

**Financial Statements**

**Town of China, Maine**

**June 30, 2017**

# Contents

## Town of China, Maine

June 30, 2017

### Financial Statements:

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	4
Statement of Activities .....	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	7
Statement of Revenues, Expenditures and Changes in Fund Balances .....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	10
Notes to Financial Statements .....	11

### Supplemental Information:

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	32
Combining Balance Sheet - Other Governmental Funds .....	36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds .....	37
Combining Schedule of Revenues, Expenses and Changes in Fund Balances - Permanent Funds - Trust Funds .....	38
Schedule of Valuation, Assessment and Collection of Taxes .....	39

### Required Supplemental Information:

Schedule of the Town's Proportionate Share of the Net Pension Liability .....	40
Schedule of Town Contributions .....	41
Notes to Required Supplemental Information .....	42

## **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, 2017, 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, 2017, 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**

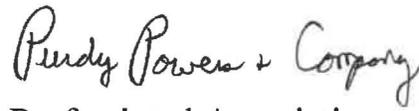
### *Required Supplementary Information*

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 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, 2017**

## **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, 2017. 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 \$6.7 million as of June 30, 2017, compared to approximately \$6.0 million as of June 30, 2016.
- The Town's governmental funds General Fund Balance was \$2.5 million as of June 30, 2017, compared to \$2.0 million as of June 30, 2016.

#### **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, 2017 and 2016:

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current and other assets	\$ 4,516,041	\$ 3,896,809	\$ 619,232
Capital assets	<u>2,763,478</u>	<u>2,844,639</u>	<u>(81,161)</u>
<b>Total Assets</b>	<u>7,279,519</u>	<u>6,741,448</u>	<u>538,071</u>
Deferred outflows related to pensions	<u>121,302</u>	<u>73,101</u>	<u>48,201</u>
<b>Total Deferred Outflows</b>	<u>121,302</u>	<u>73,101</u>	<u>48,201</u>
Long-term liabilities	407,992	388,721	19,271
Other liabilities	<u>204,117</u>	<u>333,407</u>	<u>(129,290)</u>
<b>Total Liabilities</b>	<u>612,109</u>	<u>722,128</u>	<u>(110,019)</u>
Deferred inflows related to pensions	<u>67,493</u>	<u>96,577</u>	<u>(29,084)</u>
<b>Total Deferred Inflows</b>	<u>67,493</u>	<u>96,577</u>	<u>(29,084)</u>
Net investment in capital assets	2,566,491	2,579,003	(12,512)
Restricted	1,493,112	1,243,243	249,869
Unrestricted	<u>2,661,616</u>	<u>2,173,598</u>	<u>488,018</u>
<b>Net Position</b>	<u>\$ 6,721,219</u>	<u>\$ 5,995,844</u>	<u>\$ 725,375</u>

As you note from the Financial Highlights above, the town's financial position continues to improve by many measures, particularly in two most significant areas; the increase in assets exceeding liabilities and in the General Fund Balance. Both short term and long term information indicate a healthy financial outlook.

Long term liabilities are derived from a prior time when the town of China was part of School Union #52. The long-term liabilities are associated with school building related improvements which were an accepted liability of the newly formed Regional School Unit #18 (RSU#18). RSU#18 funds these long-term liabilities. The town does not have any municipal related debt and does not anticipating any as it continues to contribute to reserve accounts for long term needs.

The town's capital asset condition is exceptional and reflects positively on the town's management and long-term perspective. The town is well prepared for unforeseen circumstances and will be able to react deliberately and definitively as it has a significant financial capacity.

## 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, 2017 and 2016:

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 170,898	\$ 128,739	\$ 42,159
Operating grants and contributions	62,697	64,903	(2,206)
General revenues			
Taxes	7,150,552	7,096,149	54,403
Intergovernmental	333,822	285,292	48,530
Investment	90,071	13,602	76,469
All others	166,792	77,008	89,784
<b>Total Revenues</b>	<u>7,974,832</u>	<u>7,665,693</u>	<u>309,139</u>
Expenses:			
Administration	891,420	834,561	56,859
Protection	182,138	208,982	(26,844)
Public works	707,317	1,151,933	(444,616)
Solid waste operations	344,306	321,172	23,134
Community services	120,045	96,578	23,467
Education	4,471,590	4,445,541	26,049
Recreation	26,067	29,711	(3,644)
County tax	400,830	376,230	24,600
Interest on long-term debt	(1,900)	(1,738)	(162)
Capital outlay	107,644	86,993	20,651
<b>Total Expenses</b>	<u>7,249,457</u>	<u>7,549,963</u>	<u>(300,506)</u>
<b>Change in Net Position</b>	<u>\$ 725,375</u>	<u>\$ 115,730</u>	<u>\$ 609,645</u>

The increase in town revenues is a reflection of the general State and National economies in general. Intergovernmental and investment derived revenues increase as the greater economy improves. The town's expenses, over these two particular years, have realized a decrease though have traditionally increased commensurate with inflation and town growth rates. This traditional trend is reflective of a planned and controlled environment that matches residents' demands with the ability to pay for those demanded services. The town has shown extremely good discipline.

## 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, 2017 of \$4.0 million. Approximately 38% of this total constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion.

The ultimate position a town would prefer to realize is a position that provided a reasonable comfort level in terms of a future outlook that could handle any economic circumstance. The town's lack of municipal debt and optimal level of unreserved fund balance has proved to be a desirable financial position. The town has a policy of preparing for the bad times during the good times. China has adhered to traditional reserve fund standards relating to monthly and annual gross expenditures.

