

Financial Statements

Town of China, Maine

June 30, 2018

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Town of China, Maine

June 30, 2018

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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, 2018, 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, 2018, 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 41, the Schedule of Town Contributions on page 42, and the Notes to the Schedules on page 43 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 and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Professional Association

**Portland, Maine
September 10, 2018**

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, 2018. 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, 2018 and 2017, respectively.
- The Town's governmental funds General Fund Balance was \$2.2 million as of June 30, 2018, compared to \$2.5 million as of June 30, 2017.

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, 2018 and 2017:

	<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 4,375,732	\$ 4,516,041	\$ (140,309)
Capital assets	<u>2,851,900</u>	<u>2,763,478</u>	<u>88,422</u>
Total Assets	<u>7,227,632</u>	<u>7,279,519</u>	<u>(51,887)</u>
Deferred outflows related to pensions	<u>95,504</u>	<u>121,302</u>	<u>(25,798)</u>
Total Deferred Outflows	<u>95,504</u>	<u>121,302</u>	<u>(25,798)</u>
Long-term liabilities	284,268	407,992	(123,724)
Other liabilities	<u>218,633</u>	<u>204,117</u>	<u>14,516</u>
Total Liabilities	<u>502,901</u>	<u>612,109</u>	<u>(109,208)</u>
Deferred inflows related to pensions	<u>79,050</u>	<u>67,493</u>	<u>11,557</u>
Total Deferred Inflows	<u>79,050</u>	<u>67,493</u>	<u>11,557</u>
Net investment in capital assets	2,727,191	2,566,491	160,700
Restricted	1,748,358	1,493,112	255,246
Unrestricted	<u>2,265,636</u>	<u>2,661,616</u>	<u>(395,980)</u>
Net Position	<u>\$ 6,741,185</u>	<u>\$ 6,721,219</u>	<u>\$ 19,966</u>

The town's financial position continues its positive direction as indicated in the above summary. While Total Assets declined by just over \$50 thousand, Total Liabilities decreased by almost \$110 thousand. Overall, our Net Position showed a slight improvement.

Long Term liabilities are a residual obligation from when the town was part of School Union #52, and this liability was assumed by the new RSU #18. The town does not have any indebtedness, and there is no foreseeable need to incur any debt.

Capital Reserves, Investments, and the Tax Increment Financing plan contribute significantly to the town's healthy financial condition.

Management's Discussion and Analysis - Continued

Town of China, Maine

The following schedule is a summary of the statement of activities for the years ended June 30, 2018 and 2017:

	<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 182,817	\$ 170,898	\$ 11,919
Operating grants and contributions	61,467	62,697	(1,230)
General revenues			
Taxes	7,310,702	7,150,552	160,150
Intergovernmental	443,880	333,822	110,058
Investment	43,868	90,071	(46,203)
All others	31,184	166,792	(135,608)
Total Revenues	<u>8,073,918</u>	<u>7,974,832</u>	<u>99,086</u>
Expenses:			
Administration	986,585	891,420	95,165
Protection	239,614	182,138	57,476
Public works	1,063,585	707,317	356,268
Solid waste operations	388,445	344,306	44,139
Community services	117,903	120,045	(2,142)
Education	4,741,164	4,471,590	269,574
Recreation	24,590	26,067	(1,477)
County tax	396,462	400,830	(4,368)
Economic development	98,790	-	98,790
Interest on long-term debt	(2,000)	(1,900)	(100)
Capital outlay	(1,186)	107,644	(108,830)
Total Expenses	<u>8,053,952</u>	<u>7,249,457</u>	<u>804,495</u>
Change in Net Position	<u>\$ 19,966</u>	<u>\$ 725,375</u>	<u>\$ (705,409)</u>

The extended winter season stands as the greatest contributor to the added expense in the last fiscal year. The commitment to keeping roads fully cleared and safe for our residents and travelers through the area comes at a significant cost worth bearing. Our fiscal discipline over the years positioned us to endure the added cost.

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, 2018 of \$4.0 million. Approximately 32% of this total constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion.

The town has undertaken an approach to prepare for lean times in the times of plenty. Capital reserves, investments and a healthy unassigned fund balance show this determination.

