

Financial Statements

Town of China

June 30, 2016

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Town of China, Maine

June 30, 2016

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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, 2016, 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, 2016, 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.



Professional Association

**Portland, Maine
November 21, 2016**

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, 2016. 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 \$6.0 million as of June 30, 2016, compared to approximately \$5.9 million as of June 30, 2015.
- The Town's governmental funds General Fund Balance was \$2.0 million as of June 30, 2016, compared to \$2.1 million as of June 30, 2015.

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 a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Notes to the Financial Statements

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

Management's Discussion and Analysis - Continued

Town of China, Maine

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

The following schedule is a summary of the statement of net position for the years ended June 30, 2016 and 2015:

	<u>Governmental Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Current and other assets	\$ 3,896,809	\$ 3,809,478	\$ 87,331
Capital assets	<u>2,844,639</u>	<u>2,907,429</u>	<u>(62,790)</u>
Total Assets	<u>6,741,448</u>	<u>6,716,907</u>	<u>24,541</u>
Deferred outflows related to pensions	<u>73,101</u>	<u>25,972</u>	<u>47,129</u>
Total Deferred Outflows	<u>73,101</u>	<u>25,972</u>	<u>47,129</u>
Long-term liabilities	388,721	406,576	(17,855)
Other liabilities	<u>333,407</u>	<u>366,144</u>	<u>(32,737)</u>
Total Liabilities	<u>722,128</u>	<u>772,720</u>	<u>(50,592)</u>
Deferred inflows related to pensions	<u>96,577</u>	<u>90,045</u>	<u>6,532</u>
Total Deferred Inflows	<u>96,577</u>	<u>90,045</u>	<u>6,532</u>
Net investment in capital assets	2,579,003	2,557,897	21,106
Restricted	1,243,243	1,016,644	226,599
Unrestricted	<u>2,173,598</u>	<u>2,305,573</u>	<u>(131,975)</u>
Net Position	<u>\$ 5,995,844</u>	<u>\$ 5,880,114</u>	<u>\$ 115,730</u>

- You will note above that not only has the total asset position increased, though marginally, the net position of the town's finances has increased also. Complimentarily, the long-term liabilities and other liabilities have decreased a strong indication of the fiscal health of the town. The town is in a growing phase and taking a long-term perspective in preparing for all scenarios going forward, predictable and unexpected. The highly liquid restricted and unrestricted assets position the town in a fiscally strong position and will drive a stable mil rate over the long term.

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, 2016 and 2015:

	<u>Governmental Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 128,739	\$ 109,864	\$ 18,875
Operating grants and contributions	64,903	69,326	(4,423)
General revenues			
Taxes	7,096,149	6,529,705	566,444
Intergovernmental	285,292	270,060	15,232
Investment	13,602	20,957	(7,355)
All others	77,008	34,733	42,275
Total Revenues	<u>7,665,693</u>	<u>7,034,645</u>	<u>631,048</u>
Expenses:			
Administration	834,561	795,655	38,906
Protection	208,982	220,179	(11,197)
Public works	1,151,933	727,092	424,841
Solid waste operations	321,172	249,129	72,043
Community services	96,578	104,462	(7,884)
Education	4,445,541	4,189,415	256,126
Recreation	29,711	29,200	511
County tax	376,230	372,515	3,715
Interest on long-term debt	(1,738)	(247)	(1,491)
Capital outlay	86,993	58,765	28,228
Total Expenses	<u>7,549,963</u>	<u>6,746,165</u>	<u>803,798</u>
Change in Net Position	<u>\$ 115,730</u>	<u>\$ 288,480</u>	<u>\$ (172,750)</u>

- This summary of activities informs us that the town has increased its net position consistently over the long-term, positioning the town in a preferred financial condition to weather all contingencies. Revenues have been sufficient to cover all expenses with an additional amount to contribute to the net position of the town.
- The two significant changes in expenses were in public works and education. The public works change can be attributed to the voters approving of expenditures prior to the beginning of a new fiscal year to take advantage of competitive pricing offerings in the highway pavement program. Paving vendors offer preferred pricing to those municipalities allowing them to pave early in the spring/summer paving cycle, sometimes doing the paving before a new fiscal year begins. The change in education expenditures reflects conditions and circumstances outside the municipal officers' direct control and are affected by intergovernmental transfers from the State to the town.

Management's Discussion and Analysis - Continued

Town of China, Maine

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, 2016 of \$3.2 million. Approximately 41% 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 quite healthy by most standards and by best management practices suggested by bond rating companies and multi-municipal organizations responsible for rating municipalities on financial health.
- The town's financing requirements have been a topic of conversation in financial planning sessions over a long time. Sufficient liquid resources are available for spending if the need arises. A continued long-term perspective on operation and capital needs has proven to be very beneficial to China. The town is without any long-term indebtedness relating solely to municipal operations and capital programs.

