

FELCH & COMPANY, LLC

Certified Public Accountants

TOWN OF FORT FAIRFIELD, MAINE

as of

JUNE 30, 2015

Financial Statements

TOWN OF FORT FAIRFIELD, MAINE

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TOWN OF FORT FAIRFIELD, MAINE

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Town Council of the
Town of Fort Fairfield, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fort Fairfield, Maine as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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.

To the Town Council of the
Town of Fort Fairfield, Maine

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fort Fairfield, Maine, as of June 30, 2015, and the respective changes in financial position, thereof 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 and budgetary information on Pages I through III and Schedules 1, 2, 3, 4 and related notes, 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 Fort Fairfield, Maine's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of fund balance assigned for subsequent years' expenditures, schedule of revenues, expenditures and changes in fund balance for non-major governmental funds and the schedule of property taxes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 schedule of fund balance assigned for subsequent years' expenditures, schedule of revenues, expenditures and changes in fund balance for non-major governmental funds and the schedule of property taxes are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Town Council of the
Town of Fort Fairfield, Maine

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, on our consideration of the Town of Fort Fairfield, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Fort Fairfield, Maine's internal control over financial reporting and compliance.

Felch & Company LLC

Caribou, Maine
October 16, 2015

Town of Fort Fairfield, Maine
Management's Discussion and Analysis
For the Year Ending June 30, 2015

UNAUDITED

The following narrative is an overview of the Town of Fort Fairfield's financial performance designed to assist the reader in focusing on only the major financial issues. This discussion and analysis should be read together with the attached financial statements and related notes.

USING THIS ANNUAL REPORT

The basic financial statements are presented in two formats. Each of these formats presents information by a different measurement focus. The first of these formats is referred to as government-wide, which presents the Town as a whole and presents a longer-term view of the Town's finances. The second format uses fund accounting and the focus is on current resources that are available for current obligations.

Reporting the Town as a Whole

The government-wide statements are designed to present the Town as a whole similar to the way a business presents financial statements. The Statement of Net Position (Exhibit A) combines the assets and liabilities as presented in the governmental funds with the Town's capital assets and long-term obligations. In the Statement of Activities (Exhibit B) the focus is on both the gross and net cost of the various activities (or departments), which are funded by various general revenues including property taxes and state revenue sharing. Revenues are recognized when earned regardless of when they are collected and expenses are recognized when the liability becomes due. Since capital asset purchases are not considered an expense under this measurement focus, annual charges for depreciation are recognized to indicate the use of these assets over time.

Fund Financial Statements

In the preparation of these statements, fund accounting is used which is described more fully in the notes to the financial statements. The focus is on "major funds" which presents a separate column for only the most significant funds of the Town with the other funds being combined in one column. These statements (Exhibits C and D) present the Town's financial position and results of operations using a shorter-term view and show how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds report using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The Town as Trustee

The Town is the trustee for its employees' deferred compensation plan. The assets of the plan belong to the Town's employees and have been excluded from the financial statements described above. The financial position and activities of the deferred compensation plan are reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position as Exhibits G and H. The Town is also the trustee for the funds belonging to the Quality of Place Council an agency fund in which the balance sheet is reported on Exhibit G.

Town of Fort Fairfield, Maine
Management's Discussion and Analysis
For the Year Ending June 30, 2015

UNAUDITED

Table 1		
Net Position (in thousands)		
	<u>2015</u>	<u>2014</u>
Current and other assets	\$1,293	\$1,318
Capital assets	<u>6,638</u>	<u>6,950</u>
Total assets	<u>7,931</u>	<u>8,268</u>
Other liabilities	276	359
Bonds payable	<u>1,000</u>	<u>1,100</u>
Total liabilities	<u>1,276</u>	<u>1,459</u>
Net position:		
Net investment in capital assets	5,638	5,850
Restricted	84	94
Unrestricted	<u>933</u>	<u>865</u>
Total net position	<u>\$6,655</u>	<u>\$6,809</u>

Table 2		
Changes in Net Position (in thousands)		
	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues:		
Charges for services	\$ 6	\$ 8
Operating grants	103	109
Capital grants	45	223
General revenues:		
Property taxes	3,650	3,527
Other taxes	538	549
Federal and state assistance	224	250
Other revenues	<u>305</u>	<u>381</u>
Total revenues	<u>4,871</u>	<u>5,047</u>
Program expenses		
General government	467	469
Police	302	292
Fire	135	142
Safety and sanitation	255	235
Public works	1,045	1,068
Recreation	157	141
Education	1,990	1,955
Other	<u>674</u>	<u>873</u>
Total expenses	<u>5,025</u>	<u>5,175</u>
(Decrease) in net position	<u>(154)</u>	<u>(128)</u>
Transfers	<u>-</u>	<u>(10)</u>
Change in net position	<u>\$ (154)</u>	<u>\$ (138)</u>

Town of Fort Fairfield, Maine
Management's Discussion and Analysis
For the Year Ending June 30, 2015

UNAUDITED

ANALYSIS OF FINANCIAL POSITION AND SIGNIFICANT TRANSACTIONS

In reviewing this year's financial position, the Town of Fort Fairfield's net position decreased from \$6,808,985 to \$6,654,972.

For this fiscal year our budget surplus of \$11,645 (Schedule 1) will be utilized to offset decreased revenues from the State to help balance the budget for fiscal year 2015/2016. This will enable us to continue to provide the services that citizens require.