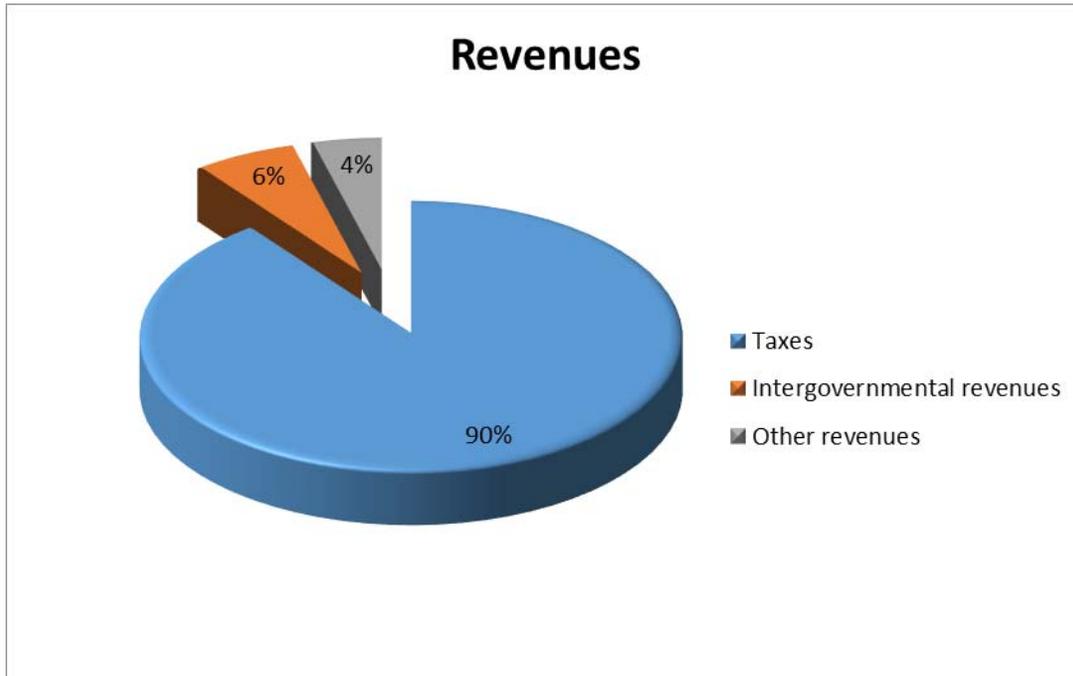
The general fund is the central operating fund of the Town of China, Maine. At the end of the current fiscal year the unassigned fund balance of the general fund was \$1,525,910. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The absolute unreserved fund balance and that balance as a percentage of the total governmental funds provides the town with an important measure of liquidity. The absolute unrestricted fund balance is on the high side of 2-3 months gross expenditures. The unrestricted/unreserved and total fund balances continue to grow compared to total fund expenditures creating a very desirable condition for the town. As noted earlier, this liquidity measure informs us that the town is well prepared for unforeseen circumstances while, at the same time, the town has attempted to be proactive in terms of planning for its necessities and residents' demands.

## Management’s Discussion and Analysis - Continued

### Town of China, Maine

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

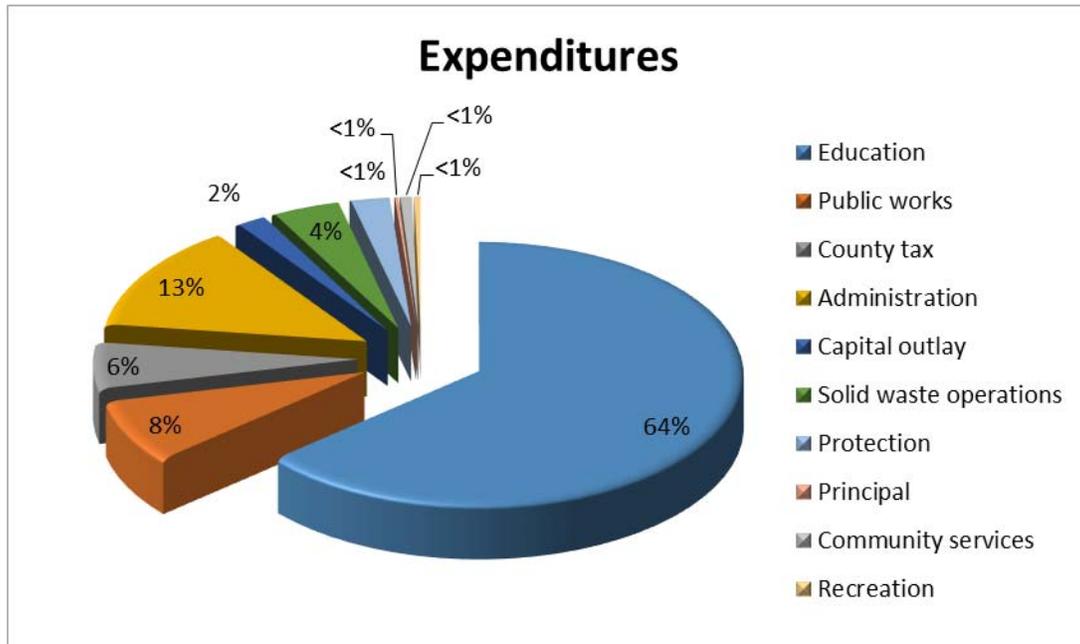


The town’s tax base continues to be a greater portion of the total general fund operating revenues than would be desirable. Though very dependable and the town having a very high rate of tax collection, the tax base is very dependent on a residential base. Intergovernmental revenues have recently been undependable, one example being the Revenue Sharing from the State. For over 40 years there had been one formula to determine what revenues would accrue to municipalities and that has changed. Moreover, there has been repeated legislation introduced in the State Legislature to reduce the amounts of excise taxes on motor vehicles. It seems there needs to be a continued expenditure of energy reviewing the “other revenues” category. The town might review the fee structure in all areas and consider a “pay for use” arrangement wherever possible, e.g. building permitting, transfer station use, and so forth. The “other revenues” category will need to play a more important role in the total mix if other categories are not dependable.

## Management's Discussion and Analysis - Continued

### Town of China, Maine

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



Public education expenditures continue, and will continue into the foreseeable future, to be the most significant expenditure in expenditures budgeting. The Town of China school system is part of Regional School Unit #18, which assesses member towns a proportionate share of the RSU budget. The remainder of the expenditures have remained proportionately stable over time. The gross expenditures budget increase has been governed by annual inflation and growth factors over a long period of time.