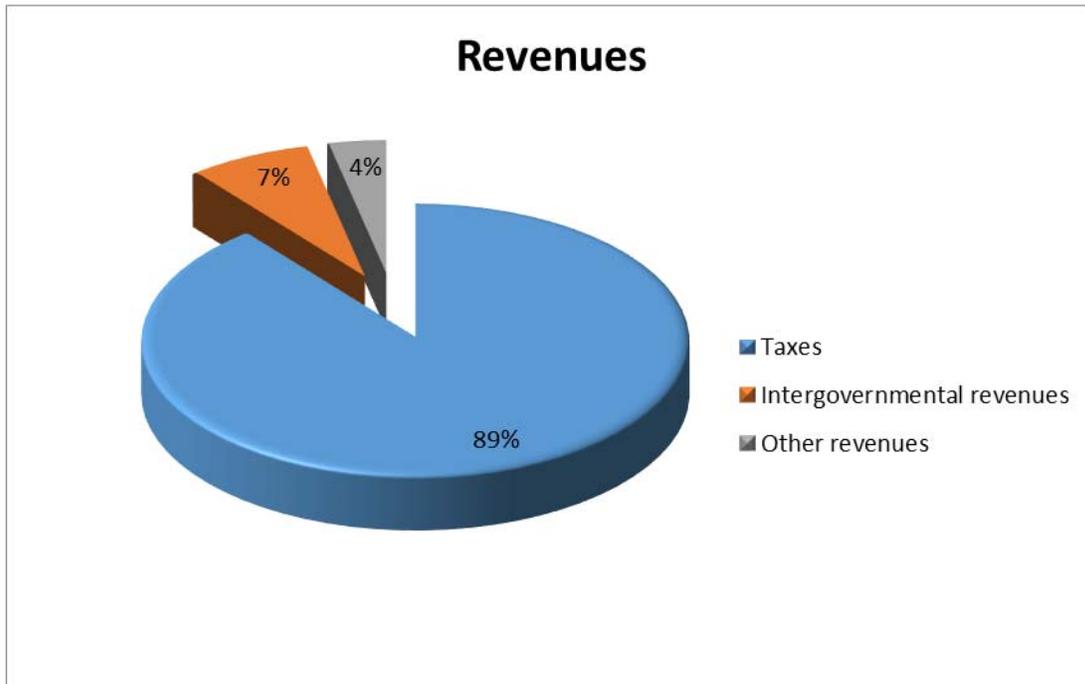
The general fund is the central operating fund of the Town of China, Maine. At the end of the current fiscal year the unassigned fund balance of the general fund was \$1,249,505. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

As noted earlier, the health of the town's unassigned fund balance provides a measure of liquidity that allows the town to respond to unforeseen expenditures without incurring unnecessary indebtedness. However, while remaining responsive and sensitive to the demands of the town's residents, management continually provides a tempered approach to planned expenditures.

Management's Discussion and Analysis - Continued

Town of China, Maine

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

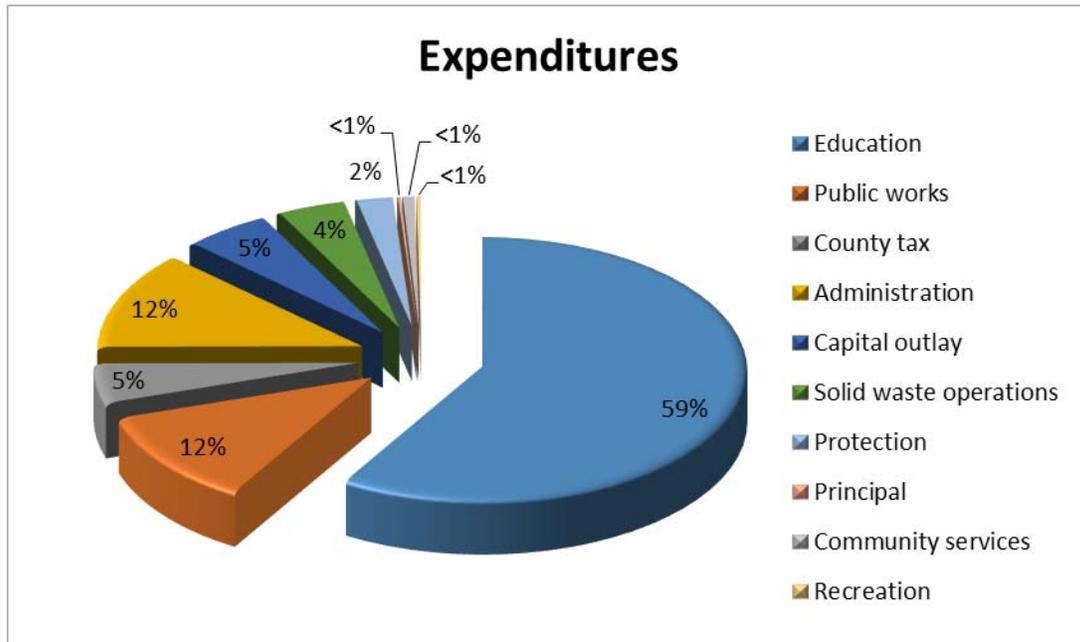


Taxes (real estate, personal property, and motor vehicle excise) continue to represent the largest source of revenue for the town. While State revenue sharing increased by 1 percent from the prior year, the burden for providing town services, including the maintenance of local roads, falls almost entirely on local residents and businesses. For the foreseeable future, this revenue arrangement is not expected to change.

Management's Discussion and Analysis - Continued

Town of China, Maine

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



The town's share of the RSU #18 public education budget continues to represent the largest expense area of the budget. While its percentage of the town's overall expense declined by 5 percent, the added tax impact on residents was almost \$260 thousand (0.96 mil). The public works expense increased 30 percent (from 8 to 12 percent), and that was attributable primarily to the extended winter. Other expense areas remained largely stable.

General Fund Budgetary Highlights

Expenses exceeded budgeted amounts by more than \$187 thousand, and that can be seen primarily in Public Works, and to a lesser degree in Administration and Solid Waste Operations. Revenues exceeded budgeted amounts by nearly \$288 thousand, resulting in a net increase over expenses of just over \$100 thousand. Overall, the town remains in a good position with respect to its fund balances, showing an unassigned fund balance exceeding \$1.2 million.

Capital Assets

The town continues to show a healthy report on capital assets. A continuing measured approach to capital expenditures is advised, but careful attention to replacement of aged and declining equipment should be given to avoid unnecessary emergencies.

Management's Discussion and Analysis - Continued

Town of China, Maine

Long Term Liabilities

The town has no long-term liabilities or indebtedness. However, the RSU #18 does carry indebtedness, and the town's residents carry the tax burden for eliminating that indebtedness.

