

Financial Statements

TOWN OF FORT FAIRFIELD, MAINE
as of
JUNE 30, 2014
together with
INDEPENDENT AUDITORS' REPORT

TOWN OF FORT FAIRFIELD, MAINE

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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, 2014, 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, 2014, 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 and 2, 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 September 2, 2014, 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
September 2, 2014

Town of Fort Fairfield, Maine
Management's Discussion and Analysis
For the Year Ending June 30, 2014

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 in a way 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, 2014

UNAUDITED

Table 1		
Net Position		
(in thousands)		
	<u>2014</u>	<u>2013</u>
Current and other assets	\$1,318	\$1,401
Capital assets	<u>6,950</u>	<u>7,203</u>
Total assets	<u>8,268</u>	<u>8,604</u>
Other liabilities	245	288
Bonds payable	<u>1,100</u>	<u>1,255</u>
Total liabilities	<u>1,345</u>	<u>1,543</u>
Net position:		
Net investment in capital assets	5,850	5,948
Restricted	94	118
Unrestricted	<u>979</u>	<u>995</u>
Total net position	<u>\$6,923</u>	<u>\$7,061</u>

Table 2		
Changes in Net Position		
(in thousands)		
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 8	\$ 8
Operating grants	109	131
Capital grants	223	795
General revenues:		
Property taxes	3,527	3,527
Other taxes	549	493
Federal and state assistance	250	374
Other revenues	<u>381</u>	<u>524</u>
Total revenues	<u>5,047</u>	<u>5,852</u>
Program expenses		
General government	469	442
Police	292	315
Development	24	537
Fire	142	141
Safety and sanitation	235	288
Public works	1,068	1,072
Recreation	141	151
Education	1,955	1,990
Other	<u>849</u>	<u>787</u>
Total expenses	<u>5,175</u>	<u>5,723</u>
Increase (decrease) in net position	<u>(128)</u>	<u>129</u>
Transfers	<u>(10)</u>	<u>(1,624)</u>
Change in net position	<u>\$ (138)</u>	<u>\$ (1,495)</u>

Town of Fort Fairfield, Maine
Management's Discussion and Analysis
For the Year Ending June 30, 2014

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 \$7,061,095 to \$6,922,671.

For this fiscal year our budget surplus of \$157,754 (Schedule 1) will be utilized to offset decreased revenues from the State to help balance the budget for fiscal year 2014/2015. This will enable us to continue to provide the services that citizens require while minimizing the need for a mil rate increase to our taxpayers.

CAPITAL ASSETS

Capital assets decreased \$252,966 during the year. Additions of \$116,475 were offset by depreciation charges of \$365,131 and disposals of \$4,310. We have completed the construction of the new clinic which is a facility owned by the Town and therefore has been included in our capital assets. 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 \$155,000. Refer to the notes to the financial statements for more detailed information.

GENERAL FUND BUDGETARY HIGHLIGHTS

Income for this fiscal year was \$4,646,515, which is \$38,945 over the budgeted amount. This was due to a slight increase in Excise taxes. Total expenses were \$4,487,757, which was \$118,809 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 P.O. Box 350, Fort Fairfield, Maine 04742.

TOWN OF FORT FAIRFIELD, MAINE

EXHIBIT A

STATEMENT OF NET POSITION
JUNE 30, 2014ASSETS

Current Assets:

Cash and temporary investments (Note 2)	\$ 626,350
Short-term investments	54,022
Uncollected taxes, net of allowance for uncollectible taxes of \$1,868	405,450
Accounts receivable	167,865
Prepaid expenses	3,250
	<u>1,256,937</u>

Other Assets:

Loans receivable (Note 3)	40,847
Expired tax lien property	19,932
	<u>60,779</u>

Capital Assets: (Note 4)

Non-depreciable	105,121
Depreciable, net	6,845,142
	<u>6,950,263</u>

TOTAL ASSETS

8,267,979LIABILITIES

Current Liabilities:

Accounts payable	79,106
Accrued expenses	50,440
Current portion of compensated absences	30,000
Current portion of bonds payable	100,000
	<u>259,546</u>

Non-Current Liabilities: (Note 7)

Bonds payable, net of current portion	1,000,000
Compensated absences, net of current portion	85,762
	<u>1,085,762</u>

TOTAL LIABILITIES

1,345,308NET POSITION

Net investment in capital assets	5,850,263
Restricted for:	
Special revenue funds	93,479
Unrestricted	978,929
	<u>6,922,671</u>

TOTAL NET POSITION

\$ 6,922,671*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, 2014

	Program Revenues			Net Costs	
	Expenses	Charges for Services	Operating Grants and Contri- butions		Capital Grants and Contri- butions
FUNCTION/PROGRAM ACTIVITIES					
General government	\$ 469,452	\$1,004	\$ -	\$ -	\$ (468,448)
Library	71,783	2,824	3,862	-	(65,097)
Police Department	292,366	451	-	-	(291,915)
Economic and community development	23,544	-	-	-	(23,544)
Community Center	39,358	-	-	-	(39,358)
Fire Department	141,949	-	-	-	(141,949)
Safety and sanitation	235,374	-	-	-	(235,374)
Public Works Department	1,067,624	-	105,344	-	(962,280)
Recreation	140,983	3,202	-	-	(137,781)
Education	1,955,429	-	-	-	(1,955,429)
Other	667,659	-	-	223,246	(444,413)
Interest on long-term debt	40,849	-	-	-	(40,849)
Unallocated depreciation	28,539	-	-	-	(28,539)
	<u>\$ 5,174,909</u>	<u>\$ 7,481</u>	<u>\$ 109,206</u>	<u>\$ 223,246</u>	<u>(4,834,976)</u>
GENERAL REVENUES					
Taxes:					
Property taxes, levied for general purposes					3,361,992
Homestead reimbursement					165,430
Excise taxes					548,726
Federal and state assistance					250,086
Interest income					28,638
Other general revenues					351,995
					<u>4,706,867</u>
Change in net position before transfer					(128,109)
Transfer to agency fund					<u>(10,315)</u>
Change in net position					<u>(138,424)</u>
NET POSITION - JULY 1, 2013					<u>7,061,095</u>
NET POSITION - JUNE 30, 2014					<u>\$ 6,922,671</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, 2014

	<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)	\$ 584,741	\$ -	\$ 41,609	\$ 626,350
Short-term investments	-	-	54,022	54,022
Uncollected taxes, net of allowance for uncollectible taxes of \$1,868	405,450	-	-	405,450
Accounts receivable	57,865	110,000	-	167,865
Loans receivable (Note 3)	40,847	-	-	40,847
Due from other funds	259,089	-	-	259,089
Expired tax lien property	19,932	-	-	19,932
	<u>\$ 1,367,924</u>	<u>\$ 110,000</u>	<u>\$ 95,631</u>	<u>\$ 1,573,555</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 79,106	\$ -	\$ -	\$ 79,106
Accrued expenses	43,267	-	-	43,267
Due to other funds	-	258,170	919	259,089
Deferred property taxes (Note 1)	170,000	-	-	170,000
	<u>292,373</u>	<u>258,170</u>	<u>919</u>	<u>551,462</u>
FUND BALANCES				
Unrestricted				
Committed for subsequent years' expenditures (Schedule 3)	565,480	-	-	565,480
Assigned for capital project funds	-	-	2,117	2,117
Unassigned	510,071	(148,170)	(884)	361,017
Restricted special revenue funds	-	-	93,479	93,479
	<u>1,075,551</u>	<u>(148,170)</u>	<u>94,712</u>	<u>1,022,093</u>
	<u>\$ 1,367,924</u>	<u>\$ 110,000</u>	<u>\$ 95,631</u>	<u>\$ 1,573,555</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, 2014