CAPITAL ASSETS

Capital assets decreased \$312,505 during the year. Additions of \$35,625 were offset by depreciation charges of \$348,130. Please refer to the notes to the financial statements for more information.

LONG-TERM DEBT ACTIVITY

During the year, the Town made debt payments totaling \$100,000. Refer to the notes to the financial statements for more detailed information.

GENERAL FUND BUDGETARY HIGHLIGHTS

Income for this fiscal year was \$4,672,901, which is \$76,521 under the budgeted amount. Total expenses were \$4,656,761, which were \$88,166 under budget resulting from savings in a number of our Departments. It is our goal to provide expected services while constantly working to minimize expenses regardless of budget authorization. The Department Heads have worked extremely hard to reduce their overall costs in a very restrictive fiscal environment.

FINANCIAL CONTACT

The individual to be contacted regarding this report is the Town Manager of the Town of Fort Fairfield. Specific requests may be submitted to the Town Manager, Town of Fort Fairfield at 18 Community Center Drive, Fort Fairfield, Maine 04742.

TOWN OF FORT FAIRFIELD, MAINE

EXHIBIT A

STATEMENT OF NET POSITION
JUNE 30, 2015ASSETS

Current Assets:

Cash and temporary investments (Note 2)	\$ 763,939
Short-term investments	54,243
Uncollected taxes, net of allowance for uncollectible taxes of \$1,844	333,843
Accounts receivable	<u>65,510</u>
	<u>1,217,535</u>

Other Assets:

Loans receivable (Note 3)	38,347
Expired tax lien property	<u>31,300</u>
	<u>69,647</u>

Capital Assets: (Note 4)

Non-depreciable	105,121
Depreciable, net	<u>6,532,637</u>
	<u>6,637,758</u>

DEFERRED OUTFLOWS OF RESOURCES

6,372

TOTAL ASSETS

7,931,312LIABILITIES

Current Liabilities:

Accounts payable	29,691
Accrued expenses	17,957
Current portion of compensated absences	30,000
Current portion of bonds payable	<u>100,000</u>
	<u>177,648</u>

Non-Current Liabilities: (Note 7)

Bonds payable, net of current portion	900,000
Compensated absences, net of current portion	85,029
Net pension liability	<u>50,745</u>
	<u>1,035,774</u>

DEFERRED INFLOWS OF RESOURCES

62,918

TOTAL LIABILITIES

1,276,340NET POSITION

Net investment in capital assets	5,637,758
Restricted for:	
Special revenue funds	84,290
Unrestricted	<u>932,924</u>

TOTAL NET POSITION

\$ 6,654,972*The accompanying notes are an integral part of this financial statement.*

TOWN OF FORT FAIRFIELD, MAINE

EXHIBIT B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues				Net Costs
	Expenses	Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	
FUNCTION/PROGRAM ACTIVITIES					
General government	\$ 466,816	\$ 1,099	\$ -	\$ -	\$ (465,717)
Library	55,975	1,102	6,320	-	(48,553)
Police Department	301,882	452	-	-	(301,430)
Community Center	33,578	-	-	-	(33,578)
Fire Department	134,657	-	-	-	(134,657)
Safety and sanitation	254,878	-	-	-	(254,878)
Public Works Department	1,044,953	-	96,616	-	(948,337)
Recreation	157,344	2,930	-	-	(154,414)
Education	1,990,429	-	-	-	(1,990,429)
Other	520,334	-	-	44,842	(475,492)
Interest on long-term debt	35,447	-	-	-	(35,447)
Unallocated depreciation	28,538	-	-	-	(28,538)
	<u>\$ 5,024,831</u>	<u>\$ 5,583</u>	<u>\$ 102,936</u>	<u>\$ 44,842</u>	<u>(4,871,470)</u>
GENERAL REVENUES					
Taxes:					
Property taxes, levied for general purposes					3,481,675
Homestead reimbursement					168,170
Excise taxes					537,953
Federal and state assistance					224,129
Interest income					31,033
Other general revenues					274,497
					<u>4,717,457</u>
Change in net position					(154,013)
NET POSITION - JULY 1, 2014, as restated (Note 1)					<u>6,808,985</u>
NET POSITION - JUNE 30, 2015					<u>\$ 6,654,972</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

EXHIBIT C

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Health Clinic</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
<u>ASSETS</u>				
Cash and temporary investments (Note 2)	\$ 731,786	\$ -	\$ 32,153	\$ 763,939
Short-term investments	-	-	54,243	54,243
Uncollected taxes, net of allowance for uncollectible taxes of \$1,844	333,843	-	-	333,843
Accounts receivable	65,510	-	-	65,510
Loans receivable (Note 3)	38,347	-	-	38,347
Due from other funds	35,996	-	-	35,996
Expired tax lien property	31,300	-	-	31,300
	<u>\$ 1,236,782</u>	<u>\$ -</u>	<u>\$ 86,396</u>	<u>\$ 1,323,178</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 29,691	\$ -	\$ -	\$ 29,691
Accrued expenses	11,362	-	-	11,362
Due to other funds	-	35,112	884	35,996
	<u>41,053</u>	<u>35,112</u>	<u>884</u>	<u>77,049</u>
<u>DEFERRED INFLOW OF RESOURCES</u>				
Property taxes	211,000	-	-	211,000
	<u>252,053</u>	<u>35,112</u>	<u>884</u>	<u>288,049</u>
<u>FUND BALANCES</u>				
Restricted special revenue funds	-	-	84,325	84,325
Unrestricted				
Committed for subsequent years' expenditures (Schedule 5)	665,216	-	-	665,216
Assigned for capital project funds	-	-	2,071	2,071
Unassigned	319,513	(35,112)	(884)	283,517
	<u>984,729</u>	<u>(35,112)</u>	<u>85,512</u>	<u>1,035,129</u>
	<u>\$ 1,236,782</u>	<u>\$ -</u>	<u>\$ 86,396</u>	<u>\$ 1,323,178</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