Economic Factors and Next Year's Budgets and Rates

The RSU #18 and Kennebec County assessments together constitute about 64 percent of the total tax burden for China residents and businesses. China's municipal officials have no involvement in the preparation or recommendations of these two budgets.

With the expert assistance of the Assessors' Agent, the town was able to realize a slight decrease in the mil rate for the following fiscal year from 15.9 to 15.8 mils. China residents and businesses may discover this to be only a slight impact to their tax bills as this was driven by some increases in valuation.

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 welcome to visit with the appropriate staff on any financial matters.

Statement of Net Position

Town of China, Maine

As of June 30, 2018

	Governmental Activities
Assets	
Cash	\$ 2,920,564
Investments	976,128
Accounts receivable	72,491
Taxes receivable	94,960
Tax liens receivable	186,880
Receivable for long-term obligations from RSU #18	124,709
Capital assets, net of accumulated depreciation	2,851,900
Total Assets	<u>7,227,632</u>
Deferred Outflows	
Deferred outflows related to pension	95,504
Total Deferred Outflows	<u>95,504</u>
Liabilities	
Accounts payable	36,760
Prepaid taxes	42,935
Accrued interest payable	3,600
Amounts held in escrow	25,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease obligations	60,338
Accrued compensated absences	50,000
Portion due or payable after one year:	
Capital lease obligations	64,371
Accrued compensated absences	57,408
Net pension liability	162,489
Total Liabilities	<u>502,901</u>
Deferred Inflows	
Deferred inflows related to pension	79,050
Total Deferred Inflows	<u>79,050</u>
Net Position	
Net investment in capital assets	2,727,191
Restricted	1,748,358
Unrestricted	2,265,636
Net Position	<u>\$ 6,741,185</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, 2018

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	\$ 986,585	\$ 59,388	\$ -	\$ (927,197)
Protection	239,614	-	-	(239,614)
Public works	1,055,493	-	55,376	(1,000,117)
Solid waste operations	388,445	123,429	-	(265,016)
Community services	117,903	-	-	(117,903)
Education	4,739,164	-	6,091	(4,733,073)
Recreation	24,590	-	-	(24,590)
County tax	396,462	-	-	(396,462)
Economic development	98,790	-	-	(98,790)
Capital outlay - special projects	6,906	-	-	(6,906)
Total Governmental Activities	8,053,952	182,817	61,467	(7,809,668)
General revenues:				
				7,310,702
Taxes				443,880
Intergovernmental				33,788
Miscellaneous				14,640
Interest income				43,868
Change in investment value				(17,244)
Loss on disposal of capital assets				
			Total General Revenues	7,829,634
			Change in Net Position	19,966
			Net position at beginning of year	6,721,219
			Net Position at End of Year	\$ 6,741,185

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

Balance Sheet - Governmental Funds

Town of China, Maine

As of June 30, 2018

	General	D.L. Young Scholarship	TIF Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 2,904,566	\$ 15,998	\$ -	\$ -	\$ 2,920,564
Investments	-	976,128	-	-	976,128
Accounts receivable	72,491	-	-	-	72,491
Taxes receivable	94,960	-	-	-	94,960
Tax liens receivable	186,880	-	-	-	186,880
Due from other funds	42,034	-	660,298	169,303	871,635
	<u>3,300,931</u>	<u>992,126</u>	<u>660,298</u>	<u>169,303</u>	<u>5,122,658</u>
Total Assets					
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 36,760	\$ -	\$ -	\$ -	\$ 36,760
Prepaid taxes	42,935	-	-	-	42,935
Amounts held in escrow	25,000	-	-	-	25,000
Due to other funds	796,137	11,000	33,464	31,034	871,635
	<u>900,832</u>	<u>11,000</u>	<u>33,464</u>	<u>31,034</u>	<u>976,330</u>
Total Liabilities					
Deferred Inflows of Resources					
Unavailable revenue - property taxes	230,000	-	-	-	230,000
	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,000</u>
Total Deferred Inflows of Resources					
Fund Balances					
Nonspendable					
Permanent funds	-	649,736	-	73,085	722,821
Restricted					
General fund	2,129	-	-	-	2,129
Permanent funds	-	331,390	-	46,667	378,057
Special revenue funds	-	-	626,834	18,517	645,351
Assigned					
General fund	918,465	-	-	-	918,465
Unassigned					
General fund	1,249,505	-	-	-	1,249,505
	<u>2,170,099</u>	<u>981,126</u>	<u>626,834</u>	<u>138,269</u>	<u>3,916,328</u>
Total Fund Balances					
Total Liabilities, Deferred Inflows of Resources, and Fund Balances					
	<u>\$ 3,300,931</u>	<u>\$ 992,126</u>	<u>\$ 660,298</u>	<u>\$ 169,303</u>	<u>\$ 5,122,658</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, 2018

Total Fund Balances - Governmental Funds \$ 3,916,328

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: 124,709

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: 2,851,900

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: 230,000

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	\$ 95,504	
Deferred inflows related to pension	<u>(79,050)</u>	
		16,454

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:

Capital lease obligations	(124,709)	
Accrued interest payable	(3,600)	
Accrued compensated absences	(107,408)	
Net pension liability	<u>(162,489)</u>	
		<u>(398,206)</u>