	<u>General</u>	<u>Health Clinic</u>	<u>Other Governmental Funds (Schedule 4)</u>	<u>Total Governmental Funds</u>
SOURCES OF FINANCIAL RESOURCES				
REVENUES				
Property taxes				
Commitment	\$ 3,422,220	\$ -	\$ -	\$ 3,422,220
Property tax reimbursements				
from State	165,430	-	-	165,430
Abatements	(228)	-	-	(228)
Federal and state assistance	355,430	-	223,246	578,676
Excise taxes	548,726	-	-	548,726
Other licenses, permits and fees	21,053	188,706	-	209,759
Interest income	28,386	-	252	28,638
Other revenues	152,364	-	5,525	157,889
	<u>4,693,381</u>	<u>188,706</u>	<u>229,023</u>	<u>5,111,110</u>
USES OF FINANCIAL RESOURCES				
EXPENDITURES				
General government	435,594	-	-	435,594
Library	68,612	-	-	68,612
Police Department	304,132	-	-	304,132
Economic and community development	23,544	91,150	-	114,694
Community center	33,357	-	-	33,357
Fire Department	105,513	-	-	105,513
Safety and sanitation	235,374	-	-	235,374
Public Works Department	816,027	-	-	816,027
Recreation	126,212	-	-	126,212
Education	1,955,429	-	-	1,955,429
Debt service - principal	155,000	-	-	155,000
- interest	39,825	-	-	39,825
Other expenditures	434,312	24,692	255,279	714,283
	<u>4,732,931</u>	<u>115,842</u>	<u>255,279</u>	<u>5,104,052</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(39,550)</u>	<u>72,864</u>	<u>(26,256)</u>	<u>7,058</u>
OTHER FINANCING SOURCES/(USES)				
Transfer (to)/from other fund	4,524	-	(14,839)	(10,315)
NET INCREASE (DECREASE) IN FUND BALANCE	(35,026)	72,864	(41,095)	(3,257)
FUND BALANCE - JULY 1, 2013	<u>1,110,577</u>	<u>(221,034)</u>	<u>135,807</u>	<u>1,025,350</u>
FUND BALANCE - JUNE 30, 2014	<u>\$ 1,075,551</u>	<u>\$ (148,170)</u>	<u>\$ 94,712</u>	<u>\$ 1,022,093</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, 2014

Fund balance in Governmental Funds (Exhibit C)		\$ 1,022,093
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	\$ 10,182,555	
Accumulated depreciation is	<u>(3,232,292)</u>	
		6,950,263
Certain assets in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Prepaid expenses		3,250
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		170,000
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Accrued interest payable		(7,173)
Bonds payable		(1,100,000)
Accrued compensated absences		<u>(115,762)</u>
Net position (Exhibit A)		<u>\$ 6,922,671</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, 2014

Net change in fund balance - total governmental funds (Exhibit D)		\$ (3,257)
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	\$ 116,475	
Depreciation expense	<u>(365,131)</u>	(248,656)
In the Statement of Activities, only the gain on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold.		
		(4,310)
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		(60,000)
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		155,000
Decrease in prepaid expenses		(22,801)
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:		
Increase in accrued interest payable	(1,024)	
Decrease in accrual for compensated absences	<u>46,624</u>	
		<u>45,600</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (138,424)</u>

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

TOWN OF FORT FAIRFIELD, MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

EXHIBIT G

	<u>Employee Deferred Comp Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ -	\$15,786
Marketable securities	<u>1,044,985</u>	<u>-</u>
Total Assets	<u>\$1,044,985</u>	<u>\$15,786</u>
LIABILITIES		
Due to Quality of Place		<u>\$15,786</u>
NET POSITION		
Held in trust for future retirement benefits and other purposes	<u>\$1,044,985</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, 2014

	<u>Employee Deferred Comp Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 35,949
Employee	62,942
Investment gains	<u>152,939</u>
Total additions	<u>251,830</u>
DEDUCTIONS	
Distributions	222,181
Fees	<u>22</u>
Total reductions	<u>222,203</u>
NET CHANGE IN NET POSITION	29,627
NET POSITION - JULY 1, 2013	<u>1,015,358</u>
NET POSITION - JUNE 30, 2014	<u>\$1,044,985</u>

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

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

(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, 2014

(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, 2014

(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, 2014, 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, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 90 to 120 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.