EXHIBIT D

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Health Clinic</u>	<u>Other Governmental Funds (Schedule 6)</u>	<u>Total Governmental Funds</u>
SOURCES OF FINANCIAL RESOURCES				
REVENUES				
Property taxes				
Commitment	\$ 3,441,310	\$ -	\$ -	\$ 3,441,310
Property tax reimbursements				
from State	168,170	-	-	168,170
Abatements	(635)	-	-	(635)
Federal and state assistance	320,745	-	44,842	365,587
Excise taxes	537,953	-	-	537,953
Other licenses, permits and fees	23,337	113,259	-	136,596
Interest income	30,794	-	239	31,033
Other revenues	142,482	-	7,322	149,804
	<u>4,664,156</u>	<u>113,259</u>	<u>52,403</u>	<u>4,829,818</u>
USES OF FINANCIAL RESOURCES				
EXPENDITURES				
General government	432,654	-	-	432,654
Library	62,365	-	-	62,365
Police Department	297,341	-	-	297,341
Community center	36,011	-	-	36,011
Fire Department	98,222	-	-	98,222
Safety and sanitation	254,878	-	-	254,878
Public Works Department	848,466	-	-	848,466
Recreation	142,574	-	-	142,574
Education	1,990,429	-	-	1,990,429
Debt service - principal	100,000	-	-	100,000
- interest	36,025	-	-	36,025
Other expenditures	455,978	201	61,638	517,817
	<u>4,754,943</u>	<u>201</u>	<u>61,638</u>	<u>4,816,782</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(90,787)</u>	<u>113,058</u>	<u>(9,235)</u>	<u>13,036</u>
OTHER FINANCING SOURCES/(USES)				
Transfer (to) from other fund	(35)	-	35	-
NET INCREASE (DECREASE) IN FUND BALANCE	(90,822)	113,058	(9,200)	13,036
FUND BALANCE - JULY 1, 2014	<u>1,075,551</u>	<u>(148,170)</u>	<u>94,712</u>	<u>1,022,093</u>
FUND BALANCE - JUNE 30, 2015	<u>\$ 984,729</u>	<u>\$ (35,112)</u>	<u>\$ 85,512</u>	<u>\$ 1,035,129</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

EXHIBIT E

RECONCILIATION OF FUND BALANCE IN GOVERNMENTAL FUNDS TO NET POSITION
JUNE 30, 2015

Fund balance in Governmental Funds (Exhibit C)		\$ 1,035,129
Amounts reported for governmental activities in the Statement of Net Position are different because:		
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 is	\$ 10,128,180	
Accumulated depreciation is	<u>(3,490,422)</u>	
		6,637,758
Certain assets in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Deferred outflows of resources		6,372
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:		
Deferred property tax revenue		211,000
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Accrued interest payable		(6,595)
Net pension liability		(50,745)
Deferred inflows of resources		(62,918)
Bonds payable		(1,000,000)
Accrued compensated absences		<u>(115,029)</u>
Net position (Exhibit A)		<u>\$ 6,654,972</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

EXHIBIT F

RECONCILIATION OF CHANGE IN FUND BALANCE IN GOVERNMENTAL FUNDS
TO CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balance - total governmental funds (Exhibit D)		\$ 13,036
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	\$ 35,625	
Depreciation expense	<u>(348,130)</u>	(312,505)
Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Decrease in deferred property tax revenue		41,000
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Bond payments		100,000
Decrease in prepaid expenses		(3,250)
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 governmental funds:		
Decrease in accrued interest payable	578	
Decrease in deferred pension liability	6,395	
Decrease in accrual for compensated absences	<u>733</u>	
		<u>7,706</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (154,013)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

EXHIBIT G

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
JUNE 30, 2015

	Employee Deferred Comp Fund	Agency Fund
ASSETS		
Cash	\$ -	\$ 5,249
Marketable securities	<u>923,193</u>	<u>-</u>
Total Assets	<u>\$ 923,193</u>	<u>\$ 5,249</u>
LIABILITIES		
Due to Quality of Place		<u>\$ 5,249</u>
NET POSITION		
Held in trust for future retirement benefits and other purposes	<u>\$ 923,193</u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

EXHIBIT H

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Employee Deferred Comp Fund
ADDITIONS	
Contributions	
Employer	\$ 45,756
Employee	29,137
Investment gains	<u>21,631</u>
Total additions	<u>96,524</u>
DEDUCTIONS	
Distributions	218,244
Fees	<u>72</u>
Total reductions	<u>218,316</u>
NET CHANGE IN NET POSITION	(121,792)
NET POSITION - JULY 1, 2014	<u>1,044,985</u>
NET POSITION - JUNE 30, 2015	<u>\$ 923,193</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Fort Fairfield, Maine operates under the Council/Manager form of government. The Council consists of 5 members elected by the voters with individual terms of three years.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Following is a summary of significant accounting principles used by the Town.

Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town of Fort Fairfield classifies all of its activities as governmental activities.