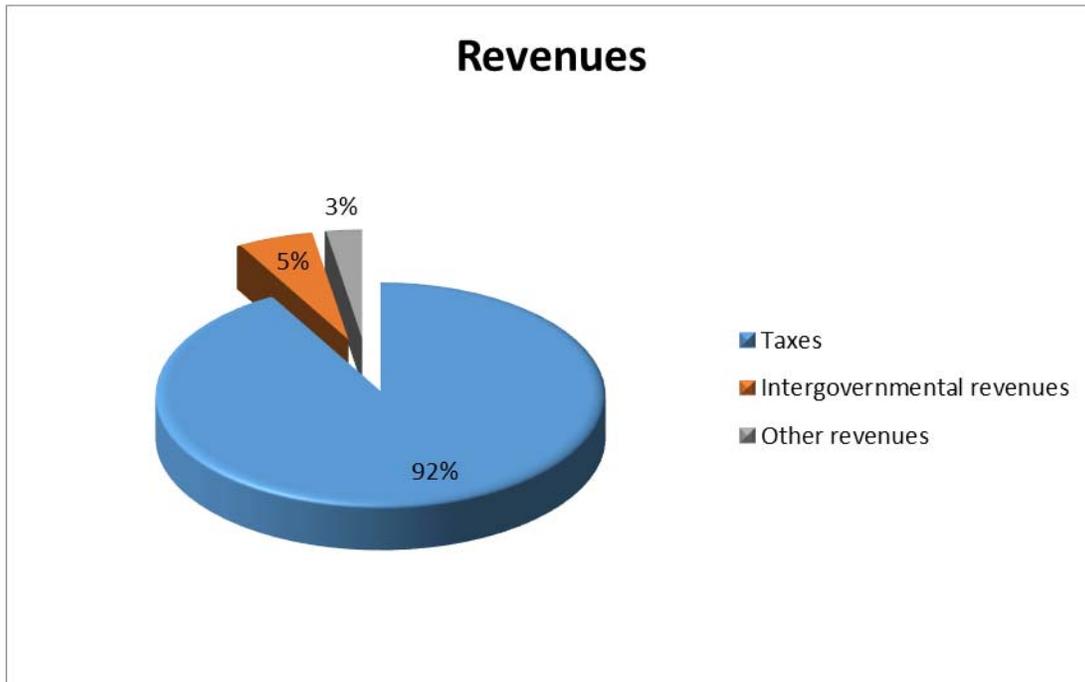
The general fund is the central operating fund of the Town of China, Maine. At the end of the current fiscal year the unassigned fund balance of the general fund was \$1,317,975. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

- The ratio between the unrestricted fund balance and the total fund balance remains quite stable over time, over 40%. Both balances are quite robust compared to any similar town. The town maintains a highly liquid position financially, with cash on hand and other financial assets that are readily converted to cash. China would be able to sustain financial operations if unforeseen circumstances present financial demands over a certain period of time.

Management's Discussion and Analysis - Continued

Town of China, Maine

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

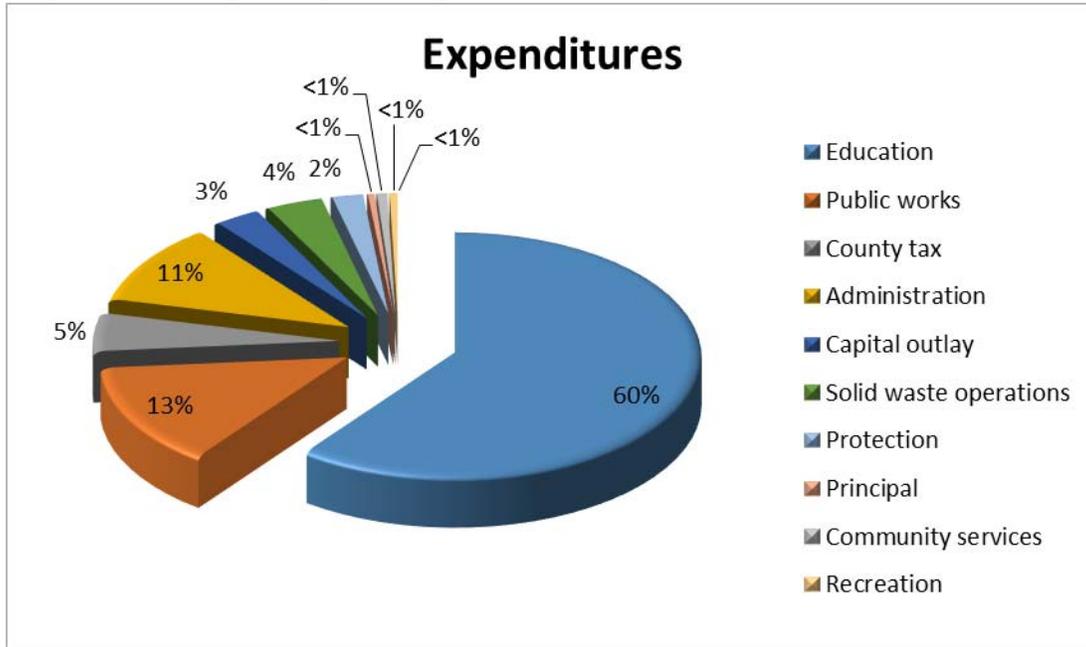


- The chart informs us that the main source of revenue for China, and most municipalities, is the property tax. China needs to be mindful that a broader based design of revenue sources or an adjusted balance in the current revenue metric for China away from property taxes and toward other revenues would have positive results for China and should be deserving of strong consideration by voters and policy setters and administration going forward. It is seldom that municipalities find real leaders who will make a steadfast attempt to balance out revenue sources, having those responsible for causing an expense to pay for the expense.
- Credit ratings are based on many variables, one being a diverse and stable tax base in a given municipality. Intergovernmental revenues are all too often uncertain and so too are “other revenues” which are subject to questionable leadership and local political circumstances. Local governance may not be able to apply or 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 in this chart.

Management’s Discussion and Analysis - Continued

Town of China, Maine

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



- You will note in the graph above that the highest expense categories are education, administration, public works and the county tax. The RSU#18 is an independent regional school unit which assesses China for education costs for its student population and based on a State school funding formula. Additional local assessments are also paid by the towns making up RSU#18 on an “additional local share” formula. The single most significant driving force of mil rate increases is the education assessment.