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.

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

(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, 2014, the Town's deposits of \$716,222 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 \$26,925 note due from a member of Town Council, a related party, and is currently in past due status.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 105,121	\$ -	\$ -	\$ 105,121
Other capital assets:				
Buildings	5,137,810	91,150	-	5,228,960
Land improvements	525,420	-	-	525,420
Equipment	1,426,572	-	-	1,426,572
Vehicles	878,561	25,325	24,825	879,061
Infrastructure	2,017,421	-	-	2,017,421
	<u>9,985,784</u>	<u>116,475</u>	<u>24,825</u>	<u>10,077,434</u>
Less accumulated depreciation for:				
Buildings	852,765	89,314	-	942,079
Land improvements	77,509	14,946	-	92,455
Equipment	1,092,670	47,942	-	1,140,612
Vehicles	269,339	51,670	20,515	300,494
Infrastructure	595,393	161,259	-	756,652
	<u>2,887,676</u>	<u>365,131</u>	<u>20,515</u>	<u>3,232,292</u>
Governmental activities capital assets, net	<u>\$7,203,229</u>	<u>\$(248,656)</u>	<u>\$ 4,310</u>	<u>\$ 6,950,263</u>

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

(4) CAPITAL ASSETS (Continued)

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

Governmental Activities	
General government	\$ 33,858
Library	3,171
Police Department	13,559
Fire Department	36,436
Public Works Department	228,796
Recreation	14,771
Community center	6,001
Unallocated depreciation	<u>28,539</u>
	<u>\$365,131</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 September through October 2013, a total of \$450,000 was borrowed and repaid in February 2014.

(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, 2014, consisted of the following:

<u>Entity</u>	<u>Share of Bonded Debt</u>
M.S.A.D. #20	\$1,964,142
Tri-Community Recycling and Sanitary Landfill	See Note 9

(7) LONG-TERM DEBT

As of June 30, 2014, 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%.	\$ 650,000
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>450,000</u>
	<u>\$1,100,000</u>

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

(7) LONG-TERM DEBT (Continued)

Long-term debt activity during the year ended June 30, 2014, was as follows:

	Balance July 1, <u>2013</u>	Addi- tions	Reduc- tions	Balance June 30, <u>2014</u>	Due Within <u>One Year</u>
<u>Governmental Activities</u>					
Bonds Payable:					
Capital improvement bond	\$ 55,000	\$ -	\$ 55,000	\$ -	\$ -
Capital improvement bond	700,000	-	50,000	650,000	50,000
Capital improvement bond	500,000	-	50,000	450,000	50,000
Other Liabilities:					
Compensated absences	<u>162,386</u>	<u>-</u>	<u>46,624</u>	<u>115,762</u>	<u>30,000</u>
	<u>\$1,417,386</u>	<u>\$ -</u>	<u>\$201,624</u>	<u>\$1,215,762</u>	<u>\$130,000</u>

As of June 30, 2014, the capital improvement bonds mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 100,000	\$ 36,438
2016	100,000	32,873
2017	100,000	29,210
2018	100,000	25,442
2019	100,000	21,567
2020-2024	450,000	58,295
2025-2027	<u>150,000</u>	<u>3,438</u>
	<u>\$1,100,000</u>	<u>\$207,263</u>

(8) EMPLOYEES' RETIREMENT PLANS

Maine Public Employees Retirement System (MainePERS)

Some employees of local governmental units are eligible to participate in the Town's defined benefit plan provided by the Maine Public Employees Retirement System (MainePERS). MainePERS is an agent of multiple-employer public employee retirement system that acts as a common investment and administrative agent for teachers, state employees and the employees of participating local districts (PLDs).

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.

Employees covered under this plan become vested after ten years of service. The calculation of benefits is based on the highest three years of earnings that the employee earned under the plan. All other employees are covered under the Social Security System.