#### General Fund Budgetary Highlights

Expenditures were under budgeted amounts and have consistently been under budgeted expenses over the years. Revenues were over budgeted amounts and also have consistently been over budgeted revenues. The town has a significant overall fund balance with unrestricted reserves equal to three months gross expenditures. The town has additional reserve funds in dedicated categories to proactively offset demands for significant funds for replacement items.

#### Capital Assets

Capital assets, net of depreciation and amortization, continue to increase significantly on an annual basis. The town's capital position is very favorable though the town might consider additional capital expenditures or capital reserve expenditures above the 2% noted in the expenditures pie chart above. The town is in a favorable position to accommodate capital expenditures where needed.

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

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

#### **Long Term Liabilities**

The town does not have any municipal debt net of the educational commitment noted earlier and associated with the former School Union #52 which transitioned to Regional School Unit #18. All long-term liabilities on the town's financial records are the responsibility of RSU#18. The town has several reserve accounts in the Fund Balance that serve to stabilize the town's tax rate and compliment the position of a municipality without short and long-term indebtedness.

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

There are circumstances beyond the town's control that might slightly affect the budget and tax (mil) rate. Both the County Budget and the RSU#18 budget derive from independent entities which assess the town. China municipal Officials do not initiate those budgets nor do they vote whether or not to recommend the respective budgets. Voters in November 2017 approved of a \$13.9 million-dollar bonding instrument to be financed over 30 years by the five member-towns.

The town gained approval of an application to the Maine Department of Economic and Community Development for a Tax Increment Financing District which will add an additional approximate \$85,000 annually to the Program with a total allocation projected at \$9,058,092 in total funding over thirty years facilitating funding for economic development in China. Projects funded are further described in the State of Maine Department of Economic and Community Development approval documents associated with the Central Maine Power/China Lake Municipal Tax Increment Financing (TIF) District; Development Program and *First Amendment (AMD-1)* documents.

The economic recovery in the central Maine area seems dependable with building permits and other activities accelerating. Budgeted revenues should increase to the extent needed to offset any increased expenditures without affecting the tax rate from the municipal perspective. The town has not been in better financial condition for decades.

#### **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 contact the Town Manager directly at danl@chinamaine.org. Citizens are welcomed to visit with the appropriate staff on any financial matters. THANK YOU!

## Statement of Net Position

### Town of China, Maine

As of June 30, 2017

	Governmental Activities
<b>Assets</b>	
Cash	\$ 2,961,768
Investments	970,511
Accounts receivable	74,484
Taxes receivable	101,267
Tax liens receivable	211,024
Receivable for long-term obligations from RSU #18	196,987
Capital assets, net of accumulated depreciation	2,763,478
<b>Total Assets</b>	<u>7,279,519</u>
<b>Deferred Outflows</b>	
Deferred outflows related to pension	121,302
<b>Total Deferred Outflows</b>	<u>121,302</u>
<b>Liabilities</b>	
Accounts payable	29,520
Prepaid taxes	4,719
Accrued interest payable	5,600
Amounts held in escrow	25,000
Long-term liabilities:	
Portion due or payable within one year:	
Bond and note payable	15,765
Capital lease obligations	56,513
Accrued compensated absences	67,000
Portion due or payable after one year:	
Capital lease obligations	124,709
Accrued compensated absences	76,941
Net pension liability	206,342
<b>Total Liabilities</b>	<u>612,109</u>
<b>Deferred Inflows</b>	
Deferred inflows related to pension	67,493
<b>Total Deferred Inflows</b>	<u>67,493</u>
<b>Net Position</b>	
Net investment in capital assets	2,566,491
Restricted	1,493,112
Unrestricted	2,661,616
<b>Net Position</b>	<u>\$ 6,721,219</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, 2017

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Administration	\$ 891,420	\$ 64,514	\$ -	\$ (826,906)
Protection	182,138	-	-	(182,138)
Public works	707,317	-	54,516	(652,801)
Solid waste operations	344,306	106,384	-	(237,922)
Community services	120,045	-	-	(120,045)
Education	4,471,590	-	8,181	(4,463,409)
Recreation	26,067	-	-	(26,067)
County tax	400,830	-	-	(400,830)
Interest on long-term debt	(1,900)	-	-	1,900
Capital outlay - special projects	107,644	-	-	(107,644)
<b>Total Governmental Activities</b>	<b>7,249,457</b>	<b>170,898</b>	<b>62,697</b>	<b>(7,015,862)</b>
General revenues:				
				7,150,552
Taxes				333,822
Intergovernmental				135,391
Miscellaneous				10,401
Interest income				90,071
Change in investment value				21,000
Gain on disposal of capital assets				
			<b>Total General Revenues</b>	<b>7,741,237</b>
			<b>Change in Net Position</b>	<b>725,375</b>
			Net position at beginning of year	5,995,844
			<b>Net Position at End of Year</b>	<b>\$ 6,721,219</b>