In the government-wide Statement of Net Position the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets, restricted net position and unrestricted net position. The unrestricted net position includes those designated by the Town for subsequent year's expenditures and those that are undesignated.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (police, fire, public works, etc.). The functions are also supported by general government revenues (property and excise taxes, state revenue sharing, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or department. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by department are normally covered by general revenue (property and excise taxes, state revenue sharing, etc.). The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities. The Town does not allocate indirect costs. The effect of significant interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

the relationship between the government-wide statements and the statements for governmental funds.

The emphasis in fund financial statements is on the major funds in the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria based on the size of the funds for the determination of major funds. Town management may also designate additional funds as major funds. The nonmajor funds are combined in a column in the fund financial statements. The following funds are reported as major by the Town:

Governmental Funds

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

The Health Clinic is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Town programs. The reporting focus is on net position and changes in net position and are reported using the accrual basis of accounting.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since these assets are held for the benefit of a third party and may not be used to fund activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted each year through passage of an annual budget ordinance and amended as required for the General Fund. In accordance with generally accepted accounting principles, these budgets use the same accounting basis to reflect actual revenues and expenditures. Budgetary control is exercised at the departmental level or by project. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used where purchase orders, contracts and other commitments for the expenditure of resources are recorded to insure that that portion of fund balance is utilized for its intended purpose. In the general fund, for budgetary purposes, appropriations lapse at fiscal year-end except for that portion related to encumbered amounts. Encumbrances outstanding at year-end are reported as committed or assigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Basis of Accounting

The term "basis of accounting" refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements.

The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The 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, if any, is recognized when due.

Financial Statement Amounts

Cash and Temporary Investments

Available cash is deposited in interest-bearing accounts to as great a degree as possible. These residual investments are classified for reporting purposes as cash and temporary investments. Earnings from these investments are reported by the applicable funds. The Town's policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible. Deposits with a maturity of three months or less are included in cash and temporary investments for financial reporting purposes.

Marketable Securities

The Town reports investments at fair value and all investment income, including changes in the fair value of investments is included in the statement of activities as investment gains or investment losses.

Property Taxes

Taxes are levied as of April 1, and are used to finance the operations of the Town for the budget year beginning July 1. Taxes are committed for collection on October 1 and are due and payable on or before February 28. In accordance with Maine law, taxes not collected within eight months following the date of commitment are secured by liens. Property tax revenues are recognized when they become available. Availability includes those property tax receivables expected to be collected within sixty days after year-end. This policy is believed to be in conformity with the policy of other local governments in Maine.

Prepaid Expense

Payments made benefiting future periods under the governmental fund basis are recorded under the non-allocated method and are currently expensed as paid. Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method for government-wide activities. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at actual 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 basis over the estimated useful lives of 10 to 22 years for trucks and equipment, 20 to 50 years for buildings and improvements and 15 to 20 years for infrastructure.

The Town has elected not to report infrastructure prior to June 30, 2003.

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The Town currently reports only a pension-related item as deferred outflows of resources.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The Town currently reports only a pension-related item as deferred outflows of resources.

Accounts Payable, Accrued Expenses and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Compensated Absences

Town employees are entitled to certain compensated absences based on their length of employment and their department's individual contract negotiated with the Town. Administration and all other employees not under a departmental contract receive one to four weeks of vacation depending on length of employment and 96 hours of sick leave per year. Unused vacation and sick pay are accumulated at the employees' current rate of pay and is included as a liability in the government-wide financial statements.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted Fund Balance

The Town of Fort Fairfield's restricted fund balance includes amounts that can only be used for specific purposes and includes grant funds and certain donations.

Unrestricted Committed Fund Balance

The Town of Fort Fairfield's Town Council has the authority to commit fund balance amounts for specific purposes. This includes the amounts reserved for subsequent years' expenditures. Town Council approval is also required to modify or rescind a commitment of fund balance.

Unrestricted Assigned Fund Balance

The Town of Fort Fairfield's assigned fund balance includes amounts the Town intends to use for specific purposes but is neither restricted nor committed. The Town Council has authority to assign fund balance.

Unrestricted Unassigned Fund Balance

The Town of Fort Fairfield's unassigned fund balance includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When restricted and other fund balances resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

Use of 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.

New Pronouncements

The Town implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27, effective for periods beginning after June 15, 2014, which replaces the requirements of GASB Statements Nos. 27 and 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize, for the first time, a liability for their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest, and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

Restatement

During the year ended June 30, 2015, the Town implemented GASB Statement No. 68. The implementation of this new accounting standard required a restatement of beginning net position for the beginning net pension liability, resulting in a reduction of net position as originally reported.

The above restatement had the following impact on previously reported balances:

<u>Statement of Activities</u>	<u>Governmental Activities</u>
July 1, 2014 net position, as previously reported	\$6,922,671
Restatement for net pension liability	<u>(113,686)</u>
July 1, 2014 net position, as restated	<u>\$6,808,985</u>

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(2) CASH AND TEMPORARY INVESTMENTS

Deposits with financial institutions are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may be lost. The Town's investment policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible.

As of June 30, 2015, the Town's deposits of \$864,374 were fully insured.