Net Position - Governmental Activities \$ 6,741,185

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, 2018

	<u>General</u>	<u>D.L. Young Scholarship</u>	<u>TIF District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 6,996,978	\$ -	\$ 368,724	\$ -	\$ 7,365,702
Intergovernmental revenues	577,625	-	-	-	577,625
Other revenues	271,656	16,551	-	11,338	299,545
Total Revenues	<u>7,846,259</u>	<u>16,551</u>	<u>368,724</u>	<u>11,338</u>	<u>8,242,872</u>
Expenditures					
Current					
Administration	986,486	-	-	2,394	988,880
Protection	185,824	-	-	-	185,824
Public works	939,761	-	-	-	939,761
Solid waste operations	345,152	-	-	-	345,152
Community services	59,706	18,941	-	39,256	117,903
Education	4,797,677	-	-	-	4,797,677
Recreation	21,377	-	-	-	21,377
County tax	396,462	-	-	-	396,462
Economic development	-	-	98,790	-	98,790
Debt service - principal	15,765	-	-	-	15,765
Capital outlay - special projects	437,636	-	-	-	437,636
Total Expenditures	<u>8,185,846</u>	<u>18,941</u>	<u>98,790</u>	<u>41,650</u>	<u>8,345,227</u>
Revenues Over (Under) Expenditures	(339,587)	(2,390)	269,934	(30,312)	(102,355)
Other Financing Sources (Uses)					
Operating transfers in	40,746	-	-	30,000	70,746
Operating transfers out	(15,000)	-	(55,746)	-	(70,746)
Change in investment value	-	43,868	-	-	43,868
Total Other Financing Sources (Uses)	<u>25,746</u>	<u>43,868</u>	<u>(55,746)</u>	<u>30,000</u>	<u>43,868</u>
Revenues and Other Sources Over Expenditures and Other Uses	(313,841)	41,478	214,188	(312)	(58,487)
Fund balances at beginning of year	<u>2,483,940</u>	<u>939,648</u>	<u>412,646</u>	<u>138,581</u>	<u>3,974,815</u>
Fund Balances at End of Year	<u>\$ 2,170,099</u>	<u>\$ 981,126</u>	<u>\$ 626,834</u>	<u>\$ 138,269</u>	<u>\$ 3,916,328</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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (58,487)

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: (55,000)

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	\$ 482,256	
Depreciation expense	<u>(308,290)</u>	
		173,966

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 . (72,278)

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 loss on sale of capital assets differed from capital asset sale proceeds in the current period:

Capital asset sale proceeds	(68,300)	
Loss on sale of capital assets	<u>(17,244)</u>	
		(85,544)

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	15,765	
Reductions in capital lease obligations	<u>56,513</u>	
		72,278

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	36,533	
Change in accrued interest payable	2,000	
Adjustment to pension expense	<u>6,498</u>	
		<u>45,031</u>

Change in Net Position of Governmental Activities \$ 19,966

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Taxes	\$ 7,203,513	\$ 7,203,513	\$ 7,365,702	\$ 162,189
Intergovernmental revenues	530,251	530,251	577,625	47,374
Other revenues	172,350	172,350	250,585	78,235
Total Revenues	7,906,114	7,906,114	8,193,912	287,798
Expenditures				
Current				
Administration	901,828	901,828	946,593	(44,765)
Protection	237,479	237,479	205,241	32,238
Public works	776,773	776,773	935,809	(159,036)
Solid waste operations	307,591	307,591	345,152	(37,561)
Community services	53,273	53,273	59,706	(6,433)
Education	4,797,677	4,797,677	4,797,677	-
Recreation	26,000	26,000	16,341	9,659
County tax	396,462	396,462	396,462	-
Debt service - principal	15,766	15,766	15,765	1
Capital outlay - special projects	461,213	469,713	451,596	18,117
Total Expenditures	7,974,062	7,982,562	8,170,342	(187,780)
Revenues Over (Under) Expenditures	(67,948)	(76,448)	23,570	100,018
Other Financing Sources (Uses)				
Operating transfers in	40,746	40,746	40,746	-
Operating transfers out	(373,984)	(373,984)	(383,724)	(9,740)
Utilization of unassigned fund balance	282,700	282,700	-	(282,700)
Utilization of assigned fund balance	142,418	150,918	-	(150,918)
Total Other Financing Sources (Uses)	91,880	100,380	(342,978)	(443,358)
Revenues and Other Sources Over Expenditures and Other Uses	\$ 23,932	\$ 23,932	(319,408)	\$ (343,340)
Budgetary fund balance at beginning of year			<u>1,913,445</u>	
Budgetary Fund Balance at End of Year			<u>\$ 1,594,037</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 outflows 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 resources, 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 21, 2017, on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due September 29, 2017, and March 30, 2018. Interest on unpaid taxes commenced on September 30, 2017 and March 31, 2018, 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 \$23,932 for the year ended June 30, 2018.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town went to lien on June 6, 2018. 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.

At June 30, 2018, 25% of the taxes receivable balance was due from one company.

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 41), 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.