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

## Balance Sheet - Governmental Funds

### Town of China, Maine

As of June 30, 2017

	General	D.L. Young Scholarship	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 2,940,847	\$ 20,921	\$ -	\$ 2,961,768
Investments	-	970,511	-	970,511
Accounts receivable	74,484	-	-	74,484
Taxes receivable	101,267	-	-	101,267
Tax liens receivable	211,024	-	-	211,024
Due from other funds	68,561	-	586,468	655,029
	<u>3,396,183</u>	<u>991,432</u>	<u>586,468</u>	<u>4,974,083</u>
<b>Total Assets</b>	<b>\$ 3,396,183</b>	<b>\$ 991,432</b>	<b>\$ 586,468</b>	<b>\$ 4,974,083</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 29,520	\$ -	\$ -	\$ 29,520
Prepaid taxes	4,719	-	-	4,719
Amounts held in escrow	25,000	-	-	25,000
Due to other funds	568,004	51,784	35,241	655,029
	<u>627,243</u>	<u>51,784</u>	<u>35,241</u>	<u>714,268</u>
<b>Total Liabilities</b>	<b>627,243</b>	<b>51,784</b>	<b>35,241</b>	<b>714,268</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	285,000	-	-	285,000
	<u>285,000</u>	<u>-</u>	<u>-</u>	<u>285,000</u>
<b>Total Deferred Inflows of Resources</b>	<b>285,000</b>	<b>-</b>	<b>-</b>	<b>285,000</b>
<b>Fund Balances</b>				
Nonspendable				
Permanent funds	-	649,736	73,085	722,821
Restricted				
General fund	2,237	-	-	2,237
Permanent funds	-	289,912	45,837	335,749
Special revenue funds	-	-	432,305	432,305
Assigned				
General fund	955,793	-	-	955,793
Unassigned				
General fund	1,525,910	-	-	1,525,910
	<u>2,483,940</u>	<u>939,648</u>	<u>551,227</u>	<u>3,974,815</u>
<b>Total Fund Balances</b>	<b>2,483,940</b>	<b>939,648</b>	<b>551,227</b>	<b>3,974,815</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
	<u>\$ 3,396,183</u>	<u>\$ 991,432</u>	<u>\$ 586,468</u>	<u>\$ 4,974,083</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, 2017**

**Total Fund Balances - Governmental Funds** \$ 3,974,815

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: 196,987

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: 2,763,478

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: 285,000

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	\$ 121,302	
Deferred inflows related to pension	<u>(67,493)</u>	
		53,809

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	(15,765)	
Capital lease obligations	(181,222)	
Accrued interest payable	(5,600)	
Accrued compensated absences	(143,941)	
Net pension liability	<u>(206,342)</u>	
		<u>(552,870)</u>

**Net Position - Governmental Activities** \$ 6,721,219

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, 2017**

	<u>General</u>	<u>D.L. Young Scholarship</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 6,791,948	\$ -	\$ 273,604	\$ 7,065,552
Intergovernmental revenues	465,168	-	-	465,168
Other revenues	<u>317,706</u>	<u>15,405</u>	<u>4,579</u>	<u>337,690</u>
<b>Total Revenues</b>	7,574,822	15,405	278,183	7,868,410
<b>Expenditures</b>				
Current				
Administration	935,260	-	6,540	941,800
Protection	171,161	-	-	171,161
Public works	550,140	-	-	550,140
Solid waste operations	298,284	-	-	298,284
Community services	51,755	27,041	41,249	120,045
Education	4,524,473	-	-	4,524,473
Recreation	26,938	-	-	26,938
County tax	400,830	-	-	400,830
Debt service - principal	15,766	-	-	15,766
Capital outlay - special projects	<u>128,221</u>	<u>-</u>	<u>37,923</u>	<u>166,144</u>
<b>Total Expenditures</b>	<u>7,102,828</u>	<u>27,041</u>	<u>85,712</u>	<u>7,215,581</u>
<b>Revenues Over (Under) Expenditures</b>	471,994	(11,636)	192,471	652,829
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	16,120	-	33,464	49,584
Operating transfers out	(15,000)	-	(34,584)	(49,584)
Change in investment value	<u>-</u>	<u>90,071</u>	<u>-</u>	<u>90,071</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,120</u>	<u>90,071</u>	<u>(1,120)</u>	<u>90,071</u>
<b>Revenues and Other Sources Over Expenditures and Other Uses</b>	473,114	78,435	191,351	742,900
Fund balances at beginning of year	<u>2,010,826</u>	<u>861,213</u>	<u>359,876</u>	<u>3,231,915</u>
<b>Fund Balances at End of Year</b>	<u>\$ 2,483,940</u>	<u>\$ 939,648</u>	<u>\$ 551,227</u>	<u>\$ 3,974,815</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, 2017**

**Net Change in Fund Balances - Total Governmental Funds** \$ 742,900

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: 85,000

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	\$ 222,201	
Depreciation expense	<u>(303,362)</u>	(81,161)

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 . (68,649)

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	(21,000)	
Gain on sale of capital assets	<u>21,000</u>	-

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	15,766	
Reductions in capital lease obligations	<u>52,883</u>	68,649

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	(19,675)	
Change in accrued interest payable	1,900	
Adjustment to pension expense	<u>(3,589)</u>	(21,364)

**Change in Net Position of Governmental Activities** \$ 725,375

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, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 6,952,912	\$ 6,952,912	\$ 7,065,552	\$ 112,640
Intergovernmental revenues	427,681	427,681	465,168	37,487
Other revenues	131,500	149,500	283,470	133,970
<b>Total Revenues</b>	<b>7,512,093</b>	<b>7,530,093</b>	<b>7,814,190</b>	<b>284,097</b>
<b>Expenditures</b>				
Current				
Administration	879,746	879,746	942,047	(62,301)
Protection	183,098	188,098	185,475	2,623
Public works	754,094	754,094	550,140	203,954
Solid waste operations	271,413	289,413	298,284	(8,871)
Community services	51,495	51,495	51,755	(260)
Education	4,566,473	4,566,473	4,524,473	42,000
Recreation	26,450	26,450	26,450	-
County tax	400,830	400,830	400,830	-
Debt service - principal	15,766	15,766	15,766	-
Capital outlay - special projects	329,924	442,724	63,338	379,386
<b>Total Expenditures</b>	<b>7,479,289</b>	<b>7,615,089</b>	<b>7,058,558</b>	<b>556,531</b>
<b>Revenues Over (Under) Expenditures</b>	<b>32,804</b>	<b>(84,996)</b>	<b>755,632</b>	<b>840,628</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	117,073	167,073	16,120	(150,953)
Operating transfers out	(303,604)	(303,604)	(288,604)	15,000
Transfer to assigned fund balances	-	-	(97,101)	(97,101)
Utilization of unassigned fund balance	229,050	296,850	-	(296,850)
Utilization of assigned fund balance	5,350	5,350	-	(5,350)
<b>Total Other Financing Sources (Uses)</b>	<b>47,869</b>	<b>165,669</b>	<b>(369,585)</b>	<b>(535,254)</b>
<b>Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ 80,673</b>	<b>\$ 80,673</b>	<b>386,047</b>	<b>\$ 305,374</b>
Budgetary fund balance at beginning of year			1,527,398	
<b>Budgetary Fund Balance at End of Year</b>			<b>\$ 1,913,445</b>	

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 29, 2016, on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Taxes were due September 30, 2016, and March 31, 2017. Interest on unpaid taxes commenced on October 1, 2016 and April 1, 2017, 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 unavailable revenue from property taxes.