General Fund Budgetary Highlights

- Expenditures associated respected appropriations were in line with the final budget amounts. The most significant positive variances occurred in the town’s administration, Protection, and capital budgets. Administration efficiencies were realized in the scope of work changes for office staff; the town was without local police protection resulting from the resignation of the acting police officer; and capital outlays were below funds appropriated resulting in additions to the capital reserve. The most significant negative variance was in the public works budget resulting from expenditures approved by voters of funds appropriated and authorized to be spent prior to the new fiscal year to gain pricing advantages in the road paving budget.
- The town realized available revenue resources above those revenues budgeted by over \$203,000. Revenues over budget amounts from intergovernmental sources and higher than expected/budget excise taxes on motor vehicles accounted for the bulk of the differences. The conservative approach in budgeting is highly recommended by financial institutions observing best management practices.

Management's Discussion and Analysis - Continued

Town of China, Maine

- The town's general fund is a healthy one and consistent with elected officials' goals over the long term. 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 realized significant balances in a broad range of reserve fund accounts, to include transfer station compactor replacement, fire department equipment and capital improvement, lake access land purchase, accrued compensation, and legal expenses. The net capital assets amount, net of accumulated depreciation, has been a robust number over time. It is imperative that the town is to be mindful of the annual and accumulated depreciation numbers and to apply best financial management practices to plan ahead in capital improvements and replacements by accumulating reserve funds that accommodate the long-term planning.

In the current fiscal year, the town purchased snow plowing equipment, purchased dumping cans for the transfer station, and expended significant amounts for paving of roads. The town has not issued debt in any purchases and does not anticipate that debt instruments will be needed for the foreseeable future. More detailed information about the town's capital assets can be found elsewhere in this audit.

For 2017 it is anticipated that the town will consider whether or not to replace an additional plowing vehicle with associated plowing equipment. The town will also continue with an aggressive pavement program established many years ago. A review and refinement of a Capital Improvement Plan will be undertaken.

Long Term Liabilities

- The amounts of long term liabilities reported in these financial statements are, for the most part, associated with China's relationship in RSU#28 when the entity was formed and include bond and notes payable, capital lease obligations, and accrued interest payable. The long-term liabilities associated with RSU#18 are also listed as receivables to the town from RSU#18.
- The town's other long term liabilities, other than those noted immediately above, are for accrued compensated balances and net pension liability associated with employees and benefits. Long-term planning has enabled the town to finance capital improvements/purchases from an equipment and capital reserve account in the Fund Balance and should continue to fund the account into the future.

Management's Discussion and Analysis - Continued

Town of China, Maine

Economic Factors and Next Year's Budgets and Rates

- The town's appointed and elected officials consider many variables when in budget deliberations. The County and education budgets are outside of local officials' direct influence though both have a propensity to affect the mil rate in a given community.

Municipal expenditures have remained reasonably stable for several years, driven by improvement in efficiencies in operations in several department areas. Infrastructure capital maintenance, replacements/purchases, and improvements have served the town well and will continue to have a positive impact on a stable mil rate. Reserve accounts in the Fund Balance have allowed officials to be proactive in meeting town capital needs.

Municipal revenues have been and will continue to be property taxation and excise taxation dependent with intergovernmental revenue transfers have not been reliable of recent times and will have to be offset by property taxation if reduced. A broader revenue base would serve the town positively if officials considered alternative sources.

Material items that will either continue to be realized or to be anticipated in the next year include:

1. Annual TIF appropriations for economic development initiatives: The annual TIF appropriations, traditional and new initiatives, continue to provide a metric for economic development through the budget process to voter approval. A TIF Committee has been reviewing, and will continue to review, projects associated with the redevelopment of the Causeway Road, Trails maintenance, and a Revolving Loan Fund for business development.
2. A new CMP upgrade of a sub-station on Route #3 will provide the town with an additional to submit a TIF application for certain economic development priorities in China.
3. The maturing of a municipal solid waste agreement between the town and PERC will expire in 2018 and a new agreement will commence with Fiberight for the disposal of municipal solid waste for China.
4. The Town of China has entered into an agreement with the Town of Palermo to accept MSW from Palermo for a town contribution for capital expenses and for a per bag disposal cost for users, in addition to user fees for items received other than MSW.
5. The town has continually been mindful of capital maintenance and improvement and has been striving to support a capital improvement/replacement account in the fund balance and anticipates a substantial allocation to that account in the coming budget sessions to maintain a robust capital improvement/replacement cycle.
6. Looking forward, 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 perspective have served the town well over the years. Future emergency services needs

Management's Discussion and Analysis - Continued

Town of China, Maine

for building and site development and equipment replacement will be a topic going forward. Appropriate consideration will be given to the financing of any initiatives.

7. A new survey of the demographics in China has been completed in anticipation of the appointment of a committee to look into the needs of the China population to be able to “age in place, that is, to live in China if desired for a life time.