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, 2018, the carrying amount of the Town's deposits was \$2,920,564 and the bank balance was \$3,037,175. 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, 2018, \$730,883 of the Town's bank balance of \$3,037,175 was exposed to credit risk as follows:

Uncollateralized	\$ 74,220
Collateralized with securities held by the pledging financial institution	\$ 656,663

Notes to Financial Statements - Continued

Town of China, Maine

Note B - Cash and Investments - Continued

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, 2018, 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	\$ 282,821	\$ -	\$ -	\$ 238,386	\$ 44,435
Common stock	597,562	597,562	-	-	-
Mutual funds	95,745	95,745	-	-	-
	<u>\$ 976,128</u>	<u>\$ 693,307</u>	<u>\$ -</u>	<u>\$ 238,386</u>	<u>\$ 44,435</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, 2018, the Town had no investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy on credit risk. At June 30, 2018, the Town had the following credit quality distribution in debt securities:

<u>Standard & Poor Rating</u>	<u>Fair Value</u>
AA	\$ 14,786
A	203,593
BBB	64,442
Total debt securities	<u>\$ 282,821</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note C - Capital Assets

A summary of capital asset transactions for the year ended June 30, 2018, follows:

Governmental Activities:	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Non-Depreciable Assets:				
Land	\$ 392,489	\$ 23,076	\$ -	\$ 415,565
Construction in progress	11,342	52,002	11,342	52,002
Depreciable Assets:				
Buildings	1,442,612	41,268	-	1,483,880
Equipment	1,076,593	36,659	-	1,113,252
Improvements	231,167	9,100	-	240,267
Land improvements	995,888	-	-	995,888
Vehicles	<u>1,232,552</u>	<u>331,493</u>	<u>245,479</u>	<u>1,318,566</u>
Totals at historical cost	5,382,643	493,598	256,821	5,619,420
Less Accumulated Depreciation:				
Buildings	670,636	48,318	-	718,954
Equipment	775,666	59,067	-	834,733
Improvements	115,402	12,502	-	127,904
Land improvements	390,442	87,837	-	478,279
Vehicles	<u>667,019</u>	<u>100,566</u>	<u>159,935</u>	<u>607,650</u>
Total accumulated depreciation	<u>2,619,165</u>	<u>308,290</u>	<u>159,935</u>	<u>2,767,520</u>
Capital Assets, Net	<u>\$ 2,763,478</u>	<u>\$ 185,308</u>	<u>\$ 96,886</u>	<u>\$ 2,851,900</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
Administration	\$ 36,944
Protection	57,510
Public works	156,776
Solid waste operations	53,847
Recreation	<u>3,213</u>
Total governmental activities depreciation expense	<u>\$ 308,290</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2018, consisted of the following:

Governmental Activities:	<u>Due from</u>	<u>Due to</u>	
<i>General Fund:</i>			
<u>Special Revenue Funds:</u>			
Major Special Revenue Fund: TIF Fund	\$ -	\$ (660,298)	
Non-major Special Revenue Funds	31,034	(16,087)	
<u>Permanent Funds:</u>			
Major Permanent Fund: D.L. Young Scholarship	11,000	-	
Non-major Permanent Funds	<u>-</u>	<u>(119,752)</u>	
	42,034	(796,137)	\$ (754,103)
 <i>Major Special Revenue Fund:</i>			
General Fund	660,298	-	
Non-major Special Revenue Funds -	<u>-</u>	<u>(33,464)</u>	
	660,298	(33,464)	626,834
 <i>Non-major Special Revenue Funds:</i>			
General Fund	16,087	(31,034)	
Major Special Revenue Fund: TIF Fund	<u>33,464</u>	<u>-</u>	
	49,551	(31,034)	18,517
 <i>Major Permanent Fund: D.L. Young Scholarship:</i>			
General Fund	-	(11,000)	(11,000)
 <i>Non-major Permanent Funds:</i>			
General Fund	<u>119,752</u>	<u>-</u>	<u>119,752</u>
Net Governmental Activities	<u>\$ 871,635</u>	<u>\$ 871,635</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, 2018 consisted of the following amounts:

Governmental Activities:	<u>Transfers in</u>	<u>Transfers out</u>	
<i>General Fund:</i>			
Major Special Revenue Fund - TIF Fund	\$ 40,746	\$ -	
Non-major Special Revenue Funds	<u>-</u>	<u>(15,000)</u>	
	40,746	(15,000)	\$ 25,746
 <i>Major Special Revenue Fund - TIF Fund:</i>			
General Fund	-	(40,746)	
Special Revenue Fund - CRLA	<u>-</u>	<u>(15,000)</u>	
	-	(55,746)	(55,746)
 <i>Non-major Special Revenue Funds (CRLA):</i>			
General Fund	15,000	-	
Major Special Revenue Fund - TIF Fund	<u>15,000</u>	<u>-</u>	
	30,000	-	30,000
Net Governmental Activities	<u>\$ 70,746</u>	<u>\$ (70,746)</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, 2018, was as follows:

Governmental Activities:	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
General obligation debt	\$ 15,765	\$ -	\$ 15,765	\$ -	\$ -
Capital lease obligations	181,222	-	56,513	124,709	60,338
Net pension liability	206,342	-	43,853	162,489	-
Compensated absences	<u>143,941</u>	<u>58,085</u>	<u>94,618</u>	<u>107,408</u>	<u>50,000</u>
Total Governmental	<u>\$ 547,270</u>	<u>\$ 58,085</u>	<u>\$ 210,749</u>	<u>\$ 394,606</u>	<u>\$ 110,338</u>

The following is a summary of debt outstanding at June 30, 2018:

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

\$ -

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>	
2019	\$ 64,198
2020	<u>65,848</u>
	130,046
Less amount representing interest (various rates)	<u>5,337</u>
Obligations under capital leases	<u>\$ 124,709</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 - Joint Venture (Interlocal Solid Waste Agreement)

The Town is a member of an interlocal solid waste agreement with 114 other participating municipalities. The Municipal Review Committee, Inc. (MRC) is a quasi-municipal non-profit, non-capital stock corporation established to own and operate a solid waste system to service its member municipalities. China joined MRC in 1991 and signed an agreement in the Spring of 2018 to stay in the joint venture until April 2033. MRC's Board of Directors annually considers distributing cash in excess of Board designated reserves back to the member municipalities. China's pro rata share determined by the amount of solid waste delivered to the plant since 2018 did not result in a receipt for the year ended June 30, 2018. The Town's proportionate interest in the net assets of MRC on December 31, 2017, the date of MRC's most recent audited financial statements, was approximately \$331,000 (1.05%). Complete financial statements may be obtained from MRC at 395 State Street, Ellsworth, Maine 04605.

