,741
Solid waste operations	246,218	-	-	246,218
Community services	52,860	20,532	31,070	104,462
Education	4,235,593	-	-	4,235,593
Recreation	33,877	-	-	33,877
County tax	372,515	-	-	372,515
Debt service - principal	32,367	-	-	32,367
- interest	1,403	-	-	1,403
Capital outlay - special projects	<u>198,215</u>	<u>-</u>	<u>-</u>	<u>198,215</u>
Total Expenditures	<u>6,930,240</u>	<u>20,532</u>	<u>31,070</u>	<u>6,981,842</u>
Revenues Over (Under) Expenditures	181,059	(4,015)	(27,421)	149,623
Other Financing Sources (Uses)				
Operating transfers in	-	-	30,000	30,000
Operating transfers out	(30,000)	-	-	(30,000)
Change in investment value	<u>-</u>	<u>20,957</u>	<u>-</u>	<u>20,957</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>20,957</u>	<u>30,000</u>	<u>20,957</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	151,059	16,942	2,579	170,580
Fund balances at beginning of year	<u>1,929,856</u>	<u>843,234</u>	<u>132,929</u>	<u>2,906,019</u>
Fund Balances at End of Year	<u>\$ 2,080,915</u>	<u>\$ 860,176</u>	<u>\$ 135,508</u>	<u>\$ 3,076,599</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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 170,580

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 unavailable revenue - property tax revenue reported in the governmental funds and not in the statement of activities is: (10,000)

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	\$ 414,889	
Depreciation expense	<u>(265,170)</u>	149,719

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. (61,944)

Governmental funds report the sale of capital assets as revenues. However, in the Statement of Activities, the sale of those assets is recognized as a gain or loss, depending on the sale and accumulated depreciation amounts. This is the amount by which the gain on sale of capital assets differed from capital asset sale revenue in the current period:

Capital asset sale revenues	(52,000)	
Gain on sale of capital assets	<u>6,167</u>	(45,833)

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>46,178</u>	78,545

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	1,318	
Change in accrued interest payable	1,650	
Adjustment to pension expense	<u>4,445</u>	<u>7,413</u>

Change in Net Position of Governmental Activities **\$ 288,480**

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Taxes	\$ 6,427,631	\$ 6,427,631	\$ 6,539,705	\$ 112,074
Intergovernmental revenues	381,386	381,386	398,164	16,778
Other revenues	130,450	130,450	157,171	26,721
Total Revenues	<u>6,939,467</u>	<u>6,939,467</u>	<u>7,095,040</u>	<u>155,573</u>
Expenditures				
Current				
Administration	816,675	816,675	763,917	52,758
Protection	169,704	169,704	162,597	7,107
Public works	730,512	730,512	787,077	(56,565)
Solid waste operations	281,528	281,528	246,218	35,310
Community services	50,295	50,295	49,891	404
Education	4,277,593	4,277,593	4,277,593	-
Recreation	24,450	24,450	24,450	-
County tax	407,662	407,662	406,913	749
Debt service - principal	32,367	32,367	32,367	-
- interest	399	399	399	-
Capital outlay - special projects	139,035	139,035	91,207	47,828
Total Expenditures	<u>6,930,220</u>	<u>6,930,220</u>	<u>6,842,629</u>	<u>87,591</u>
Revenues Over (Under) Expenditures	9,247	9,247	252,411	243,164
Other Financing Sources (Uses)				
Operating transfers out	(30,000)	(30,000)	(30,000)	-
Transfer to assigned fund balances	(86,000)	(86,000)	(86,000)	-
Utilization of unassigned fund balance	156,200	156,200	-	(156,200)
Total Other Financing Sources (Uses)	<u>40,200</u>	<u>40,200</u>	<u>(116,000)</u>	<u>(156,200)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 49,447	\$ 49,447	136,411	\$ 86,964
Budgetary fund balance at beginning of year			<u>1,441,422</u>	
Budgetary Fund Balance at End of Year			<u>\$ 1,577,833</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. 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, deferred inflows of resources, 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.