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 \$80,673 for the year ended June 30, 2017.

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.

## 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, 2017, the carrying amount of the Town's deposits was \$2,961,768 and the bank balance was \$3,071,454. 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, 2017, \$1,217,072 of the Town's bank balance of \$3,071,454 was exposed to credit risk as follows:

Uncollateralized	<u>\$ 71,484</u>
Collateralized with securities held by the pledging financial institution	<u>\$ 1,145,588</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, 2017, 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	\$ 286,502	\$ -	\$ -	\$ 230,296	\$ 56,206
Common stock	612,842	612,842	-	-	-
Mutual funds	<u>71,167</u>	<u>71,167</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 970,511</u>	<u>\$ 684,009</u>	<u>\$ -</u>	<u>\$ 230,296</u>	<u>\$ 56,206</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, 2017, 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, 2017, the Town had the following credit quality distribution in debt securities:

<u>Standard &amp; Poor Rating</u>	<u>Fair Value</u>
AA	\$ 15,321
A	220,314
BBB	<u>50,867</u>
Total debt securities	<u>\$ 286,502</u>

#### Note C - Capital Assets

A summary of capital asset transactions for the year ended June 30, 2017, follows:

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Non-Depreciable Assets:				
Land	\$ 312,989	\$ 79,500	\$ -	\$ 392,489
Construction in progress	-	11,342	-	11,342
Depreciable Assets:				
Buildings	1,429,072	13,540	-	1,442,612
Equipment	1,036,675	39,918	-	1,076,593
Improvements	231,167	-	-	231,167
Land improvements	995,888	-	-	995,888
Vehicles	<u>1,180,289</u>	<u>77,901</u>	<u>25,638</u>	<u>1,232,552</u>
Totals at historical cost	5,186,080	222,201	25,638	5,382,643
Less Accumulated Depreciation:				
Buildings	623,835	46,801	-	670,636
Equipment	716,933	58,733	-	775,666
Improvements	103,484	11,918	-	115,402
Land improvements	302,605	87,837	-	390,442
Vehicles	<u>594,584</u>	<u>98,073</u>	<u>25,638</u>	<u>667,019</u>
Total accumulated depreciation	<u>2,341,441</u>	<u>303,362</u>	<u>25,638</u>	<u>2,619,165</u>
Capital Assets, Net	<u>\$ 2,844,639</u>	<u>\$ (81,161)</u>	<u>\$ -</u>	<u>\$ 2,763,478</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	\$ 35,914
Protection	61,773
Public works	148,981
Solid waste operations	53,565
Recreation	<u>3,129</u>
Total governmental activities depreciation expense	<u>\$ 303,362</u>

#### Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2017, consisted of the following:

Governmental Activities:	<u>Due from</u>	<u>Due to</u>	
General Fund:			
Special Revenue Funds	\$ 16,777	\$ (449,082)	
Permanent Funds:			
Major Permanent Fund: D.L. Young Scholarship	51,784	-	
Non-major Permanent Funds	<u>-</u>	<u>(118,922)</u>	
	68,561	(568,004)	\$ (499,443)
Special Revenue Fund:			
General Fund	449,082	(16,777)	
Special Revenue Fund	<u>18,464</u>	<u>(18,464)</u>	
	467,546	(35,241)	432,305
Major Permanent Fund: D.L. Young Scholarship:			
General Fund	-	(51,784)	(51,784)
Non-major Permanent Funds:			
General Fund	<u>118,922</u>	<u>-</u>	<u>118,922</u>
<b>Net Governmental Activities</b>	<u>\$ 655,029</u>	<u>\$ (655,029)</u>	<u>\$ -</u>

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note D - Interfund Receivables and Payables

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.

#### Note E - Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following amounts:

<b>Governmental Activities:</b>	<u>Transfers in</u>	<u>Transfers out</u>	
General Fund:			
Special Revenue Funds	\$ 16,120	\$ (15,000)	
Non-major Permanent Funds	<u>-</u>	<u>-</u>	
	16,120	(15,000)	\$ 1,120
Special Revenue Fund:			
General Fund	15,000	-	
Special Revenue Fund - TIF	18,464	(16,120)	
Special Revenue Fund - CRLA	<u>-</u>	<u>(18,464)</u>	
	33,464	(34,584)	(1,120)
Non-major Permanent Fund:			
General Fund	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Governmental Activities</b>	<u>\$ 49,584</u>	<u>\$ (49,584)</u>	<u>\$ -</u>

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

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note F - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

<b>Governmental Activities:</b>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
General obligation debt	\$ 31,531	\$ -	\$ 15,766	\$ 15,765	\$ 15,765
Capital lease obligations	234,105	-	52,883	181,222	56,513
Net pension liability	125,468	80,874	-	206,342	-
Compensated absences	<u>124,266</u>	<u>57,475</u>	<u>37,800</u>	<u>143,941</u>	<u>67,000</u>
Total Governmental	<u>\$ 515,370</u>	<u>\$ 138,349</u>	<u>\$ 106,449</u>	<u>\$ 547,270</u>	<u>\$ 139,278</u>

The following is a summary of debt outstanding at June 30, 2017:

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%.	<u>\$ 15,765</u>
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#### 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>	
2018	\$ 62,604
2019	64,198
2020	<u>65,848</u>
	192,650
Less amount representing interest (various rates)	<u>11,428</u>
Obligations under capital leases	<u>\$ 181,222</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>	
2018	\$ 4,180
2019	4,306
2020	<u>4,435</u>
	<u>\$ 12,921</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. 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 8.0% of their annual gross salary to the plan and the Town is required to contribute 9.5% for the year ended June 30, 2017. Contributions to the pension plan from the Town were \$20,429 for the year ended June 30, 2017.