Complete information concerning the Town's funding of the plan and obligation is available at the MainePERS office in Augusta.

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

(8) EMPLOYEES' RETIREMENT PLANS (Continued)

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.

Compensation deferred at June 30, 2014, amounts to \$1,044,985 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 10, 2014. These financial statements are available from the Town. A summary of the facility's activity for 2013 is as follows:

Total assets	\$15,992,782
Total liabilities	<u>13,044,410</u>
Total net position	<u>\$ 2,948,372</u>
Total revenue	\$ 2,317,954
Less total expenditures	2,154,357
Less distributions to owner communities	<u>203,261</u>
Decrease in net position	<u>\$ (39,664)</u>

The Town has guaranteed, together with the other member communities, two notes and a bond payable totaling \$8,537,000 for the Landfill. As of December 31, 2013, the balance owed was \$7,069,500.

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, 2013, the estimated total cost of closure and post-closure care was approximately \$18,650,000 of which \$5,690,000 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 2013 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.

TOWN OF FORT FAIRFIELD, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

(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, 2014, transfers were made between the general fund and non-major governmental funds in order to close out certain capital projects funds.

(13) DUE (TO) FROM OTHER FUNDS

The balance of \$259,089 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 September 2, 2014, 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, 2014

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Resources (Inflows):				
Property taxes	\$ 3,529,970	\$ 3,529,970	\$ 3,504,564	\$ (25,406)
Federal and state assistance	344,100	344,100	355,430	11,330
Excise taxes	481,000	481,000	548,726	67,726
Licenses, permits and fees	22,300	22,300	21,053	(1,247)
Interest income	36,500	36,500	28,386	(8,114)
Other	83,700	83,700	78,356	(5,344)
Transfer from surplus	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Amounts available for appropriation	<u>4,607,570</u>	<u>4,607,570</u>	<u>4,646,515</u>	<u>38,945</u>
Charges to appropriations (Outflows):				
General government	457,022	457,022	432,037	24,985
Library	77,931	77,931	66,524	11,407
Police Department	264,982	264,982	252,133	12,849
Economic and community development	3,025	3,025	11,737	(8,712)
Community center	29,500	29,500	33,142	(3,642)
Fire Department	100,224	100,224	97,053	3,171
Safety and sanitation	236,755	236,755	235,270	1,485
Capital reserve expense	140,000	140,000	140,000	-
Public Works Department	928,982	928,982	858,154	70,828
Recreation	131,296	131,296	123,503	7,793
Education	1,955,429	1,955,429	1,955,429	-
Other expenditures	<u>281,420</u>	<u>281,420</u>	<u>282,775</u>	<u>(1,355)</u>
Total charges to appropriations	<u>4,606,566</u>	<u>4,606,566</u>	<u>4,487,757</u>	<u>118,809</u>
Excess of resources over charges to appropriations	<u>\$ 1,004</u>	<u>\$ 1,004</u>	158,758	<u>\$ 157,754</u>
Recognition of liability for compensated absences			<u>(36,853)</u>	
Net increase fund balance			<u>121,905</u>	
Budgetary Fund Balance, July 1, 2013			637,536	
Less expenditures recorded directly to surplus			(27,920)	
Less transfers to reserves			(25,000)	
Less transfer from surplus			<u>(110,000)</u>	
Budgetary Fund Balance, June 30, 2014			<u>\$ 596,521</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, 2014

RECONCILIATION OF RESOURCES OVER CHARGES

Excess of resources over charges to appropriations (Schedule 1)	\$ 158,758
Designated for subsequent years' expenditures (Schedule 3)	99,235
Add appropriations to reserves recorded as expenditures on budgetary basis	140,000
Deduct expenditures charged to fund balance designated for subsequent years' expenditures (Schedule 3)	(252,210)
Deduct transfer from surplus recorded as income on a budgetary basis	(110,000)
Decrease in accounts receivable	(2,369)
Expenditures charged directly to compensated absences	(88,868)
Expenditures charged directly to surplus	(27,920)
Increase in accrued expenses not recognized on a budgetary basis	(16,176)
Decrease in deferred revenue	<u>60,000</u>
Excess of expenditures over revenues (Exhibit D)	<u>\$ (39,550)</u>