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 are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

Notes to Financial Statements - Continued

Town of China, Maine

Note A - Summary of Significant Accounting Policies - Continued

Long-Term Obligations - Continued

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until that time. The Town has one item that meets this criterion, deferred pensions, which is reported in the statement of financial position.

In addition to liabilities, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resource, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item, unavailable revenue, which results from property taxes, which arises under the modified accrual basis of accounting that qualifies for reporting in this category and is reported in the governmental funds balance sheet. The Town also has one type of item, deferred pensions, which is reported in the statement of financial position.

Revenue Recognition - Property Taxes

The Town's property tax for the current year was levied October 21, 2014, on the assessed value listed as of April 1, 2014, for all real and personal property located in the Town. Taxes were due September 30, 2014, and March 31, 2015. Interest on unpaid taxes commenced on October 1, 2014 and April 1, 2015, 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 \$49,447 for the year ended June 30, 2015.

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

Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note H and the required supplementary information beginning on page 40), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Maine Public Employees Retirement System (MainePERS). The net pension liability is measured as of the Town's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Participating Local District (PLD) Consolidation Plan and additions to/deductions from PLD Consolidation Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidation Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Government-wide Fund Net Position

Government-wide net position is divided into three components:

Net investment in capital assets - 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 asset position that is 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.

Notes to Financial Statements - Continued

Town of China, Maine

Note A - Summary of Significant Accounting Policies - Continued

Government-wide Fund Net Position - Continued

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.

New Accounting Pronouncements

During the year ended June 30, 2015, the Town implemented Governmental Accounting Standards Board Statement (GASBS) No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. See Notes H and M for balances restated due to the new pronouncements.

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, 2015, the carrying amount of the Town's deposits was \$2,469,840 and the bank balance was \$2,479,856. 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, 2015 \$683,620 of the Town's bank balance of \$2,479,856 was exposed to credit risk as follows:

Uncollateralized	<u>\$ 68,656</u>
Collateralized with securities held by the pledging financial institution	<u>\$ 614,964</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, 2015, 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	\$ 149,032	\$ -	\$ -	\$ 60,982	\$ 88,050
Common stock	531,408	531,408	-	-	-
Mutual funds	<u>68,154</u>	<u>68,154</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 748,594</u>	<u>\$ 599,562</u>	<u>\$ -</u>	<u>\$ 60,982</u>	<u>\$ 88,050</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, 2015 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

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, 2015, the Town had the following credit quality distribution in debt securities:

<u>Standard & Poor Rating</u>	<u>Fair Value</u>
AA	\$ 15,026
A	<u>134,006</u>
Total debt securities	<u>\$ 149,032</u>

Note C - Capital Assets

A summary of capital asset transactions for the year ended June 30, 2015, 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	15,895	5,650	15,895	5,650
Depreciable Assets:				
Buildings	1,377,497	46,975	-	1,424,472
Equipment	952,828	30,221	-	983,049
Improvements	213,945	-	-	213,945
Land Improvements	834,750	156,488	-	991,238
Vehicles	<u>889,396</u>	<u>191,450</u>	<u>55,000</u>	<u>1,025,846</u>
Totals at historical cost	4,597,300	430,784	70,895	4,957,189
Less Accumulated Depreciation:				
Buildings	534,971	43,619	-	578,590
Equipment	614,486	48,787	-	663,273
Improvements	82,155	10,444	-	92,599
Land Improvements	128,949	86,168	-	215,117
Vehicles	<u>433,196</u>	<u>76,152</u>	<u>9,167</u>	<u>500,181</u>
Total accumulated depreciation	<u>1,793,757</u>	<u>265,170</u>	<u>9,167</u>	<u>2,049,760</u>
Capital Assets, Net	<u>\$ 2,803,543</u>	<u>\$ 165,614</u>	<u>\$ 61,728</u>	<u>\$ 2,907,429</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note C - Capital Assets - Continued

Depreciation expense was charged to the following functions:

Governmental Activities:

Administration	\$ 32,952
Protection	60,829
Public works	124,340
Solid waste operations	46,076
Recreation	<u>973</u>
Total governmental activities depreciation expense	<u>\$ 265,170</u>

Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2015, consisted of the following:

Governmental Activities:	<u>Due from</u>	<u>Due to</u>	
General Fund:			
Special Revenue Funds	\$ -	\$ (17,846)	
Major Permanent Fund: D.L. Young Scholarship	13,284	-	
Non-major Permanent Funds	<u>-</u>	<u>(117,662)</u>	
	13,284	(135,508)	\$ (122,224)
Special Revenue Fund:			
General Fund	17,846	-	17,846
Major Permanent Fund: D.L. Young Scholarship:			
General Fund	-	(13,284)	(13,284)
Non-major Permanent Funds:			
General Fund	<u>117,662</u>	<u>-</u>	<u>117,662</u>
Net Governmental Activities	<u>\$ 148,792</u>	<u>\$ (148,792)</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, 2015 consisted of the following amounts:

Governmental Activities:	<u>Transfers in</u>	<u>Transfers out</u>	
General Fund:			
Special Revenue Funds	\$ -	\$ (30,000)	
Non-major Permanent Funds	<u>-</u>	<u>-</u>	
	-	(30,000)	\$ (30,000)
Special Revenue Fund:			
General Fund	30,000	-	30,000
Non-major Permanent Fund:			
General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Net Governmental Activities	<u>\$ 30,000</u>	<u>\$ (30,000)</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, 2015, was as follows:

Governmental Activities:	Beginning			Ending	Amounts
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Due within</u>
					<u>One Year</u>
General obligation debt	\$ 98,353	\$ -	\$ 32,367	\$ 65,986	\$ 32,367
Capital lease obligations	329,724	-	46,178	283,546	49,441
Net pension liability	167,483	-	86,712	80,771	-
Compensated absences	<u>112,399</u>	<u>47,665</u>	<u>48,983</u>	<u>111,081</u>	<u>53,000</u>
Total Governmental	<u>\$ 707,959</u>	<u>\$ 47,665</u>	<u>\$ 214,240</u>	<u>\$ 541,384</u>	<u>\$ 134,808</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, 2015:

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%.

\$ 47,297

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

18,689

\$ 65,986

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>
2016	\$ 32,367	\$ 1,552	\$ 33,919
2017	17,854	91	17,945
2018	<u>15,765</u>	<u>-</u>	<u>15,765</u>
Total Governmental	<u>\$ 65,986</u>	<u>\$ 1,643</u>	<u>\$ 67,629</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>	
2016	\$ 59,576
2017	61,064
2018	62,604
2019	64,198
2020	<u>65,848</u>
	313,290
Less amount representing interest (various rates)	<u>29,744</u>
Obligations under capital leases	<u>\$ 283,546</u>

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.

Notes to Financial Statements - Continued

Town of China, Maine

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>	
2016	\$ 3,941
2017	4,059
2018	4,180
2019	4,306
2020	4,435
	<u>\$ 20,921</u>

Note H - Pension Plan

Plan Description

The Town provides pension benefits to eligible employees through cost sharing multiple-employer defined benefit pension plans (pension plans) administered by the Maine Public Employees Retirement System (MainePERS) and is part of the Participating Local District (PLD) Consolidation Plan. Permanent Town employees working full time are included in the pension plan. MainePERS issues a publicly available financial report that can be obtained on the MainePERS website.

Benefits Provided

MainePERS provides retirement, disability, and death benefits to plan members. Retirement benefits are vested after five years of services. Employees who retire at or after age sixty or sixty-five (depending on their normal retirement age) 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. Cost of living increases are available for services rendered after July 1, 2008. The maximum annual increase is 3%.

Disability benefits may be available if an employee participating in the plan becomes mentally or physically disabled while in MainePERS-covered service and is permanently unable to perform the duties of his/her position. The amount of the disability benefit is either 66 2/3% or 59% of the average final compensation, depending on the date the employee was hired.

Ordinary death benefits are available if death occurs before retirement. Beneficiaries can receive either a lump-sum refund of the employee's contributions and interest or a monthly benefit. If death occurs as a result of an injury while working or while the employee is working, accidental death benefits are also available.