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

At June 30, 2017, the Town reported a liability of \$206,342 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town's proportion was 0.038835% which was a decrease of 0.000491% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$24,018. 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, 2017, 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	\$ 2,502	\$ 13,272
Net difference between projected and actual earnings on pension plan investments	76,251	31,734
Changes of assumptions	22,121	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	22,487
Town contributions subsequent to the measurement date	20,428	-
	<u>\$ 121,302</u>	<u>\$ 67,493</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, \$20,429 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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	\$ (1,226)
2018	(2,307)
2019	25,020
2020	11,892

##### **Actuarial assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<b><u>2016</u></b>
Inflation	3.5%
Salary increases	3.5% plus merit component based on employee's years of service
Investment rate of return	6.875%
COLA	2.20%

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, 2016 valuation were based on the results of an actual experience study for the period June 30, 2012 through June 30, 2015.

## 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%	5.7%
International equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	<u>25%</u>	2.9%
	<u>100%</u>	

##### Discount rate

The discount rate used to measure the total pension liability was 6.875%. 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 6.875%, 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 (5.875%) or one percentage point higher (7.875%) than the current rate:

	1% Decrease (5.875%)	Discount Rate (6.875%)	1% Increase (7.875%)
Town's proportionate share of the net pension liability (asset)	\$ 342,491	\$ 206,342	\$ 78,163

##### **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 (9.5% for the year ended June 30, 2017) 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 \$18,984 for the year ended June 30, 2017.

#### 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 J - Risk Management - Continued

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, 2017.

#### Note K - 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	\$ 386,047
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##### *Sources/inflows of resources reconciling items:*

The Town budgets property taxes on a gross basis but a portion of the property taxes levied are recognized in special revenue funds under generally accepted accounting principles.	(273,604)
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Interest income allocated to assigned balances not included in general fund operating budget	2,385
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Miscellaneous income allocated to assigned balances not included in general fund operating budget	10,850
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##### *Uses/outflows of resources reconciling items:*

The Town does not budget to use assigned fund balance amounts which have been expended during the current year (See Note L):

Reserve expenditures	(61,552)
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Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>408,988</u>
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##### **Generally Accepted Accounting Principles Basis:**

Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 473,114</u>
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## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note L - Fund Balances

At June 30, 2017, 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, 2017, the restricted fund balance consisted of the following:

	General <u>Fund</u>	Permanent <u>Funds</u>	Special <u>Revenues</u>
Holiday Giving	\$ 2,237	\$ -	\$ -
Dinsmore Assistance	-	258	-
Cemetery Care	-	45,579	-
D.L. Young Scholarship	-	289,912	-
CMP/China Lake TIF	-	-	412,646
CRLA	-	-	1,686
Fuel Assistance Fund	-	-	<u>17,973</u>
	<u>\$ 2,237</u>	<u>\$ 335,749</u>	<u>\$ 432,305</u>

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note L - Fund Balances - Continued

At June 30, 2017, the assigned general fund balance consisted of the following:

	Balance at				Balance at
	<u>7/1/2016</u>	<u>Appropriated</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2017</u>
<i>Carryforwards:</i>					
State revenue sharing	\$ 163,996	\$ (142,000)	\$ 177,338	\$ -	\$ 199,334
Road assistance	-	(54,200)	54,516	-	316
Cemeteries purchase	3,096	-	2,500	3,372	2,224
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	8,390	-	-	125	8,265
Community Needs Assessment	-	3,800	-	-	3,800
Land purchases	-	34,000	-	-	34,000
Emergency shelter septic and well	-	25,000	-	-	25,000
Trail maintenance and bridge	-	48,668	-	-	48,668
Police services	-	6,000	-	-	6,000
Transfer station capital equipment	-	18,000	-	-	18,000
Total carryforwards	215,173	(60,732)	234,354	3,497	385,298

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note L - Fund Balances - Continued

	Balance at <u>7/1/2016</u>	<u>Appropriated</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/2017</u>
<i>Other Reserves:</i>					
China Village Volunteer FD	162	146	1	-	309
Equipment reserve	-	120,000	159	52,500	67,659
Compactor reserve	39,447	-	186	-	39,633
Boat launch reserve	1,685	-	8	-	1,693
Thurston Park	-	-	287	287	-
Growth management reserve	9,282	-	44	-	9,326
Fire Department reserve	62,857	-	297	-	63,154
Sand/salt shed	22,346	-	106	-	22,452
Lake access	123,875	-	584	-	124,459
Weeks Mills FD building	9,462	435	46	-	9,943
Recreation reserve	6,492	5,777	46	-	12,315
Legal reserve	29,058	7,112	154	-	36,324
Community days	7,607	2,500	8,432	8,765	9,774
Rescue reserve	32,811	1,849	160	-	34,820
Planning Board	8,000	(38)	38	-	8,000
Dispatching	53,751	2,085	258	-	56,094
PSAP e911	7,084	4,544	44	-	11,672
South China VFD	-	5,255	12	-	5,267
2018 Bi-Centennial	614	8,619	2,172	-	11,405
Accrued compensation reserve	<u>40,991</u>	<u>5,000</u>	<u>205</u>	<u>-</u>	<u>46,196</u>
Total other reserves	<u>455,524</u>	<u>163,284</u>	<u>13,239</u>	<u>61,552</u>	<u>570,495</u>
	<u>\$ 670,697</u>	<u>\$ 102,552</u>	<u>\$ 247,593</u>	<u>\$ 65,049</u>	<u>\$ 955,793</u>