(3) LOANS RECEIVABLE

The Town operates various revolving loan funds for business development and housing rehabilitation purposes. The business development loans are receivable in monthly payments of principal and interest at rates ranging from 3% to 6.5%. These loans mature at various dates. The housing rehabilitation loans are also receivable in monthly payments of principal and interest at rates ranging from 0% to 5%. These loans mature at various dates through 2021. Notes receivable includes a \$25,124 note due from a member of the Town Council.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2015</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ <u>105,121</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>105,121</u>
Other capital assets:				
Buildings	5,228,960	18,625	-	5,247,585
Land improvements	525,420	-	-	525,420
Equipment	1,426,572	17,000	90,000	1,353,572
Vehicles	879,061	-	-	879,061
Infrastructure	<u>2,017,421</u>	<u>-</u>	<u>-</u>	<u>2,017,421</u>
	<u>10,077,434</u>	<u>35,625</u>	<u>90,000</u>	<u>10,023,059</u>
Less accumulated depreciation for:				
Buildings	942,079	90,247	-	1,032,326
Land improvements	92,455	14,945	-	107,400
Equipment	1,140,612	32,634	90,000	1,083,246
Vehicles	300,494	49,045	-	349,539
Infrastructure	<u>756,652</u>	<u>161,259</u>	<u>-</u>	<u>917,911</u>
	<u>3,232,292</u>	<u>348,130</u>	<u>90,000</u>	<u>3,490,422</u>
Governmental activities capital assets, net	<u>\$ 6,950,263</u>	<u>\$ (312,505)</u>	<u>\$ -</u>	<u>\$ 6,637,758</u>

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(4) CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities	
General government	\$ 34,162
Library	3,586
Police Department	10,936
Fire Department	36,435
Public Works Department	213,487
Recreation	14,770
Community center	6,216
Unallocated depreciation	<u>28,538</u>
	<u>\$348,130</u>

(5) SHORT-TERM DEBT

During the year, the Town issued a tax anticipation note to assist with cash flow needs until property taxes could be collected. During October through November 2014, a total of \$300,000 was borrowed and repaid in January 2015.

(6) COMMITMENTS AND CONTINGENCIES

The Town is liable for its proportionate share of any defaulted debt issued by entities of which it is a member. The overlapping bonded debt applicable to the Town as of June 30, 2015, consisted of the following:

<u>Entity</u>	<u>Share of Bonded Debt</u>
M.S.A.D. #20	\$1,715,316
Tri-Community Recycling and Sanitary Landfill	See Note 9

(7) LONG-TERM DEBT

As of June 30, 2015, long-term debt consisted of the following:

Variable rate bond payable in annual principal installments of \$50,000 through May 2027 with interest due semi-annually. Interest on the bond ranges from 1% to 6%.	\$ 600,000
Variable rate bond payable in annual principal installments of \$50,000 through May 2022 with interest due semi-annually. Interest on the bond ranges from .86% to 2.68%.	<u>400,000</u>
	<u>\$1,000,000</u>

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(7) LONG-TERM DEBT (Continued)

Long-term debt activity during the year ended June 30, 2015, was as follows:

	Balance July 1, <u>2014</u>	Addi- tions	Reduc- tions	Balance June 30, <u>2015</u>	Due Within <u>One Year</u>
<u>Governmental Activities</u>					
Bonds Payable:					
Capital improvement bond	\$ 650,000	\$ -	\$ 50,000	\$ 600,000	\$ 50,000
Capital improvement bond	450,000	-	50,000	400,000	50,000
Other Liabilities:					
Compensated absences	<u>115,762</u>	<u>36,707</u>	<u>37,440</u>	<u>115,029</u>	<u>30,000</u>
	<u>\$1,215,762</u>	<u>\$36,707</u>	<u>\$137,440</u>	<u>\$1,115,029</u>	<u>\$130,000</u>

As of June 30, 2015, the capital improvement bonds mature as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 100,000	\$ 32,873
2017	100,000	29,210
2018	100,000	25,442
2019	100,000	21,567
2020	100,000	17,798
2021-2025	400,000	42,935
2026-2027	<u>100,000</u>	<u>1,000</u>
	<u>\$1,000,000</u>	<u>\$170,825</u>

(8) EMPLOYEES' RETIREMENT PLANS

MAINEPERS

Plan Description

The Town contributes to the Maine Public Employees Retirement System (MainePERS) which is a cost sharing multiple employer defined benefit pension plan as a Participating Local District (PLD). Eligible employers (districts) are defined in Maine statute. As of June 30, 2014 there were 286 employers in the plan. As of June 30, 2014 the Town had 4 employees enrolled in the plan.

Pension Benefits

Benefit terms are established in Maine statute and an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The plan provides defined benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. For PLD members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below the normal retirement age at retirement. MainePERS also provides disability and death benefits which are established by contract with other participating employers under applicable statutory provisions.

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(8) EMPLOYEES' RETIREMENT PLANS (Continued)

Upon termination of membership, members' accumulated employee contributions are refundable with interest (annual rate is currently 5%), credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights.

MainePERS issues a publicly available financial report that includes financial statements and required supplementary information that may be obtained on the Internet at www.mainebers.org or at the MainePers office in Augusta.

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule. The Town's participants contribute 6.5% of their wages to the plan. The Town contributes the remaining amounts necessary to fund the system based on the amounts determined by the actuary in accordance with the statutes to fund future retirement benefits.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2015, the Town reported a liability of \$50,745 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the Town's proportion was .03%, which was a decrease of .01% from its proportion as measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$5,037. At June 30, 2015, 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 results	\$6,372	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	53,895
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>-</u>	<u>9,023</u>
Total	<u>\$6,372</u>	<u>\$62,918</u>

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(8) EMPLOYEES' RETIREMENT PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2016	\$14,358
2017	14,358
2018	14,357
2019	13,474

Actuarial Assumptions

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

Salary increases	3.5% to 10.5% per year
Investment rate of return	7.25% per annum, compounded annually
Cost of living benefit increases	3.12%

Mortality rates were based on the RP2000 Tables projected forward to 2015 using Scale AA; for recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females was used.