Notes to Financial Statements - Continued

Town of China, Maine

Note H - Pension Plan - Continued

Contributions

Contribution requirements are set by the MainePERS Board of Trustees. Participants were required to contribute 7.0% of their annual gross salary to the plan and the Town is required to contribute 7.8% for the year ended June 30, 2015. Contributions to the pension plan from the Town were \$15,830 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of \$80,771 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2014, the Town's proportion was 0.052489% which was a decrease of 0.001843% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$11,385. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,142	\$ -
Net difference between projected and actual earnings on pension plan investments	-	85,784
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	4,261
Town contributions subsequent to the measurement date	15,830	-
	<u>\$ 25,972</u>	<u>\$ 90,045</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

Notes to Financial Statements - Continued

Town of China, Maine

Note H - Pension Plan - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Of the amount reported as a deferred outflow of resources related to pensions resulting from Town contributions subsequent to the measurement date, \$15,830 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>		
2016	\$	(19,485)
2017		(19,485)
2018		(19,487)
2019		(21,446)

Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3.5%
Salary increases	3.5% plus merit component based on employee's years of service	
Investment rate of return		7.25%
COLA	3.12% through 2014 then 2.55% thereafter	

Mortality rates were based on the sex distinct RP-2000 Combined Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actual experience study for the period July 1, 2005 through June 30, 2010.

Notes to Financial Statements - Continued

Town of China, Maine

Note H - Pension Plan - Continued

Actuarial assumptions - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	20%	5.2%
International equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	<u>25%</u>	0.0%
	<u>100%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from Towns will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Financial Statements - Continued

Town of China, Maine

Note H - Pension Plan - Continued

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 251,981	\$ 80,771	\$ (62,340)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MainePERS financial statements. The plan's fiduciary net position has been determined on the same basis as that used by the plan.

457 Plan

For employee's who do not qualify for the PLD Consolidation Plan through MainePERS, the Town offers a deferred compensation plan created in accordance with Internal Revenue Code section 457. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan offers a matching contribution equal to the greater of the MainePERS contribution for the PLD Consolidation Plan (7.8% for the year ended June 30, 2015) or 7%.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. All assets are protected from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plans.

The Town's contribution to the retirement plan was \$12,449 for the year ended June 30, 2015.

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, 2015.

Notes to Financial Statements - Continued

Town of China, Maine

Note J - Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Budgetary Basis:

Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 136,411
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Sources/inflows of resources reconciling items:

Interest income allocated to assigned balances not included in general fund operating budget	2,206
Miscellaneous income allocated to assigned balances not included in general fund operating budget	14,053

Uses/outflows of resources reconciling items:

The Town budgets for County Taxes on a cash basis, however on the modified accrual basis these amounts have been expensed when incurred	34,398
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The Town budgets for accrued wages payable to RSU #18 on a cash basis, however on the modified accrual basis these amounts have been expensed when incurred	42,000
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The Town does not budget to use assigned fund balance amounts which have been expended during the current year (See Note K):	
Reserve expenditures	(164,009)

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>86,000</u>
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Generally Accepted Accounting Principles Basis:

Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 151,059</u>
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Notes to Financial Statements - Continued

Town of China, Maine

Note K - Fund Balances

At June 30, 2015, the nonspendable fund balance consisted of the following:

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

At June 30, 2015, the restricted fund balance consisted of the following:

	General Fund	Permanent Funds	Special Revenues
Holiday Giving	\$ 960	\$ -	\$ -
Police Vehicle	20,000	-	-
Dinsmore Assistance	-	258	-
Cemetery Care	-	44,319	-
CRLA	-	-	140
Fuel Assistance Fund	<u>-</u>	<u>-</u>	<u>16,106</u>
	<u>\$ 20,960</u>	<u>\$ 44,577</u>	<u>\$ 16,246</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note K - Fund Balances - Continued

At June 30, 2015, the assigned general fund balance consisted of the following:

	Balance at <u>7/1/2014</u>	<u>Appropriated</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/2015</u>
<i>Carryforwards:</i>					
State revenue sharing	\$ 117,144	\$ (142,000)	\$ 157,283	\$ -	\$ 132,427
Road assistance	21,089	(59,000)	54,200	16,289	-
Cemeteries purchase	8,945	-	-	8,339	606
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
Project Learning Tree	8,585	-	-	157	8,428
<i>Other Reserves:</i>					
China Village Volunteer FD	22	156	-	-	178
Equipment reserve	135,141	75,000	431	142,113	68,459
Compactor reserve	39,109	-	166	-	39,275
Boat launch reserve	1,671	-	7	-	1,678
Thurston Park	3,939	-	445	4,384	-
Growth management reserve	9,203	-	39	-	9,242
Fire Department reserve	50,370	6,000	227	-	56,597
Sand/salt shed	23,652	-	97	1,500	22,249
Lake access	122,815	-	521	-	123,336
Weeks Mills FD building	6,009	166	25	-	6,200
Recreation reserve	11,618	-	48	519	11,147
Legal reserve	14,300	6,965	75	-	21,340
Community days	2,481	-	13,628	8,908	7,201
Rescue reserve	20,728	3,889	96	-	24,713
Planning Board	8,000	(34)	34	-	8,000
Dispatching	55,952	-	235	579	55,608
PSAP e911	7,538	-	31	517	7,052
South China VFD	5,798	-	13	5,489	322
Accrued compensation reserve	30,683	5,000	141	-	35,824
	<u>\$ 744,483</u>	<u>\$ (103,858)</u>	<u>\$ 227,742</u>	<u>\$ 188,794</u>	<u>\$ 679,573</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note L - Expenditures Over Appropriations

The following appropriations were exceeded by actual expenditures:

		<u>Excess</u>
Road Maintenance	\$	33,482

Note M - Prior Period Adjustment

The Town implemented GASBS No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASBS No. 27)*, in the year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (June 30, 2014). As a result, a prior period adjustment of \$149,289 was made to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability.

The restatement of beginning net position of the governmental activities is summarized as follows:

Governmental Activities:

Net Pension Liability as of Measurement Date (June 30, 2013)	\$	(167,483)
Deferred Outflows (Employer contributions made during year ending June 30, 2014)		<u>18,194</u>
Total Prior Period Adjustment		<u>\$ (149,289)</u>

Note N - Subsequent Event

Subsequent to year end, the Town of China was approved for a Municipal Tax Increment Financing (TIF) District and Development Program. The term of the TIF District will be 20 years beginning July 1, 2015 and ending June 30, 2035. During the time period, the Town is projected to allocate \$5.2 million to develop and maintain recreational trails, improve the water quality of China Lake, and various economic development initiatives within the Town, as approved by the Maine Department of Economic and Community Development.