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

**Town of China, Maine**

**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 6,234,412	\$ 6,234,412	\$ 6,144,048	\$ (90,364)
Excise taxes	693,500	693,500	892,320	198,820
Interest and costs on taxes	25,000	25,000	29,184	4,184
<b>Total Taxes</b>	<u>6,952,912</u>	<u>6,952,912</u>	<u>7,065,552</u>	<u>112,640</u>
Intergovernmental:				
State revenue sharing	142,000	142,000	177,338	35,338
Road assistance	54,200	54,200	54,516	316
Homestead reimbursement	142,921	142,921	142,921	-
Tax reimbursements and relief	8,730	8,730	13,563	4,833
General assistance	3,000	3,000	-	(3,000)
RSU debt and capital lease funding	76,830	76,830	76,830	-
<b>Total Intergovernmental</b>	<u>427,681</u>	<u>427,681</u>	<u>465,168</u>	<u>37,487</u>
Other Revenues:				
Interest on investments	14,500	14,500	10,401	(4,099)
Permits and fees	44,500	44,500	64,514	20,014
Miscellaneous revenues	13,600	13,600	102,170	88,570
Solid waste revenues	58,900	76,900	106,385	29,485
<b>Total Other Revenues</b>	<u>131,500</u>	<u>149,500</u>	<u>283,470</u>	<u>133,970</u>
<b>Total Revenues</b>	<u>7,512,093</u>	<u>7,530,093</u>	<u>7,814,190</u>	<u>284,097</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, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Expenditures</b>				
Administration:				
Administrative payroll costs	\$ 382,129	\$ 382,129	\$ 378,508	\$ 3,621
Administrative expenses	105,300	105,300	174,430	(69,130)
Planning Board expenses	2,363	2,363	1,524	839
Association dues	12,367	12,367	11,587	780
Assessing	47,500	47,500	43,889	3,611
Computer costs	23,000	23,000	23,000	-
Legal services	10,000	10,000	10,000	-
Insurance and benefits	297,087	297,087	299,109	(2,022)
<b>Total Administration</b>	<b>879,746</b>	<b>879,746</b>	<b>942,047</b>	<b>(62,301)</b>
Protection:				
Constable services	28,980	33,980	37,375	(3,395)
Fire departments	65,400	65,400	65,455	(55)
China rescue squad	18,350	18,350	18,350	-
Health officer	1,121	1,121	-	1,121
E-911	24,994	24,994	24,994	-
Dispatching	27,079	27,079	27,079	-
Emergency services insurance	17,174	17,174	12,222	4,952
<b>Total Protection</b>	<b>183,098</b>	<b>188,098</b>	<b>185,475</b>	<b>2,623</b>
Public Works:				
Road maintenance	719,994	719,994	514,686	205,308
Street signs	2,500	2,500	721	1,779
Street lights	7,000	7,000	6,761	239
Cemeteries	24,600	24,600	27,972	(3,372)
<b>Total Public Works</b>	<b>754,094</b>	<b>754,094</b>	<b>550,140</b>	<b>203,954</b>
<b>Solid Waste Operations</b>	<b>271,413</b>	<b>289,413</b>	<b>298,284</b>	<b>(8,871)</b>

See accompanying independent auditors' report.

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

**Town of China, Maine**

**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Expenditures - continued</b>				
Community Services:				
General assistance	\$ 16,000	\$ 16,000	\$ 16,732	\$ (732)
Social service agencies	12,458	12,458	12,458	-
China Historical Society	6,000	6,000	5,734	266
South China Library	4,500	4,500	4,500	-
Albert Church Brown Library	4,500	4,500	4,500	-
K.V. Humane Society	7,087	7,087	6,881	206
Memorial Day/Veteran's markers	950	950	950	-
<b>Total Community Services</b>	<b>51,495</b>	<b>51,495</b>	<b>51,755</b>	<b>(260)</b>
Education:				
RSU Assessment	4,505,409	4,505,409	4,463,409	42,000
Capital lease obligations	61,064	61,064	61,064	-
<b>Total Education</b>	<b>4,566,473</b>	<b>4,566,473</b>	<b>4,524,473</b>	<b>42,000</b>
Recreation:				
General recreation	23,950	23,950	23,950	-
China community days	2,500	2,500	2,500	-
<b>Total Recreation</b>	<b>26,450</b>	<b>26,450</b>	<b>26,450</b>	<b>-</b>
<b>Total County Tax</b>	<b>400,830</b>	<b>400,830</b>	<b>400,830</b>	<b>-</b>
<b>Total Debt Service</b>	<b>15,766</b>	<b>15,766</b>	<b>15,766</b>	<b>-</b>

See accompanying independent auditors' report.

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

**Town of China, Maine**

**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Expenditures - continued</b>				
Special Projects:				
Equipment replacement	\$ 120,000	\$ 120,000	\$ 1,685	\$ 118,315
One Room School House	3,000	3,000	3,000	-
Oakland Super Park	37,924	37,924	245	37,679
Contingency	45,000	45,000	22,883	22,117
Docks	-	-	183	(183)
Project Learning Tree	-	-	125	(125)
Town line	3,000	3,000	3,000	-
Community Needs Assessment	-	3,800	-	3,800
Land purchase	-	34,000	-	34,000
Emergency shelter septic and well	-	25,000	-	25,000
Bicentennial	10,000	10,000	10,000	-
Development Program Fund	50,000	50,000	14,788	35,212
Causeway Road	-	50,000	1,332	48,668
Fire department truck purchase	6,000	6,000	6,000	-
Grant expenses	55,000	55,000	97	54,903
<b>Total Special Projects</b>	<u>329,924</u>	<u>442,724</u>	<u>63,338</u>	<u>379,386</u>
<b>Total Expenditures</b>	<u>7,479,289</u>	<u>7,615,089</u>	<u>7,058,558</u>	<u>556,531</u>
<b>Revenues Over (Under) Expenditures</b>	32,804	(84,996)	755,632	840,628
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	117,073	167,073	16,120	(150,953)
Operating transfers out	(303,604)	(303,604)	(288,604)	15,000
Transfer to assigned fund balances	-	-	(97,101)	(97,101)
Utilization of unassigned fund balance	229,050	296,850	-	(296,850)
Utilization of assigned fund balance	5,350	5,350	-	(5,350)
<b>Total Other Financing Sources (Uses)</b>	<u>47,869</u>	<u>165,669</u>	<u>(369,585)</u>	<u>(535,254)</u>
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	\$ 80,673	\$ 80,673	386,047	\$ 305,374
Budgetary fund balance at beginning of year			<u>1,527,398</u>	
<b>Budgetary Fund Balance at End of Year</b>			<u>\$ 1,913,445</u>	

See accompanying independent auditors' report.