Contacting the Town's Financial Management

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

Statement of Net Position

Town of China, Maine

As of June 30, 2016

	Governmental Activities
Assets	
Cash	\$ 2,508,893
Investments	869,031
Accounts receivable	22,175
Taxes receivable	231,074
Receivable for long-term obligations from RSU #18	265,636
Capital assets, net of accumulated depreciation	2,844,639
Total Assets	<u>6,741,448</u>
Deferred Outflows	
Deferred outflows related to pension	73,101
Total Deferred Outflows	<u>73,101</u>
Liabilities	
Accounts payable	147,019
Payable to RSU #18	16,920
Prepaid taxes	10,319
Accrued interest payable	7,500
Amounts held in escrow	25,000
Long-term liabilities:	
Portion due or payable within one year:	
Bond and note payable	15,766
Capital lease obligations	52,883
Accrued compensated absences	58,000
Portion due or payable after one year:	
Bond and note payable	15,765
Capital lease obligations	181,222
Accrued compensated absences	66,266
Net pension liability	125,468
Total Liabilities	<u>722,128</u>
Deferred Inflows	
Deferred inflows related to pension	96,577
Total Deferred Inflows	<u>96,577</u>
Net Position	
Net investment in capital assets	2,579,003
Restricted	1,243,243
Unrestricted	2,173,598
Net Position	<u>\$ 5,995,844</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, 2016

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	\$ 834,561	\$ 57,091	\$ -	\$ (777,470)
Protection	208,982	-	-	(208,982)
Public works	1,151,933	-	54,768	(1,097,165)
Solid waste operations	321,172	71,648	-	(249,524)
Community services	96,578	-	-	(96,578)
Education	4,445,541	-	10,135	(4,435,406)
Recreation	29,711	-	-	(29,711)
County tax	376,230	-	-	(376,230)
Interest on long-term debt	(1,738)	-	-	1,738
Capital outlay - special projects	86,993	-	-	(86,993)
Total Governmental Activities	7,549,963	128,739	64,903	(7,356,321)
General revenues:				
				7,096,149
Taxes				285,292
Intergovernmental				55,663
Miscellaneous				8,470
Interest income				13,602
Change in investment value				12,875
Gain (loss) on disposal of capital assets				
			Total General Revenues	7,472,051
			Change in Net Position	115,730
			Net position at beginning of year	5,880,114
			Net Position at End of Year	\$ 5,995,844

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

Balance Sheet - Governmental Funds

Town of China, Maine

As of June 30, 2016

	General	D.L. Young Scholarship	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 2,484,427	\$ 24,466	\$ -	\$ 2,508,893
Investments	-	869,031	-	869,031
Accounts receivable	22,175	-	-	22,175
Taxes receivable	231,074	-	-	231,074
Due from other funds	32,284	-	363,425	395,709
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 2,769,960	\$ 893,497	\$ 363,425	\$ 4,026,882
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 143,470	\$ -	\$ 3,549	\$ 147,019
Accrued wages payable to RSU #18	16,920	-	-	16,920
Prepaid taxes	10,319	-	-	10,319
Amounts held in escrow	25,000	-	-	25,000
Due to other funds	363,425	32,284	-	395,709
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	559,134	32,284	3,549	594,967
Deferred Inflows of Resources				
Unavailable revenue - property taxes	200,000	-	-	200,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	200,000	-	-	200,000
Fund Balances				
Nonspendable				
Permanent funds	-	649,736	73,085	722,821
Restricted				
General fund	22,154	-	-	22,154
Permanent funds	-	211,477	45,167	256,644
Special revenue funds	-	-	241,624	241,624
Assigned				
General fund	670,697	-	-	670,697
Unassigned				
General fund	1,317,975	-	-	1,317,975
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	2,010,826	861,213	359,876	3,231,915
Total Liabilities, Deferred Inflows of Resources, and Fund Balances				
	<u>\$ 2,769,960</u>	<u>\$ 893,497</u>	<u>\$ 363,425</u>	<u>\$ 4,026,882</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, 2016

Total Fund Balances - Governmental Funds \$ 3,231,915

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: 265,636

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: 2,844,639

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: 200,000

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	\$ 73,101	
Deferred inflows related to pension	<u>(96,577)</u>	
		(23,476)

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	(31,531)	
Capital lease obligations	(234,105)	
Accrued interest payable	(7,500)	
Accrued compensated absences	(124,266)	
Net pension liability	<u>(125,468)</u>	
		<u>(522,870)</u>

Net Position - Governmental Activities \$ 5,995,844

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, 2016

	<u>General</u>	<u>D.L. Young Scholarship</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 6,794,674	\$ -	\$ 281,475	\$ 7,076,149
Intergovernmental revenues	415,402	-	-	415,402
Other revenues	<u>196,812</u>	<u>13,562</u>	<u>6,498</u>	<u>216,872</u>
Total Revenues	7,406,888	13,562	287,973	7,708,423
Expenditures				
Current				
Administration	800,558	-	5,084	805,642
Protection	155,316	-	-	155,316
Public works	1,001,403	-	-	1,001,403
Solid waste operations	280,912	-	-	280,912
Community services	51,815	26,127	18,636	96,578
Education	4,494,982	-	-	4,494,982
Recreation	39,759	-	-	39,759
County tax	376,230	-	-	376,230
Debt service - principal	34,455	-	-	34,455
- interest	62	-	-	62
Capital outlay - special projects	<u>226,485</u>	<u>-</u>	<u>54,885</u>	<u>281,370</u>
Total Expenditures	<u>7,461,977</u>	<u>26,127</u>	<u>78,605</u>	<u>7,566,709</u>
Revenues Over (Under) Expenditures	(55,089)	(12,565)	209,368	141,714
Other Financing Sources (Uses)				
Operating transfers in	-	-	15,000	15,000
Operating transfers out	(15,000)	-	-	(15,000)
Change in investment value	<u>-</u>	<u>13,602</u>	<u>-</u>	<u>13,602</u>
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>13,602</u>	<u>15,000</u>	<u>13,602</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(70,089)	1,037	224,368	155,316
Fund balances at beginning of year	<u>2,080,915</u>	<u>860,176</u>	<u>135,508</u>	<u>3,076,599</u>
Fund Balances at End of Year	<u>\$ 2,010,826</u>	<u>\$ 861,213</u>	<u>\$ 359,876</u>	<u>\$ 3,231,915</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 155,316