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$ 5,708,131	\$ 5,708,131	\$ 5,698,504	\$ (9,627)
Excise taxes	695,500	695,500	812,046	116,546
Interest and costs on taxes	24,000	24,000	29,155	5,155
Total Taxes	<u>6,427,631</u>	<u>6,427,631</u>	<u>6,539,705</u>	<u>112,074</u>
Intergovernmental:				
State revenue sharing	142,000	142,000	157,283	15,283
Road assistance	59,000	59,000	54,200	(4,800)
Homestead reimbursement	98,520	98,520	98,520	-
Tax reimbursements and relief	4,962	4,962	11,091	6,129
General assistance	3,000	3,000	-	(3,000)
Lake projects	-	-	3,166	3,166
RSU debt and capital lease funding	73,904	73,904	73,904	-
Total Intergovernmental	<u>381,386</u>	<u>381,386</u>	<u>398,164</u>	<u>16,778</u>
Other Revenues:				
Interest on investments	13,500	13,500	7,444	(6,056)
Permits and fees	44,500	44,500	47,813	3,313
Miscellaneous revenues	12,950	12,950	39,864	26,914
Solid waste revenues	59,500	59,500	62,050	2,550
Total Other Revenues	<u>130,450</u>	<u>130,450</u>	<u>157,171</u>	<u>26,721</u>
Total Revenues	<u>6,939,467</u>	<u>6,939,467</u>	<u>7,095,040</u>	<u>155,573</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Expenditures				
Administration:				
Administrative payroll costs	\$ 373,150	\$ 373,150	\$ 361,875	\$ 11,275
Administrative expenses	106,600	106,600	101,005	5,595
Planning Board expenses	2,363	2,363	776	1,587
Association dues	12,317	12,317	11,913	404
Assessing	47,500	47,500	29,018	18,482
Computer costs	23,000	23,000	13,333	9,667
Legal services	12,500	12,500	5,535	6,965
Insurance and benefits	239,245	239,245	240,462	(1,217)
Total Administration	816,675	816,675	763,917	52,758
Protection:				
Constable services	25,446	25,446	25,446	-
Fire departments	65,204	65,204	64,882	322
China rescue squad	16,000	16,000	12,111	3,889
Health officer	1,072	1,072	105	967
E-911	19,500	19,500	19,500	-
Dispatching	26,500	26,500	26,500	-
Emergency services insurance	15,982	15,982	14,053	1,929
Total Protection	169,704	169,704	162,597	7,107
Public Works:				
Road maintenance	698,012	698,012	747,782	(49,770)
Street signs	2,500	2,500	692	1,808
Street lights	7,000	7,000	7,264	(264)
Cemeteries	23,000	23,000	31,339	(8,339)
Total Public Works	730,512	730,512	787,077	(56,565)
Solid Waste Operations	281,528	281,528	246,218	35,310

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures - continued				
Community Services:				
General assistance	\$ 14,500	\$ 14,500	\$ 14,640	\$ (140)
Social service agencies	12,863	12,863	12,863	-
China Historical Society	6,000	6,000	5,456	544
South China Library	4,500	4,500	4,500	-
Albert Church Brown Library	4,500	4,500	4,500	-
K.V. Humane Society	6,982	6,982	6,982	-
Memorial Day/Veteran's markers	950	950	950	-
Total Community Services	50,295	50,295	49,891	404
Education:				
RSU Assessment	4,219,455	4,219,455	4,219,455	-
Capital lease obligations	58,138	58,138	58,138	-
Total Education	4,277,593	4,277,593	4,277,593	-
Recreation:				
General recreation	21,950	21,950	21,950	-
China community days	2,500	2,500	2,500	-
Total Recreation	24,450	24,450	24,450	-
Total County Tax	407,662	407,662	406,913	749
Debt service:				
Principal	32,367	32,367	32,367	-
Interest	399	399	399	-
Total Debt Service	32,766	32,766	32,766	-

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures - continued				
Special Projects:				
Equipment replacement	\$ -	\$ -	\$ -	\$ -
One Room School House	-	-	3,704	(3,704)
Oakland Super Park	39,035	39,035	37,923	1,112
Contingency	45,000	45,000	45,000	-
Docks	-	-	202	(202)
Project Learning Tree	-	-	157	(157)
Grant expenses	55,000	55,000	4,221	50,779
Total Special Projects	<u>139,035</u>	<u>139,035</u>	<u>91,207</u>	<u>47,828</u>
Total Expenditures	<u>6,930,220</u>	<u>6,930,220</u>	<u>6,842,629</u>	<u>87,591</u>
Revenues Over (Under) Expenditures	9,247	9,247	252,411	243,164
Other Financing Sources (Uses)				
Operating transfers out	(30,000)	(30,000)	(30,000)	-
Transfer to assigned fund balances	(86,000)	(86,000)	(86,000)	-
Utilization of unassigned fund balance	156,200	156,200	-	(156,200)
Total Other Financing Sources (Uses)	40,200	40,200	(116,000)	(156,200)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 49,447	\$ 49,447	136,411	\$ 86,964
Budgetary fund balance at beginning of year			<u>1,441,422</u>	
Budgetary Fund Balance at End of Year			<u>\$ 1,577,833</u>	

See accompanying independent auditors' report.

