

Audited Financial Statements and
Other Financial Information

Town of Poland, Maine

June 30, 2017



Proven Expertise and Integrity

TOWN OF POLAND, MAINE

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JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Selectpersons
Town of Poland
Poland, 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 Town of Poland as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Poland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates

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made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major and nonmajor fund and the aggregate remaining fund information of Town of Poland as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows 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, budgetary comparison information and pension information on pages 4 through 11 and 49 through 52 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 Town of Poland's basic financial statements. The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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 Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018 on our consideration of Town of Poland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Town of Poland's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
May 3, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

(UNAUDITED)

The following management's discussion and analysis of the Town of Poland's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of Town activities. The type of activity presented for the Town is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities and include general government, public safety, public works, recreation and culture, health and sanitation, TIF, education and miscellaneous.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town can be categorized as governmental funds.

Governmental funds: All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions and the Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position increased by \$1,359,990 from \$10,789,883 to \$12,149,873.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased to a balance of \$4,396,855 at the end of this year.

**Table 1
Town of Poland, Maine
Net Position
June 30,**

	<u>2017</u>	<u>2016</u>
Assets:		
Current Assets	\$ 8,035,926	\$ 8,382,275
Noncurrent Assets	15,016,722	15,028,834
Total Assets	<u>23,052,648</u>	<u>23,411,109</u>
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	424,231	209,798
Total Deferred Outflows of Resources	<u>424,231</u>	<u>209,798</u>
Liabilities:		
Current Liabilities	1,926,136	2,040,639
Long-term Debt Outstanding	9,248,711	10,605,046
Total Liabilities	<u>11,174,847</u>	<u>12,645,685</u>
Deferred Inflows of Resources:		
Prepaid Taxes	-	7
Deferred Inflows Related to Pensions	152,159	185,332
Total Deferred Inflows of Resources	<u>152,159</u>	<u>185,339</u>
Net Position:		
Net Investment in Capital Assets	4,745,030	2,874,434
Restricted for: Special revenue funds	808,168	1,014,504
Permanent funds	2,199,820	2,005,179
Unrestricted	4,396,855	4,895,766
Total Net Position	<u>\$ 12,149,873</u>	<u>\$ 10,789,883</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 5.17%, while total expenses decreased by 3.34%. The increase in revenues was due to increases in all categories. The decrease in expenses was due to decreases in health and sanitation, TIF, overlay, capital outlay and interest on long-term debt, offset by increases in general government, public safety, public works, recreation and culture, education, county tax and miscellaneous.

Table 2
Town of Poland, Maine
Change in Net Position
For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 508,509	\$ 490,844
Operating grants and contributions	418,846	411,387
<i>General revenues:</i>		
Taxes	11,772,760	11,618,678
Grants and contributions not restricted to specific programs	426,102	368,044
Investment income	274,667	(31,679)
Miscellaneous	266,884	138,265
Total Revenues	<u>13,667,768</u>	<u>12,995,539</u>
Expenses		
General government	1,153,904	1,105,572
Public safety	1,296,328	1,216,087
Public works	752,001	700,088
Recreation and culture	492,389	488,172
Health and sanitation	191,656	199,823
TIF	797,559	1,130,057
Education	6,673,248	6,525,104
County tax	728,065	716,690
Overlay	10,040	18,501
Capital outlay	-	357,656
Miscellaneous	148,848	-
Interest on long-term debt	63,740	275,517
Total Expenses	<u>12,307,778</u>	<u>12,733,267</u>
Change in Net Position	1,359,990	262,272
Net Position - July 1	<u>10,789,883</u>	<u>10,527,611</u>
Net Position - June 30	<u>\$ 12,149,873</u>	<u>\$ 10,789,883</u>

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of

a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Town of Poland, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2017</u>	<u>2016</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 30,391	\$ 39,993
Committed	15,690	45,545
Assigned	198,838	125,339
Unassigned	2,908,669	2,586,523
Total Major Funds	<u>\$ 3,153,588</u>	<u>\$ 2,797,400</u>
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 808,168	\$ 1,014,504
Assigned	91,247	69,896
Capital Projects Funds:		
Assigned	1,394,467	2,120,893
Unassigned	(14,608)	-
Permanent Funds:		
Restricted	2,199,820	2,005,179
Unassigned	(19)	(19)
Total Nonmajor Funds	<u>\$ 4,479,075</u>	<u>\$ 5,210,453</u>

The general fund total fund balance increased by \$356,188 from the prior fiscal year. This increase was due to positive budget to actual variances of \$446,955 in revenues and \$73,002 in expenditures less a budgeted use of fund balance of \$163,769. The nonmajor funds total fund balance decreased by \$731,378 from the prior fiscal year due to total expenditures of \$3,294,120 which exceeded revenues and net transfers in of \$2,562,742.