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: 20,000

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	\$ 243,891	
Depreciation expense	<u>(295,556)</u>	(51,665)

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 . (65,207)

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 proceeds in the current period:

Capital asset sale proceeds	(24,000)	
Gain on sale of capital assets	<u>12,875</u>	(11,125)

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	34,455	
Reductions in capital lease obligations	<u>49,441</u>	83,896

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	(13,185)	
Change in accrued interest payable	1,800	
Adjustment to pension expense	<u>(4,100)</u>	(15,485)

Change in Net Position of Governmental Activities \$ 115,730

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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Taxes	\$ 6,934,757	\$ 6,934,757	\$ 7,076,149	\$ 141,392
Intergovernmental revenues	381,254	381,254	415,402	34,148
Other revenues	133,950	133,950	161,645	27,695
Total Revenues	7,449,961	7,449,961	7,653,196	203,235
Expenditures				
Current				
Administration	837,745	837,745	798,448	39,297
Protection	177,185	177,185	148,052	29,133
Public works	730,110	730,110	1,001,403	(271,293)
Solid waste operations	273,074	273,074	274,174	(1,100)
Community services	51,190	51,190	51,816	(626)
Education	4,536,982	4,536,982	4,536,982	-
Recreation	23,950	23,950	26,450	(2,500)
County tax	376,230	376,230	376,230	-
Debt service - principal	34,455	34,455	34,455	-
- interest	-	-	-	-
Capital outlay - special projects	103,000	103,000	73,146	29,854
Total Expenditures	7,143,921	7,143,921	7,321,156	(177,235)
Revenues Over (Under) Expenditures	306,040	306,040	332,040	26,000
Other Financing Sources (Uses)				
Operating transfers out	(293,212)	(293,212)	(296,475)	(3,263)
Transfer to assigned fund balances	(86,000)	(86,000)	(86,000)	-
Utilization of unassigned fund balance	160,090	160,090	-	(160,090)
Total Other Financing Sources (Uses)	(219,122)	(219,122)	(382,475)	(163,353)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 86,918	\$ 86,918	(50,435)	\$ (137,353)
Budgetary fund balance at beginning of year			<u>1,577,833</u>	
Budgetary Fund Balance at End of Year			<u>\$ 1,527,398</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 August 3, 2015, on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Taxes were due September 30, 2015, and March 31, 2016. Interest on unpaid taxes commenced on October 1, 2015 and April 1, 2016, 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 \$86,918 for the year ended June 30, 2016.

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 decision 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, 2016, the Town implemented Governmental Accounting Standards Board Statement (GASBS) No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Balances were not restated as a result of this Statement.

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, 2016, the carrying amount of the Town's deposits was \$2,508,893 and the bank balance was \$2,703,730. 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, 2016 \$1,393,507 of the Town's bank balance of \$2,703,730 was exposed to credit risk as follows:

Uncollateralized	<u>\$ 69,206</u>
Collateralized with securities held by the pledging financial institution	<u>\$ 1,324,301</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, 2016, 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	\$ 294,283	\$ -	\$ -	\$ 171,714	\$ 122,569
Common stock	516,188	516,188	-	-	-
Mutual funds	<u>58,560</u>	<u>58,560</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 869,031</u>	<u>\$ 574,748</u>	<u>\$ -</u>	<u>\$ 171,714</u>	<u>\$ 122,569</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, 2016 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, 2016, the Town had the following credit quality distribution in debt securities:

<u>Standard & Poor Rating</u>	<u>Fair Value</u>
AA	\$ 15,936
A	226,667
BBB	<u>51,680</u>
Total debt securities	<u>\$ 294,283</u>

Note C - Capital Assets

A summary of capital asset transactions for the year ended June 30, 2016, 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	5,650	-	5,650	-
Depreciable Assets:				
Buildings	1,424,472	4,600	-	1,429,072
Equipment	983,049	53,626	-	1,036,675
Improvements	213,945	17,222	-	231,167
Land improvements	991,238	4,650	-	995,888
Vehicles	<u>1,025,846</u>	<u>169,443</u>	<u>15,000</u>	<u>1,180,289</u>
Totals at historical cost	4,957,189	249,541	20,650	5,186,080
Less Accumulated Depreciation:				
Buildings	578,590	45,245	-	623,835
Equipment	663,273	53,660	-	716,933
Improvements	92,599	10,885	-	103,484
Land improvements	215,117	87,488	-	302,605
Vehicles	<u>500,181</u>	<u>98,278</u>	<u>3,875</u>	<u>594,584</u>
Total accumulated depreciation	<u>2,049,760</u>	<u>295,556</u>	<u>3,875</u>	<u>2,341,441</u>
Capital Assets, Net	<u>\$ 2,907,429</u>	<u>\$ (46,015)</u>	<u>\$ 16,775</u>	<u>\$ 2,844,639</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	\$ 33,164
Protection	62,030
Public works	146,663
Solid waste operations	51,741
Recreation	<u>1,958</u>
Total governmental activities depreciation expense	<u>\$ 295,556</u>

Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2016, consisted of the following:

Governmental Activities:	<u>Due from</u>	<u>Due to</u>	
General Fund:			
Special Revenue Funds	\$ -	\$ (245,173)	
Permanent Funds:			
Major Permanent Fund: D.L. Young Scholarship	32,284	-	
Non-major Permanent Funds	<u>-</u>	<u>(118,252)</u>	
	32,284	(363,425)	\$ (331,141)
Special Revenue Fund:			
General Fund	245,173	-	245,173
Major Permanent Fund: D.L. Young Scholarship:			
General Fund	-	(32,284)	(32,284)
Non-major Permanent Funds:			
General Fund	<u>118,252</u>	<u>-</u>	<u>118,252</u>
Net Governmental Activities	<u>\$ 395,709</u>	<u>\$ (395,709)</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, 2016 consisted of the following amounts:

Governmental Activities:	<u>Transfers in</u>	<u>Transfers out</u>	
General Fund:			
Special Revenue Funds	\$ -	\$ (15,000)	
Non-major Permanent Funds	<u>-</u>	<u>-</u>	
	-	(15,000)	\$ (15,000)
Special Revenue Fund:			
General Fund	15,000	-	15,000
Non-major Permanent Fund:			
General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Net Governmental Activities	<u>\$ 15,000</u>	<u>\$ (15,000)</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, 2016, was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
General obligation debt	\$ 65,986	\$ -	\$ 34,455	\$ 31,531	\$ 15,766
Capital lease obligations	283,546	-	49,441	234,105	52,883
Net pension liability	80,771	44,697	-	125,468	-
Compensated absences	<u>111,081</u>	<u>51,227</u>	<u>38,042</u>	<u>124,266</u>	<u>58,000</u>
Total Governmental	<u>\$ 541,384</u>	<u>\$ 95,924</u>	<u>\$ 121,938</u>	<u>\$ 515,370</u>	<u>\$ 126,649</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, 2016:

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%. \$ 31,531

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>
2017	\$ 15,766	\$ -	\$ 15,766
2018	<u>15,765</u>	<u>-</u>	<u>15,765</u>
Total Governmental	<u>\$ 31,531</u>	<u>\$ -</u>	<u>\$ 31,531</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>	
2017	\$ 61,065
2018	62,604
2019	64,198
2020	<u>65,848</u>
	253,715
Less amount representing interest (various rates)	<u>19,610</u>
Obligations under capital leases	<u>\$ 234,105</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>	
2017	\$ 4,059
2018	4,180
2019	4,306
2020	4,435
	<u>\$ 16,980</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. There are currently four active participants from the Town.

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 8.9% for the year ended June 30, 2016. Contributions to the pension plan from the Town were \$22,323 for the year ended June 30, 2016.

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

At June 30, 2016, the Town reported a liability of \$125,468 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the Town's proportion was 0.039326% which was a decrease of 0.013163% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$15,938. 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, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,066	\$ 16,114
Net difference between projected and actual earnings on pension plan investments	38,724	48,203
Changes of assumptions	11,088	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	32,260
Town contributions subsequent to the measurement date	18,223	-
	<u>\$ 73,101</u>	<u>\$ 96,577</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, \$18,223 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>	
2017	\$ (16,756)
2018	(16,756)
2018	(17,868)
2019	9,681

Actuarial assumptions

The total pension liability in the June 30, 2015 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	7.125%
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, 2015 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 7.125%. 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 7.125%, 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 (6.125%) or one percentage point higher (8.125%) than the current rate:

	1% Decrease (6.125%)	Discount Rate (7.125%)	1% Increase (8.125%)
Town's proportionate share of the net pension liability (asset)	\$ 249,970	\$ 125,468	\$ 7,433

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.

Note I - Deferred Compensation Plan

For employees 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 (8.9% for the year ended June 30, 2016) 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 \$17,408 for the year ended June 30, 2016.

Note J - 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.

Notes to Financial Statements - Continued

Town of China, Maine

Note L - Fund Balances

At June 30, 2016, the nonspendable fund balance consisted of the following:

	Permanent <u>Funds</u>
Dinsmore Assistance	\$ 500
Cemetery Care	72,585
D.L. Young Scholarship	<u>649,736</u>
	<u>\$ 722,821</u>

At June 30, 2016, the restricted fund balance consisted of the following:

	General <u>Fund</u>	Permanent <u>Funds</u>	Special <u>Revenues</u>
Holiday Giving	\$ 2,154	\$ -	\$ -
Police Vehicle	20,000	-	-
Dinsmore Assistance	-	258	-
Cemetery Care	-	44,909	-
D.L. Young Scholarship	-	211,477	-
CMP/China Lake TIF	-	-	225,439
CRLA	-	-	71
Fuel Assistance Fund	-	-	16,114
	<u>\$ 22,154</u>	<u>\$ 256,644</u>	<u>\$ 241,624</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note L - Fund Balances - Continued

At June 30, 2016, the assigned general fund balance consisted of the following:

	Balance at				Balance at
	<u>7/1/2015</u>	<u>Appropriated</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2016</u>
<i>Carryforwards:</i>					
State revenue sharing	\$ 132,427	\$ (142,000)	\$ 173,569	\$ -	\$ 163,996
Road assistance	-	(54,200)	54,768	568	-
Cemeteries purchase	606	-	2,500	10	3,096
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	8,428	-	-	38	8,390
<i>Other Reserves:</i>					
China Village Volunteer FD	178	(17)	1	-	162
Equipment reserve	68,459	75,000	149	143,608	-
Compactor reserve	39,275	-	172	-	39,447
Boat launch reserve	1,678	-	7	-	1,685
Thurston Park	-	-	1,685	1,685	-
Growth management reserve	9,242	-	40	-	9,282
Fire Department reserve	56,597	6,000	260	-	62,857
Sand/salt shed	22,249	-	97	-	22,346
Lake access	123,336	-	539	-	123,875
Weeks Mills FD building	6,200	3,228	34	-	9,462
Recreation reserve	11,147	-	38	4,693	6,492
Legal reserve	21,340	7,608	110	-	29,058
Community days	7,201	-	6,821	6,415	7,607
Rescue reserve	24,713	7,973	125	-	32,811
Planning Board	8,000	(35)	35	-	8,000
Dispatching	55,608	-	239	2,096	53,751
PSAP e911	7,052	-	32	-	7,084
South China VFD	322	-	1	323	-
2018 Bi-Centennial	-	-	614	-	614
Accrued compensation reserve	35,824	5,000	167	-	40,991
	<u>\$ 679,573</u>	<u>\$ (91,443)</u>	<u>\$ 242,003</u>	<u>\$ 159,436</u>	<u>\$ 670,697</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note M - Expenditures Over Appropriations

The following appropriations were exceeded by actual expenditures:

		<u>Excess</u>
Solid waste	\$	1,098
Capital reserves		16,621

**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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$ 6,206,257	\$ 6,206,257	\$ 6,185,289	\$ (20,968)
Excise taxes	703,500	703,500	861,038	157,538
Interest and costs on taxes	25,000	25,000	29,822	4,822
Total Taxes	<u>6,934,757</u>	<u>6,934,757</u>	<u>7,076,149</u>	<u>141,392</u>
Intergovernmental:				
State revenue sharing	142,000	142,000	173,569	31,569
Road assistance	54,200	54,200	54,768	568
Homestead reimbursement	98,891	98,891	98,891	-
Tax reimbursements and relief	7,822	7,822	12,833	5,011
General assistance	3,000	3,000	-	(3,000)
RSU debt and capital lease funding	75,341	75,341	75,341	-
Total Intergovernmental	<u>381,254</u>	<u>381,254</u>	<u>415,402</u>	<u>34,148</u>
Other Revenues:				
Interest on investments	12,500	12,500	8,470	(4,030)
Permits and fees	44,500	44,500	57,091	12,591
Miscellaneous revenues	19,950	19,950	24,437	4,487
Solid waste revenues	57,000	57,000	71,647	14,647
Total Other Revenues	<u>133,950</u>	<u>133,950</u>	<u>161,645</u>	<u>27,695</u>
Total Revenues	<u>7,449,961</u>	<u>7,449,961</u>	<u>7,653,196</u>	<u>203,235</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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Expenditures				
Administration:				
Administrative payroll costs	\$ 361,427	\$ 361,427	\$ 359,714	\$ 1,713
Administrative expenses	105,100	105,100	103,452	1,648
Planning Board expenses	2,363	2,363	2,021	342
Association dues	11,717	11,717	11,428	289
Assessing	47,500	47,500	34,290	13,210
Computer costs	23,000	23,000	23,000	-
Legal services	12,500	12,500	4,893	7,607
Insurance and benefits	274,138	274,138	259,650	14,488
Total Administration	837,745	837,745	798,448	39,297
Protection:				
Constable services	28,881	28,881	12,503	16,378
Fire departments	64,750	64,750	61,539	3,211
China rescue squad	18,950	18,950	10,977	7,973
Health officer	1,094	1,094	513	581
E-911	20,449	20,449	20,450	(1)
Dispatching	27,079	27,079	27,079	-
Emergency services insurance	15,982	15,982	14,991	991
Total Protection	177,185	177,185	148,052	29,133
Public Works:				
Road maintenance	697,010	697,010	968,591	(271,581)
Street signs	2,500	2,500	616	1,884
Street lights	7,000	7,000	8,586	(1,586)
Cemeteries	23,600	23,600	23,610	(10)
Total Public Works	730,110	730,110	1,001,403	(271,293)
Solid Waste Operations	273,074	273,074	274,174	(1,100)

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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures - continued				
Community Services:				
General assistance	\$ 14,500	\$ 14,500	\$ 15,226	\$ (726)
Social service agencies	13,758	13,758	13,758	-
China Historical Society	6,000	6,000	6,000	-
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	6,882	100
Memorial Day/Veteran's markers	950	950	950	-
Total Community Services	51,190	51,190	51,816	(626)
Education:				
RSU Assessment	4,477,406	4,477,406	4,477,406	-
Capital lease obligations	59,576	59,576	59,576	-
Total Education	4,536,982	4,536,982	4,536,982	-
Recreation:				
General recreation	23,950	23,950	23,950	-
China community days	-	-	2,500	(2,500)
Total Recreation	23,950	23,950	26,450	(2,500)
Total County Tax	376,230	376,230	376,230	-
Debt service:				
Principal	34,455	34,455	34,455	-
Interest	-	-	-	-
Total Debt Service	34,455	34,455	34,455	-

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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures - continued				
Special Projects:				
Equipment replacement	\$ -	\$ -	\$ -	\$ -
One Room School House	-	-	890	(890)
Oakland Super Park	-	-	-	-
Contingency	45,000	45,000	45,000	-
Docks	-	-	308	(308)
Project Learning Tree	-	-	38	(38)
Town line	3,000	3,000	3,000	-
Transfer station dump cans	-	-	20,220	(20,220)
Grant expenses	55,000	55,000	3,690	51,310
Total Special Projects	<u>103,000</u>	<u>103,000</u>	<u>73,146</u>	<u>29,854</u>
Total Expenditures	<u>7,143,921</u>	<u>7,143,921</u>	<u>7,321,156</u>	<u>(177,235)</u>
Revenues Over (Under) Expenditures	306,040	306,040	332,040	26,000
Other Financing Sources (Uses)				
Operating transfers out	(293,212)	(293,212)	(296,475)	(3,263)
Transfer to assigned fund balances	(86,000)	(86,000)	(86,000)	-
Utilization of unassigned fund balance	160,090	160,090	-	(160,090)
Total Other Financing Sources (Uses)	<u>(219,122)</u>	<u>(219,122)</u>	<u>(382,475)</u>	<u>(163,353)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 86,918	\$ 86,918	(50,435)	\$ (137,353)
Budgetary fund balance at beginning of year			<u>1,577,833</u>	
Budgetary Fund Balance at End of Year			<u>\$ 1,527,398</u>	

See accompanying independent auditors' report.