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.

Notes to Financial Statements - Continued

Town of China, Maine

Note H - Pension Plan - Continued

Benefits Provided - Continued

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

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 9.6% for the year ended June 30, 2018. Contributions to the pension plan from the Town were \$23,480 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$162,489 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Town's proportion was 0.039686% which was an increase of 0.000851% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$16,891. 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, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,807
Net difference between projected and actual earnings on pension plan investments	55,998	60,467
Changes of assumptions	13,827	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,199	10,776
Town contributions subsequent to the measurement date	23,480	-
	<u>\$ 95,504</u>	<u>\$ 79,050</u>

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

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

Of the amount reported as a deferred outflow of resources related to pensions resulting from Town contributions subsequent to the measurement date, \$23,480 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>	
2018	\$ (12,382)
2019	15,330
2020	1,090
2021	(11,064)

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2017</u>
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, 2017 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>
Public equity	30%	6.0%
Private equity	15%	7.6%
Traditional credit	7.5%	3.0%
Alternative credit	5%	4.2%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Natural resources	5%	5.0%
U.S. Government	7.5%	2.3%
Risk Diversifiers	<u>10%</u>	5.9%
	<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)	\$ 326,003	\$ 162,489	\$ 39,388

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 (9.7% for the year ended June 30, 2018) 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 \$19,160 for the year ended June 30, 2018.

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, 2018.

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	\$ (319,408)
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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.	(368,724)
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Interest income allocated to assigned balances not included in general fund operating budget	3,446
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Miscellaneous income allocated to assigned balances not included in general fund operating budget	17,625
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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	(68,968)
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Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>422,188</u>
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Generally Accepted Accounting Principles Basis:

Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (313,841)</u>
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Notes to Financial Statements - Continued

Town of China, Maine

Note L - Fund Balances

At June 30, 2018, 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, 2018, the restricted fund balance consisted of the following:

	General <u>Fund</u>	Permanent <u>Funds</u>	Special <u>Revenues</u>
Holiday Giving	\$ 2,129	\$ -	\$ -
Dinsmore Assistance	-	258	-
Cemetery Care	-	46,409	-
D.L. Young Scholarship	-	331,390	-
CMP/China Lake TIF	-	-	626,834
CRLA	-	-	2,430
Fuel Assistance Fund	-	-	<u>16,087</u>
	<u>\$ 2,129</u>	<u>\$ 378,057</u>	<u>\$ 645,351</u>

Notes to Financial Statements - Continued

Town of China, Maine

Note L - Fund Balances - Continued

At June 30, 2018, the assigned general fund balance consisted of the following:

	Balance at				Balance at
	<u>7/1/2017</u>	<u>Appropriated</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2018</u>
<i>Carryforwards:</i>					
State revenue sharing	\$ 199,334	\$ (150,000)	\$ 196,356	\$ -	\$ 245,690
Road assistance	316	-	-	-	316
Cemeteries purchase	2,224	-	1,200	-	3,424
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	8,265	-	-	-	8,265
Community Needs Assessment	3,800	-	-	3,800	-
Land purchases	34,000	-	-	24,000	10,000
Emergency shelter septic and well	25,000	-	-	11,962	13,038
Trail maintenance and bridge	48,668	(48,668)	-	-	-
Police services	6,000	(1,000)	-	-	5,000
Transfer station capital equipment	<u>18,000</u>	<u>-</u>	<u>13,888</u>	<u>14,909</u>	<u>16,979</u>
Total carryforwards	385,298	(199,668)	211,444	54,671	342,403

Notes to Financial Statements - Continued

Town of China, Maine

Note L - Fund Balances - Continued

	Balance at <u>7/1/2017</u>	<u>Appropriated</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/2018</u>
<i>Other Reserves:</i>					
China Village Volunteer FD	309	-	2	-	311
Equipment reserve	67,659	-	406	3,952	64,113
Compactor reserve	39,633	-	245	-	39,878
Boat launch reserve	1,693	-	10	-	1,703
Growth management reserve	9,326	-	57	-	9,383
Fire Department reserve	63,154	20,000	4,457	2,540	85,071
Sand/salt shed	22,452	-	139	-	22,591
Lake access	124,459	-	770	-	125,229
Weeks Mills FD building	9,943	200	62	-	10,205
Recreation reserve	12,315	2,601	84	-	15,000
Legal reserve	36,324	-	225	-	36,549
Community days	9,774	-	11,526	7,637	13,663
Rescue reserve	34,820	8,269	241	-	43,330
Planning Board	8,000	(49)	49	-	8,000
Dispatching	56,094	3,692	359	-	60,145
PSAP e911	11,672	6,026	91	-	17,789
South China VFD	5,267	177	33	-	5,477
2018 Bi-Centennial	11,405	-	2,172	3,500	10,077
Accrued compensation reserve	46,196	5,000	143	51,339	-
Unemployment claims	-	7,548	-	-	7,548
Total other reserves	<u>570,495</u>	<u>53,464</u>	<u>21,071</u>	<u>68,968</u>	<u>576,062</u>
	<u>\$ 955,793</u>	<u>\$ (146,204)</u>	<u>\$ 232,515</u>	<u>\$ 123,639</u>	<u>\$ 918,465</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>
Administration	\$	20,583
Unfunded accrued compensated balance reserve		5,076
Legal services		19,406
China Historical Society		2,894
One Room School House		1,678
Municipal capital and equipment		116,993
Bicentennial		7,677