RECONCILIATION OF FUND BALANCE

Budgetary fund balance, June 30, 2014 (Schedule 1)	\$ 596,521
Adjustments to reconcile to undesignated fund balance on a GAAP basis (Exhibit D):	
Accounts receivable at June 30, 2014 not recognized on the budgetary basis	57,865
Deferred revenue at June 30, 2014 not recognized on the budgetary basis	(170,000)
Accrued expenses at June 30, 2014 not recognized on the budgetary basis	(90,077)
Compensated absence liability at June 30, 2014 not recognized on a GAAP basis	<u>115,762</u>
Unassigned fund balance on a GAAP basis, June 30, 2014 (Exhibit C)	510,071
Assigned fund balance (Exhibit C)	<u>565,480</u>
Fund balance on a GAAP basis, June 30, 2014 (Exhibit D)	<u>\$ 1,075,551</u>

Administration reserve
Fire Department reserve
Forest Heights reserve
Industrial park reserve
Library reserve
Parks and recreation reserve
Police Department reserve
Public works reserve
Community center reserves
21st Century program
Street light reserves
Safety officer fund
Monson Pond
Fort Fairfield rail line
Community bandstand
Hooked on fishing
Recreation - furniture rental
Farm Park
Quality of Place
Meadows Development TIF
Stray animals
Riverside Park
Farm Park fees
Recreation - ski rental
Recreation - adventure program
Maine Potato Blossom Festival
Blue Grass Festival
Festival reserve
Spec Building
Revolving loan funds

SOURCES OF FINANCIAL RESOURCES

REVENUES

Federal and state assistance
Other revenue
Donation
Interest income

USES OF FINANCIAL RESOURCES

EXPENDITURES

Administration and other

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES

OTHER FINANCING SOURCES

Transfer to agency fund
Transfers to general fund

FUND BALANCE (DEFICIT) - JULY 1, 2013

FUND BALANCE (DEFICIT) - JUNE 30, 2014

TOWN OF FORT FAIRFIELD

SCHEDULE 5

SCHEDULE OF PROPERTY TAXES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Total</u>	<u>2014/2015 Taxes</u>	<u>2013/2014 Taxes</u>	<u>2012/2013 Taxes</u>	<u>Prior Taxes and Liens</u>
UNCOLLECTED AT - JULY 1	\$ 416,946	\$ -	\$ (13,136)	\$ 361,694	\$ 68,388
2013 - 2014 COMMITMENT (\$146,183,490 @ .023)	<u>3,362,220</u>	<u>-</u>	<u>3,362,220</u>	<u>-</u>	<u>-</u>
COLLECTIONS	3,352,828	8,930	3,000,913	289,523	53,462
UNCOLLECTIBLE TAXES	14,323	-	-	1,841	12,482
TAX ACQUIRED	4,469	-	1,700	1,930	839
ABATEMENTS	228	-	228	-	-
	<u>3,371,848</u>	<u>8,930</u>	<u>3,002,841</u>	<u>293,294</u>	<u>66,783</u>
UNCOLLECTED AT - JUNE 30	\$ <u>407,318</u>	\$ <u>(8,930)</u>	\$ <u>346,243</u>	\$ <u>68,400</u>	\$ <u>1,605</u>
REPRESENTED BY					
Real estate taxes and liens	\$ 396,264	\$ (8,742)	\$ 337,454	\$ 67,552	\$ -
Personal property taxes	11,054	(188)	8,789	848	1,605
	<u>\$ 407,318</u>	<u>\$ (8,930)</u>	<u>\$ 346,243</u>	<u>\$ 68,400</u>	<u>\$ 1,605</u>

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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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 2, 2014.

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
September 2, 2014