**Combining Balance Sheet
Other Governmental Funds**

Town of China, Maine

As of June 30, 2016

	<u>Permanent Funds</u>	<u>Special Revenues</u>	<u>Total Other Governmental Funds</u>
Assets			
Cash	\$ -	\$ -	\$ -
Investments	-	-	-
Accounts receivable	-	-	-
Due from other funds	<u>118,252</u>	<u>245,173</u>	<u>363,425</u>
Total Assets	<u>\$ 118,252</u>	<u>\$ 245,173</u>	<u>\$ 363,425</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 3,549	\$ 3,549
Due to other funds	-	-	-
Total Liabilities	<u>-</u>	<u>3,549</u>	<u>3,549</u>
Fund Balances			
Nonspendable	73,085	-	73,085
Restricted	<u>45,167</u>	<u>241,624</u>	<u>286,791</u>
Total Fund Balances	<u>118,252</u>	<u>241,624</u>	<u>359,876</u>
Total Liabilities and Fund Balances	<u>\$ 118,252</u>	<u>\$ 245,173</u>	<u>\$ 363,425</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, 2016

	<u>CRLA</u>	Fuel Assistance <u>Reserve</u>	<u>TIF District</u>	<u>Total</u>
Revenues				
Property taxes	\$ -	\$ -	\$ 281,475	\$ 281,475
Interest	-	8	-	8
Other income	<u>5,900</u>	<u>-</u>	<u>-</u>	<u>5,900</u>
Total Revenues	5,900	8	281,475	287,383
Expenditures				
Current				
Approved municipal expenses	-	-	56,036	56,036
Other expenditures	16,136	-	-	16,136
Capital outlays	<u>6,433</u>	<u>-</u>	<u>-</u>	<u>6,433</u>
Total Expenditures	<u>22,569</u>	<u>-</u>	<u>56,036</u>	<u>78,605</u>
Revenues Over (Under) Expenditures	(16,669)	8	225,439	208,778
Other Financing Sources (Uses)				
Operating transfers in	15,000	-	-	15,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Sources (Uses)	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,669)	8	225,439	223,778
Fund balances at beginning of year	<u>1,740</u>	<u>16,106</u>	<u>-</u>	<u>17,846</u>
Fund Balances at End of Year	<u><u>\$ 71</u></u>	<u><u>\$ 16,114</u></u>	<u><u>\$ 225,439</u></u>	<u><u>\$ 241,624</u></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, 2016

	<u>Dinsmore Assistance</u>	<u>Cemetery Care</u>	<u>Total</u>
Revenues			
Principal additions	\$ -	\$ -	\$ -
Investment income (loss)	-	590	590
Total Revenues	-	590	590
Expenses			
Miscellaneous	-	-	-
Total Expenses	-	-	-
Revenues Over (Under) Expenses	-	590	590
Other Financing Sources (Uses)			
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Revenues and Other Sources Over (Under) Expenses and Other Uses	-	590	590
Fund balances at beginning of year	<u>758</u>	<u>116,904</u>	<u>117,662</u>
Fund Balances at End of Year	<u>\$ 758</u>	<u>\$ 117,494</u>	<u>\$ 118,252</u>

See accompanying independent auditors' report.

Schedule of Valuation, Assessment and Collection of Taxes

Town of China, Maine

For the Year Ended June 30, 2016

Valuation

Real estate	\$	389,874,900
Personal property		<u>7,959,700</u>
Total Valuation	\$	<u><u>397,834,600</u></u>

Assessment

Valuation x Rate - \$397,834,600 x 0.01560	\$	6,206,220
Supplemental taxes		<u>7,661</u>
Total Assessment Charged to Collector	\$	6,213,881

Collections and Credits

Cash collections	\$	6,046,395
Tax abatements and adjustments		<u>8,227</u>
Total Collections and Credits		<u><u>6,054,622</u></u>

2016 Taxes Receivable - June 30, 2016 **\$ 159,259**

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>6/30/2016</u>	<u>6/30/2015</u>
Town's proportion of the net pension liability (asset)	0.0393%	0.0525%
Town's proportionate share of the net pension liability (asset)	<u>\$ 125,468</u>	<u>\$ 80,771</u>
Town's covered-employee payroll	<u>\$ 202,956</u>	<u>\$ 261,056</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	61.820%	30.940%
Plan fiduciary net position as a percentage of the total pension liability	88.300%	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 two years are shown.

See accompanying independent auditors' report.

Schedule of Town Contributions

Town of China, Maine

Last ten fiscal years*

	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution	\$ 16,075	\$ 18,196
Contributions in relation to the contractually required contribution	<u>16,075</u>	<u>18,196</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 202,956</u>	<u>\$ 261,056</u>
Contributions as a percentage of covered-employee payroll	7.920%	6.970%

*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 two years are 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.