Note N - Related Party Transactions

One of the Town's selectman, through his company, provides gravel and sand for the Town. A second selectman performs construction work for the Town. The amount paid for these services was approximately \$56,000 for the year ended June 30, 2018.

**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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$ 6,365,013	\$ 6,365,013	\$ 6,410,203	\$ 45,190
Excise taxes	813,500	813,500	922,167	108,667
Interest and costs on taxes	25,000	25,000	33,332	8,332
Total Taxes	<u>7,203,513</u>	<u>7,203,513</u>	<u>7,365,702</u>	<u>162,189</u>
Intergovernmental:				
State revenue sharing	150,000	150,000	196,356	46,356
Road assistance	54,200	54,200	55,376	1,176
Homestead reimbursement	198,766	198,766	198,766	-
Tax reimbursements and relief	45,915	45,915	48,757	2,842
General assistance	3,000	3,000	-	(3,000)
RSU debt and capital lease funding	78,370	78,370	78,370	-
Total Intergovernmental	<u>530,251</u>	<u>530,251</u>	<u>577,625</u>	<u>47,374</u>
Other Revenues:				
Interest on investments	16,500	16,500	14,640	(1,860)
Permits and fees	54,500	54,500	59,388	4,888
Miscellaneous revenues	14,450	14,450	53,129	38,679
Solid waste revenues	86,900	86,900	123,428	36,528
Total Other Revenues	<u>172,350</u>	<u>172,350</u>	<u>250,585</u>	<u>78,235</u>
Total Revenues	<u>7,906,114</u>	<u>7,906,114</u>	<u>8,193,912</u>	<u>287,798</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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures				
Administration:				
Administrative payroll costs	\$ 381,261	\$ 381,261	\$ 455,097	\$ (73,836)
Administrative expenses	105,800	105,800	60,460	45,340
Planning Board expenses	2,363	2,363	1,459	904
Association dues	11,717	11,717	11,714	3
Assessing	47,500	47,500	45,711	1,789
Computer costs	24,000	24,000	23,559	441
Legal services	10,000	10,000	29,406	(19,406)
Insurance and benefits	319,187	319,187	319,187	-
Total Administration	901,828	901,828	946,593	(44,765)
Protection:				
Constable services	39,980	39,980	15,528	24,452
Fire departments	100,370	100,370	93,705	6,665
China rescue squad	20,950	20,950	20,950	-
Health officer	1,121	1,121	-	1,121
E-911	27,079	27,079	27,079	-
Dispatching	29,105	29,105	29,105	-
Emergency services insurance	18,874	18,874	18,874	-
Total Protection	237,479	237,479	205,241	32,238
Public Works:				
Road maintenance	741,473	741,473	903,283	(161,810)
Street signs	2,500	2,500	1,529	971
Street lights	7,200	7,200	7,189	11
Cemeteries	25,600	25,600	23,808	1,792
Total Public Works	776,773	776,773	935,809	(159,036)
Solid Waste Operations	307,591	307,591	345,152	(37,561)

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures - continued				
Community Services:				
General assistance	\$ 16,000	\$ 16,000	\$ 19,745	\$ (3,745)
Social service agencies	14,236	14,236	14,236	-
China Historical Society	6,000	6,000	8,894	(2,894)
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	-
Total Community Services	53,273	53,273	59,706	(6,433)
Education:				
RSU Assessment	4,735,073	4,735,073	4,735,073	-
Capital lease obligations	62,604	62,604	62,604	-
Total Education	4,797,677	4,797,677	4,797,677	-
Total Recreation	26,000	26,000	16,341	9,659
Total County Tax	396,462	396,462	396,462	-
Total Debt Service	15,766	15,766	15,765	1

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures - continued				
Special Projects:				
Equipment replacement	\$ 240,800	\$ 240,800	\$ 344,401	\$ (103,601)
One Room School House	1,000	1,000	2,678	(1,678)
Contingency	55,000	55,000	36,492	18,508
Docks	-	-	98	(98)
Town line	3,000	3,000	3,000	-
Fire Pond Neck Road	-	8,500	8,500	-
Bicentennial	5,000	5,000	13,680	(8,680)
Development Program	99,413	99,413	40,747	58,666
Red Storage Barn	2,000	2,000	2,000	-
Grant expenses	55,000	55,000	-	55,000
Total Special Projects	<u>461,213</u>	<u>469,713</u>	<u>451,596</u>	<u>18,117</u>
Total Expenditures	<u>7,974,062</u>	<u>7,982,562</u>	<u>8,170,342</u>	<u>(187,780)</u>
Revenues Over (Under) Expenditures	(67,948)	(76,448)	23,570	100,018
Other Financing Sources (Uses)				
Operating transfers in	40,746	40,746	40,746	-
Operating transfers out	(373,984)	(373,984)	(383,724)	(9,740)
Utilization of unassigned fund balance	282,700	282,700	-	(282,700)
Utilization of assigned fund balance	142,418	150,918	-	(150,918)
Total Other Financing Sources (Uses)	<u>91,880</u>	<u>100,380</u>	<u>(342,978)</u>	<u>(443,358)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 23,932	\$ 23,932	(319,408)	\$ (343,340)
Budgetary fund balance at beginning of year			<u>1,913,445</u>	
Budgetary Fund Balance at End of Year			<u>\$ 1,594,037</u>	

See accompanying independent auditors' report.