The long-term expected rate of return on pension plan assets 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 class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	5.2%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.0%

Discount Rate

The discount rate used to measure the collective pension liability was 7.126% for 2014 and 7.25% for 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members. 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.

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(8) EMPLOYEES' RETIREMENT PLANS (Continued)

The following table shows how the collective net pension liability/(asset) as of June 30, 2014 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 7.25% for the PLD Consolidated Plan.

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
158,311	7.125%	(39,166)

All other employees are covered under the Social Security System.

Deferred Compensation Plan

The Town has established for its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salaries until future years. The deferred compensation amount is not available to the employees until termination, retirement or death.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, contribution rates depends on individual contracts and a portion of which is matched by the employer. Employees may elect to make member contributions.

Compensation deferred at June 30, 2015, amounts to \$923,193 and is included in the Town's Fiduciary Fund under marketable securities which are reported at fair market value.

(9) JOINT VENTURE - TRI-COMMUNITY RECYCLING AND SANITARY LANDFILL

The Tri-Community Recycling and Sanitary Landfill is owned jointly by the Towns of Fort Fairfield and Limestone and the City of Caribou of which the Town owns 26%. The Board of Directors consists of four members residing in the three communities.

Financial statements for this joint venture were issued and reported on by us in a separate report dated March 13, 2015. These financial statements are available from the Town. A summary of the facility's activity for 2014 is as follows:

Total assets	\$15,756,369
Total liabilities	<u>12,902,345</u>
Total net position	<u>\$ 2,854,024</u>
Total revenue	\$ 2,425,141
Less total expenditures	<u>2,519,489</u>
Decrease in net position	<u>\$ (94,348)</u>

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

(9) JOINT VENTURE - TRI-COMMUNITY RECYCLING AND SANITARY LANDFILL (Continued)

The Town has guaranteed, together with the other member communities, two notes and a bond payable totaling \$8,526,000 for the Landfill. As of December 31, 2014, the balance owed was \$6,507,089.

The State of Maine Department of Environmental Protection requires the Landfill to place a final cover on its landfill once it is closed and perform certain maintenance and monitoring functions at the site for twenty years after closure. These estimated closure and post-closure care costs are being recognized in the financial statements referred to above at the rate of utilization of the landfill site. As of December 31, 2014, the estimated total cost of closure and post-closure care was approximately \$19,170,000 of which \$6,120,000 was recognized. The management of the landfill expects to use future earnings to cover the cost of closure and post-closure care. More information regarding the accounting for these costs is available in the 2014 financial statements of the Tri-Community Recycling and Sanitary Landfill.

(10) LEASE

During the year ended June 30, 2013, the Town completed construction of a health clinic and sold a 25% interest to Pines Health Services for a capital investment of \$212,000. The owners entered into a lease agreement with Pines Health Services to operate a health center in this facility. The term of the initial lease is for a period of ten years commencing on June 1, 2013. The tenant will pay no rent during the initial term, but is responsible for the operating costs of the facility.

(11) TAX INCREMENT FINANCING (TIF) DISTRICT

The Town has established a TIF District in the form of a Credit Enhancement Agreement for the Senior Citizen Complex. Under the terms of this agreement, the Town will reimburse the taxpayer 75% of the property taxes, in order to ensure that the rental income will be sufficient to meet the operating costs of this facility as a requirement from the Maine State Housing Authority for the Complex to receive funding. This agreement will expire in 2028 when the Northern New England Housing Investment Fund ownership will be deeded to the Fort Fairfield Residential Development Corporation.

(12) INTERFUND TRANSFERS

During the year ended June 30, 2015, transfers were made between the general fund and non-major governmental funds in order to close out certain grant funds.

(13) DUE (TO) FROM OTHER FUNDS

The balance of \$35,996 due to the general fund from other governmental funds resulted from deficits in capital project fund balances which were paid from the general fund until the monies from funding sources are received. These funds are expected to be repaid to the general fund in the year ending June 30, 2015.

(14) SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 16, 2015, the date that these financial statements were available to be issued and determined that no additional adjustments or disclosures are required in order for these financial statements to be fairly stated.