**Combining Balance Sheet
Other Governmental Funds**

Town of China, Maine

As of June 30, 2015

	<u>Permanent Funds</u>	<u>Special Revenues</u>	<u>Total Other Governmental Funds</u>
Assets			
Cash	\$ -	\$ -	\$ -
Due from other funds	<u>117,662</u>	<u>17,846</u>	<u>135,508</u>
Total Assets	<u>\$ 117,662</u>	<u>\$ 17,846</u>	<u>\$ 135,508</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>44,577</u>	<u>17,846</u>	<u>62,423</u>
Total Fund Balances	<u>117,662</u>	<u>17,846</u>	<u>135,508</u>
Total Liabilities and Fund Balances	<u>\$ 117,662</u>	<u>\$ 17,846</u>	<u>\$ 135,508</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, 2015

	<u>CRLA</u>	Fuel Assistance <u>Reserve</u>	<u>Total</u>
Revenues			
Interest	\$ -	\$ 9	\$ 9
Other income	1,500	1,500	3,000
Total Revenues	<u>1,500</u>	<u>1,509</u>	<u>3,009</u>
Expenditures	<u>30,038</u>	<u>1,032</u>	<u>31,070</u>
Revenues Over (Under) Expenditures	(28,538)	477	(28,061)
Other Financing Sources (Uses)			
Operating transfers in	30,000	-	30,000
Operating transfers out	-	-	-
Total Other Sources (Uses)	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,462	477	1,939
Fund balances at beginning of year	<u>278</u>	<u>15,629</u>	<u>15,907</u>
Fund Balances at End of Year	<u>\$ 1,740</u>	<u>\$ 16,106</u>	<u>\$ 17,846</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, 2015

	<u>Dinsmore Assistance</u>	<u>Cemetery Care</u>	<u>Total</u>
Revenues			
Principal additions	\$ -	\$ -	\$ -
Investment income (loss)	-	640	640
Total Revenues	<u>-</u>	<u>640</u>	<u>640</u>
Expenses			
Miscellaneous	-	-	-
Total Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenses	-	640	640
Other Financing Sources (Uses)			
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenses and Other Uses	-	640	640
Fund balances at beginning of year	<u>758</u>	<u>116,264</u>	<u>117,022</u>
Fund Balances at End of Year	<u><u>\$ 758</u></u>	<u><u>\$ 116,904</u></u>	<u><u>\$ 117,662</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, 2015

Valuation

Real estate	\$	370,199,700
Personal property		<u>7,822,200</u>

Total Valuation \$ 378,021,900

Assessment

Valuation x Rate - $\$378,021,900 \times 0.01510$	\$	5,708,131
Supplemental taxes		<u>-</u>

Total Assessment Charged to Collector \$ 5,708,131

Collections and Credits

Cash collections	\$	5,549,830
Tax abatements and adjustments		<u>19,384</u>

Total Collections and Credits 5,569,214

2015 Taxes Receivable - June 30, 2015 \$ 138,917

See accompanying independent auditors' report.

Schedule of the Town's Proportionate Share of the Net Pension Liability

Town of China, Maine

Last ten fiscal years*

	<u>06/30/15</u>
Town's proportion of the net pension liability (asset)	0.0525%
Town's proportionate share of the net pension liability (asset)	<u>\$ 80,771</u>
Town's covered-employee payroll	<u>\$ 261,056</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	30.940%
Plan fiduciary net position as a percentage of the total pension liability	94.100%

*The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year. The first year of implementation was June 30, 2015. Therefore, only one year is shown.

See accompanying independent auditors' report.

Schedule of Town Contributions

Town of China, Maine

Last ten fiscal years*

	<u>06/30/15</u>
Contractually required contribution	\$ 18,196
Contributions in relation to the contractually required contribution	<u>18,196</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 261,056</u>
Contributions as a percentage of covered-employee payroll	6.970%

*The amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year. The first year of implementation was June 30, 2015. Therefore, only one year is shown.

See accompanying independent auditors' report.

Notes to the Required Supplemental Information

Town of China, Maine

Notes to the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Contributions

The information presented in the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Contributions was determined as part of the actuarial valuation at the dates indicated.

The information presented relates solely to the Town of China and not to the System as a whole.

See accompanying independent auditors' report.