**Combining Balance Sheet
Other Governmental Funds**

Town of China, Maine

As of June 30, 2018

	<u>Permanent Funds</u>	<u>Special Revenues</u>	<u>Total Other Governmental Funds</u>
Assets			
Cash	\$ -	\$ -	\$ -
Investments	-	-	-
Accounts receivable	-	-	-
Due from other funds	<u>119,752</u>	<u>49,551</u>	<u>169,303</u>
Total Assets	<u>\$ 119,752</u>	<u>\$ 49,551</u>	<u>\$ 169,303</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	<u>\$ -</u>	<u>\$ 31,034</u>	<u>\$ 31,034</u>
Total Liabilities	-	31,034	31,034
Fund Balances			
Nonspendable	73,085	-	73,085
Restricted	<u>46,667</u>	<u>18,517</u>	<u>65,184</u>
Total Fund Balances	<u>119,752</u>	<u>18,517</u>	<u>138,269</u>
Total Liabilities and Fund Balances	<u>\$ 119,752</u>	<u>\$ 49,551</u>	<u>\$ 169,303</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, 2018

	<u>CRLA</u>	<u>Fuel Assistance Reserve</u>	<u>Total</u>
Revenues			
Property taxes	\$ -	\$ -	\$ -
Interest	-	8	8
Other income	<u>10,000</u>	<u>500</u>	<u>10,500</u>
Total Revenues	10,000	508	10,508
Expenditures			
Current			
Approved municipal expenses	-	-	-
Other expenditures	<u>39,256</u>	<u>2,394</u>	<u>41,650</u>
Total Expenditures	<u>39,256</u>	<u>2,394</u>	<u>41,650</u>
Revenues Over (Under) Expenditures	(29,256)	(1,886)	(31,142)
Other Financing Sources (Uses)			
Operating transfers in	30,000	-	30,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Sources (Uses)	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	744	(1,886)	(1,142)
Fund balances at beginning of year	<u>1,686</u>	<u>17,973</u>	<u>19,659</u>
Fund Balances at End of Year	<u>\$ 2,430</u>	<u>\$ 16,087</u>	<u>\$ 18,517</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, 2018

	<u>Dinsmore Assistance</u>	<u>Cemetery Care</u>	<u>Total</u>
Revenues			
Principal additions	\$ -	\$ -	\$ -
Investment income	-	830	830
Total Revenues	<u>-</u>	<u>830</u>	<u>830</u>
Expenses			
Miscellaneous	-	-	-
Total Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over Expenses	-	830	830
Other Financing Sources (Uses)			
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources Over Expenses and Other Uses	-	830	830
Fund balances at beginning of year	<u>758</u>	<u>118,164</u>	<u>118,922</u>
Fund Balances at End of Year	<u>\$ 758</u>	<u>\$ 118,994</u>	<u>\$ 119,752</u>

See accompanying independent auditors' report.

Schedule of Valuation, Assessment and Collection of Taxes

Town of China, Maine

For the Year Ended June 30, 2018

Valuation

Real estate	\$	392,849,500
Personal property		<u>7,465,800</u>
Total Valuation	\$	<u><u>400,315,300</u></u>

Assessment

Valuation x Rate - \$400,315,300 x 0.015900	\$	6,365,013
Supplemental taxes		<u>-</u>
Total Assessment Charged to Collector	\$	6,365,013

Collections and Credits

Cash collections	\$	6,216,187
Tax abatements and adjustments		<u>6,956</u>
Total Collections and Credits		<u><u>6,223,143</u></u>

2018 Taxes and Liens Receivable - June 30, 2018 **\$ 141,870**

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>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Town's proportion of the net pension liability (asset)	0.0397%	0.0388%	0.0393%	0.0525%
Town's proportionate share of the net pension liability (asset)	<u>\$ 162,489</u>	<u>\$ 206,342</u>	<u>\$ 125,468</u>	<u>\$ 80,771</u>
Town's covered-employee payroll	<u>\$ 226,194</u>	<u>\$ 204,755</u>	<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	71.836%	100.775%	61.820%	30.940%
Plan fiduciary net position as a percentage of the total pension liability	86.400%	81.600%	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 four years are shown.

See accompanying independent auditors' report.

Schedule of Town Contributions

Town of China, Maine

Last ten fiscal years*

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution	\$ 20,341	\$ 18,223	\$ 16,075	\$ 18,196
Contributions in relation to the contractually required contribution	<u>20,341</u>	<u>18,223</u>	<u>16,075</u>	<u>18,196</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 226,194</u>	<u>\$ 204,755</u>	<u>\$ 202,956</u>	<u>\$ 261,056</u>
Contributions as a percentage of covered-employee payroll	8.993%	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 four 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.