**Combining Balance Sheet  
Other Governmental Funds**

**Town of China, Maine**

**As of June 30, 2017**

	<u>Permanent Funds</u>	<u>Special Revenues</u>	<u>Total Other Governmental Funds</u>
<b>Assets</b>			
Cash	\$ -	\$ -	\$ -
Investments	-	-	-
Accounts receivable	-	-	-
Due from other funds	<u>118,922</u>	<u>467,546</u>	<u>586,468</u>
<b>Total Assets</b>	<u>\$ 118,922</u>	<u>\$ 467,546</u>	<u>\$ 586,468</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	<u>\$ -</u>	<u>\$ 35,241</u>	<u>\$ 35,241</u>
<b>Total Liabilities</b>	-	35,241	35,241
<b>Fund Balances</b>			
Nonspendable	73,085	-	73,085
Restricted	<u>45,837</u>	<u>432,305</u>	<u>478,142</u>
<b>Total Fund Balances</b>	<u>118,922</u>	<u>432,305</u>	<u>551,227</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 118,922</u>	<u>\$ 467,546</u>	<u>\$ 586,468</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, 2017**

	<u>CRLA</u>	Fuel Assistance <u>Reserve</u>	<u>TIF District</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 273,604	\$ 273,604
Interest	-	9	-	9
Other income	<u>1,900</u>	<u>2,000</u>	<u>-</u>	<u>3,900</u>
<b>Total Revenues</b>	1,900	2,009	273,604	277,513
<b>Expenditures</b>				
Current				
Approved municipal expenses	-	-	51,813	51,813
Other expenditures	<u>33,749</u>	<u>150</u>	<u>-</u>	<u>33,899</u>
<b>Total Expenditures</b>	<u>33,749</u>	<u>150</u>	<u>51,813</u>	<u>85,712</u>
<b>Revenues Over (Under) Expenditures</b>	(31,849)	1,859	221,791	191,801
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	33,464	-	-	33,464
Operating transfers out	<u>-</u>	<u>-</u>	<u>(34,584)</u>	<u>(34,584)</u>
<b>Total Other Sources (Uses)</b>	<u>33,464</u>	<u>-</u>	<u>(34,584)</u>	<u>(1,120)</u>
<b>Revenues and Other Sources Over Expenditures and Other Uses</b>	1,615	1,859	187,207	190,681
Fund balances at beginning of year	<u>71</u>	<u>16,114</u>	<u>225,439</u>	<u>241,624</u>
<b>Fund Balances at End of Year</b>	<u>\$ 1,686</u>	<u>\$ 17,973</u>	<u>\$ 412,646</u>	<u>\$ 432,305</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, 2017**

	<u>Dinsmore Assistance</u>	<u>Cemetery Care</u>	<u>Total</u>
<b>Revenues</b>			
Principal additions	\$ -	\$ -	\$ -
Investment income	-	670	670
<b>Total Revenues</b>	-	670	670
<b>Expenses</b>			
Miscellaneous	-	-	-
<b>Total Expenses</b>	-	-	-
<b>Revenues Over Expenses</b>	-	670	670
<b>Other Financing Sources (Uses)</b>			
Operating transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-
<b>Revenues and Other Sources Over Expenses and Other Uses</b>	-	670	670
Fund balances at beginning of year	<u>758</u>	<u>117,494</u>	<u>118,252</u>
<b>Fund Balances at End of Year</b>	<u>\$ 758</u>	<u>\$ 118,164</u>	<u>\$ 118,922</u>

See accompanying independent auditors' report.

# Schedule of Valuation, Assessment and Collection of Taxes

## Town of China, Maine

For the Year Ended June 30, 2017

### Valuation

Real estate	\$	389,906,300
Personal property		<u>12,313,800</u>
<b>Total Valuation</b>	<b>\$</b>	<b><u>402,220,100</u></b>

### Assessment

Valuation x Rate - \$402,220,100 x 0.015500	\$	6,234,412
Supplemental taxes		<u>1,128</u>
<b>Total Assessment Charged to Collector</b>	<b>\$</b>	<b>6,235,540</b>

### Collections and Credits

Cash collections	\$	6,004,537
Tax abatements and adjustments		<u>6,643</u>
<b>Total Collections and Credits</b>		<b><u>6,011,180</u></b>

**2017 Taxes Receivable - June 30, 2017** **\$ 224,360**

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>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Town's proportion of the net pension liability (asset)	0.0388%	0.0393%	0.0525%
Town's proportionate share of the net pension liability (asset)	<u>\$ 206,342</u>	<u>\$ 125,468</u>	<u>\$ 80,771</u>
Town's covered-employee payroll	<u>\$ 204,755</u>	<u>\$ 202,956</u>	<u>\$ 261,056</u>
Town's portortionate share of the net pension liability (asset) as a percentage of its covered employee payroll	100.775%	61.820%	30.940%
Plan fiduciary net position as a percentage of the total pension liability	81.600%	88.300%	94.100%

\*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 three years are shown.

See accompanying independent auditors' report.

## Schedule of Town Contributions

### Town of China, Maine

#### Last ten fiscal years\*

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution	\$ 18,223	\$ 16,075	\$ 18,196
Contributions in relation to the contractually required contribution	<u>18,223</u>	<u>16,075</u>	<u>18,196</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 204,755</u>	<u>\$ 202,956</u>	<u>\$ 261,056</u>
Contributions as a percentage of covered-employee payroll	8.900%	7.920%	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 three 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.