TOWN OF FORT FAIRFIELD, MAINE

SCHEDULE 1

BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Resources (Inflows):				
Property taxes	\$ 3,697,247	\$ 3,697,247	\$ 3,610,467	\$ (86,780)
Federal and state assistance	318,425	318,425	320,745	2,320
Excise taxes	499,250	499,250	537,953	38,703
Licenses, permits and fees	25,300	25,300	23,337	(1,963)
Interest income	36,500	36,500	30,794	(5,706)
Other	105,700	105,700	82,605	(23,095)
Transfer from surplus	67,000	67,000	67,000	-
	<u>4,749,422</u>	<u>4,749,422</u>	<u>4,672,901</u>	<u>(76,521)</u>
Amounts available for appropriation				
Charges to appropriations (Outflows):				
General government	494,864	494,864	440,153	54,711
Library	60,601	60,601	53,874	6,727
Police Department	295,407	295,407	292,509	2,898
Economic and community development	1,225	1,225	603	622
Community center	31,500	31,500	35,737	(4,237)
Fire Department	104,828	104,828	99,672	5,156
Safety and sanitation	259,292	259,292	257,407	1,885
Capital reserve expense	140,000	140,000	140,000	-
Public Works Department	948,107	948,107	939,825	8,282
Recreation	130,095	130,095	127,801	2,294
Education	1,990,429	1,990,429	1,990,429	-
Other expenditures	288,579	288,579	278,751	9,828
Total charges to appropriations	<u>4,744,927</u>	<u>4,744,927</u>	<u>4,656,761</u>	<u>88,166</u>
Excess of resources over charges to appropriations	<u>\$ 4,495</u>	<u>\$ 4,495</u>	16,140	<u>\$ 11,645</u>
Recognition of liability for compensated absences			<u>(36,707)</u>	
Net decrease fund balance			<u>(20,567)</u>	
Budgetary Fund Balance, July 1, 2014			596,521	
Less expenditures recorded directly to surplus			(17,685)	
Less transfers to reserves			(116,894)	
Less transfer from surplus			<u>(67,000)</u>	
Budgetary Fund Balance, June 30, 2015			<u>\$ 374,375</u>	

TOWN OF FORT FAIRFIELD, MAINE

SCHEDULE 2

RECONCILIATION OF BUDGETARY COMPARISON
TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

RECONCILIATION OF RESOURCES OVER CHARGES

Excess of resources over charges to appropriations (Schedule 1)	\$ 16,140
Adjustments to reconcile budgetary basis accounting to modified accrual:	
Increase in accounts receivable	7,645
Decrease in accrued expenses not recognized on a budgetary basis	65,676
Increase in deferred revenue	(41,000)
Activity in Reserves for Capital Outlays not included in budget:	
Income credited directly to reserves	91,609
Add back appropriations	140,000
Add back transfers to reserves	34,000
Expenditures charged directly to reserves	(282,732)
Deduct transfer from surplus recorded as income on a budgetary basis	(67,000)
Expenditures charged directly to compensated absences	(37,440)
Expenditures charged directly to surplus	<u>(17,685)</u>
Excess of expenditures over revenues (Exhibit D)	<u>\$ (90,787)</u>

RECONCILIATION OF FUND BALANCE

Budgetary fund balance, June 30, 2015 (Schedule 1)	\$ 374,375
Adjustments to reconcile to undesignated fund balance on a GAAP basis (Exhibit D):	
Accounts receivable at June 30, 2015	65,510
Deferred revenue at June 30, 2015	(211,000)
Accrued expenses at June 30, 2015	(24,401)
Compensated absence liability at June 30, 2015 not recognized on a GAAP basis	<u>115,029</u>
Unassigned fund balance on a GAAP basis, June 30, 2015 (Exhibit C)	319,513
Assigned fund balance (Exhibit C)	<u>665,216</u>
Fund balance on a GAAP basis, June 30, 2015 (Exhibit D)	<u>\$ 984,729</u>

TOWN OF FORT FAIRFIELD, MAINE

SCHEDULE 3

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 2 FISCAL YEARS

	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	0.032977%	0.036880%
Town's proportionate share of the net pension liability (asset)	\$ 50,745	\$ 113,686
Town's covered-employee payroll	175,899	205,061
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.85%	55.44%
Plan fiduciary net position as a percentage of the total pension liability	94.10%	87.50%

TOWN OF FORT FAIRFIELD, MAINE
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
LAST 2 FISCAL YEARS

SCHEDULE 4

	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 11,433	\$ 10,868
Contributions in relation to the contractually required contribution	<u>11,349</u>	<u>11,038</u>
Contribution deficiency (excess)	<u>\$ 84</u>	<u>\$ (170)</u>
Town's covered-employee payroll	\$ 175,899	\$ 205,061
Contributions as a percentage of covered-employee payroll	6.45%	5.38%

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO SCHEDULES 3 AND 4
JUNE 30, 2015

NOTE 1 - VALUATION DATE

Only fiscal years 2013 and 2014 are reported. The Town will continue to present information until a full ten-year trend is compiled.

NOTE 2 - BENEFIT CHANGES

There were no benefit changes for Town employees in the employees' retirement plan.

NOTE 3 - CHANGE IN ASSUMPTIONS

There were no changes in assumptions for the PLD Consolidated Plan.

NOTE 4 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	On an open basis over a period of 15 years
Asset valuation method	One-third of the investment return that is different from the actuarial assumption for investment return
Investment rate of return	7.25% compounded annually
Retirement age	60, 62 or 65, depending on years of creditable service at certain dates
Mortality	RP2000 Tables projected to 2015 using Scale AA

TOWN OF FORT FAIRFIELD, MAINE

SCHEDULE 5

FUND BALANCE ASSIGNED FOR SUBSEQUENT YEARS' EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

	Balances July 1	Appropriations	Transfers	Other	Total Available	Expenditures	Balances June 30
Administration reserve	\$ (4,118)	\$ 6,920	\$ 75,598	\$ 75	\$ 78,475	\$ 1,153	\$ 77,322
Fire Department reserve	1,645	-	5,518	6	7,169	-	7,169
Forest Heights reserve	26,729	-	-	-	26,729	-	26,729
Industrial park reserve	91,997	-	-	-	91,997	866	91,131
Library reserve	4,917	-	-	3,988	8,905	9,976	(1,071)
Parks and recreation reserve	13,866	-	13	7,800	21,679	18,324	3,355
Police Department reserve	(10,994)	15,000	7,481	2,195	13,682	8,164	5,518
Public works reserve	11,836	50,000	-	-	61,836	37,640	24,196
Community center reserves	11,178	68,080	-	68	79,326	78,161	1,165
21st Century program	53,880	-	-	-	53,880	26,940	26,940
Paving reserves	-	-	69,560	-	69,560	-	69,560
Street light reserves	18,539	-	-	-	18,539	3,453	15,086
Safety officer fund	16	-	(16)	-	-	-	-
Monson Pond	15,324	-	-	-	15,324	-	15,324
Mama Bear	-	-	-	2,729	2,729	947	1,782
Fort Fairfield rail line	598	-	(598)	-	-	-	-
Community bandstand	448	-	-	-	448	-	448
Hooked on fishing	13	-	(13)	-	-	-	-
Demolition Redemption Center	-	-	-	486	486	20,130	(19,644)
Sesquicentennial	-	-	-	396	396	-	396
Recreation - furniture rental	248	-	-	589	837	-	837
Farm Park	2,300	-	500	250	3,050	2,061	989
Meadows Development TIF	-	-	-	24,408	24,408	24,408	-
Stray animals	(1,175)	-	-	375	(800)	2,458	(3,258)
Riverside Park	4,094	-	-	-	4,094	217	3,877
Farm Park fees	800	-	(500)	400	700	400	300
Recreation - ski rental	11,071	-	-	715	11,786	69	11,717
Recreation - adventure program	1,461	-	-	-	1,461	-	1,461
Maine Potato Blossom Festival	(101,193)	-	-	-	(101,193)	-	(101,193)
Blue Grass Festival	4,239	-	-	-	4,239	-	4,239
Festival reserve	66,775	-	-	41,779	108,554	46,979	61,575
Spec Building	428	-	-	4,950	5,378	386	4,992
Revolving loan funds	340,558	-	(6,684)	400	334,274	-	334,274
	<u>\$ 565,480</u>	<u>\$ 140,000</u>	<u>\$ 150,859</u>	<u>\$ 91,609</u>	<u>\$ 947,948</u>	<u>\$ 282,732</u>	<u>\$ 665,216</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue					Total Nonmajor Governmental Funds
	Cemetery	Library	Alpha One	Police Department Grants	Other Grants	
SOURCES OF FINANCIAL RESOURCES						
REVENUES						
Federal and state assistance	\$ -	\$ -	\$ -	\$ -	\$ 44,842	\$ 44,842
Other revenue	-	852	150	-	-	1,002
Donation	-	6,320	-	-	-	6,320
Interest income	13	226	-	-	-	239
	13	7,398	150	-	44,842	52,403
USES OF FINANCIAL RESOURCES						
EXPENDITURES						
Administration and other	-	14,165	2,469	116	44,842	61,638
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13	(6,767)	(2,319)	(116)	-	(9,235)
OTHER FINANCING SOURCES						
Transfers from general fund	-	-	-	35	-	35
FUND BALANCE - JULY 1, 2014	2,201	77,094	3,805	9,087	1,292	94,712
FUND BALANCE - JUNE 30, 2015	\$ 2,214	\$ 70,327	\$ 1,486	\$ 9,006	\$ 1,292	\$ 85,512

TOWN OF FORT FAIRFIELD

SCHEDULE 7

SCHEDULE OF PROPERTY TAXES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Total</u>	<u>2015/2016 Taxes</u>	<u>2014/2015 Taxes</u>	<u>2013/2014 Taxes</u>	<u>Prior Taxes and Liens</u>
UNCOLLECTED AT - JULY 1	\$ 407,318	\$ -	\$ (8,930)	\$ 346,243	\$ 70,005
2014 - 2015 COMMITMENT (\$146,623,580 @ .02375)	<u>3,482,310</u>	<u>-</u>	<u>3,482,310</u>	<u>-</u>	<u>-</u>
COLLECTIONS	3,542,703	10,356	3,189,678	279,249	63,420
TAX ACQUIRED	10,603	-	-	6,077	4,526
ABATEMENTS	<u>635</u>	<u>-</u>	<u>635</u>	<u>-</u>	<u>-</u>
	<u>3,553,941</u>	<u>10,356</u>	<u>3,190,313</u>	<u>285,326</u>	<u>67,946</u>
UNCOLLECTED AT - JUNE 30	\$ <u>335,687</u>	\$ <u>(10,356)</u>	\$ <u>283,067</u>	\$ <u>60,917</u>	\$ <u>2,059</u>
REPRESENTED BY					
Real estate taxes and liens	\$ 325,354	\$ (10,250)	\$ 275,535	\$ 60,069	\$ -
Personal property taxes	<u>10,333</u>	<u>(106)</u>	<u>7,532</u>	<u>848</u>	<u>2,059</u>
	\$ <u>335,687</u>	\$ <u>(10,356)</u>	\$ <u>283,067</u>	\$ <u>60,917</u>	\$ <u>2,059</u>

FELCH & COMPANY, LLC

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Town Council of the
Town of Fort Fairfield, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fort Fairfield, Maine as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Fort Fairfield, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fort Fairfield, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fort Fairfield, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Town Council of the
Town of Fort Fairfield, Maine

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fort Fairfield, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Felch & Company LLC

Caribou, Maine
October 16, 2015