Budgetary Highlights

The difference between the original and final budget for the general fund was mostly due to approved carryforwards from the prior fiscal year.

The general fund actual revenues exceeded budgeted amounts by \$446,955. This was the result of all receipt categories being receipted in excess of budgeted amounts.

The general fund actual expenditures were under budget by \$73,002. All expenditure categories were within or under budget except public safety and debt service - interest.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2017, the Town's capital assets increased by \$970,204. This increase was due to current year capital additions of \$1,530,803 less depreciation expense of \$560,599. Refer to Note 4 of Notes to Financial Statements for detailed information.

**Table 4
Town of Poland, Maine
Capital Assets (Net of Depreciation)
June 30,**

	2017	2016
Land and improvements	\$ 576,568	\$ 576,568
Buildings and improvements	4,741,639	4,863,280
Machinery and equipment	309,492	212,400
Furniture and fixtures	3,300	3,960
Vehicles	2,105,573	1,323,027
Infrastructure	4,912,610	4,699,743
Total	\$ 12,649,182	\$ 11,678,978

Debt

At June 30, 2017, the Town had \$10,271,692 in bonds payable versus \$12,029,061 in the prior fiscal year. Other obligations include net pension liability and accrued compensated absences. Refer to Note 5 of the Notes to Financial Statements for detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town has maintained a sufficient level of unassigned fund balance to sustain government operations for a period of almost three months, while also maintaining significant reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Dept. at 1231 Maine Street, Poland, Maine 04274.

TOWN OF POLAND, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,464,669
Investments	1,982,865
Accounts receivable (net of allowance for uncollectibles):	
Taxes	281,198
Liens	84,225
Other	98,052
Due from other governments	68,026
Prepaid items	34,000
Tax acquired property	22,891
Total current assets	8,035,926
Noncurrent assets:	
Receivable for long-term debt obligations from RSU No. 16	2,367,540
Capital assets:	
Land, infrastructure, and other assets not being depreciated	576,568
Buildings and vehicles net of accumulated depreciation	12,072,614
Total noncurrent assets	15,016,722
TOTAL ASSETS	23,052,648
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	424,231
TOTAL DEFERRED OUTFLOWS OF RESOURCES	424,231
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 23,476,879
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 117,622
Accrued payroll	18,239
Due to other governments	2,848
Escrow accounts	15,690
Current portion of long-term obligations	1,771,737
Total current liabilities	1,926,136
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	8,597,815
Net pension liability	650,896
Total noncurrent liabilities	9,248,711
TOTAL LIABILITIES	11,174,847
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	152,159
TOTAL DEFERRED INFLOWS OF RESOURCES	152,159
NET POSITION	
Net investment in capital assets	4,745,030
Restricted for: Special Revenues	808,168
Permanent funds	2,199,820
Unrestricted	4,396,855
TOTAL NET POSITION	12,149,873
TOTAL LIABILITIES AND NET POSITION	\$ 23,476,879

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

TOWN OF POLAND, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
General government	\$ 1,153,904	\$ 35,779	\$ -	\$ -	\$ (1,118,125)
Public safety	1,296,328	243,224	-	-	(1,053,104)
Public works	752,001	-	72,536	-	(679,465)
Recreation and culture	492,389	183,361	-	-	(309,028)
Health and sanitation	191,656	46,145	-	-	(145,511)
TIF	797,559	-	346,310	-	(451,249)
Education	6,673,248	-	-	-	(6,673,248)
County tax	728,065	-	-	-	(728,065)
Overlay	10,040	-	-	-	(10,040)
Miscellaneous	148,848	-	-	-	(148,848)
Interest on long-term debt	63,740	-	-	-	(63,740)
Total government	<u>\$ 12,307,778</u>	<u>\$ 508,509</u>	<u>\$ 418,846</u>	<u>\$ -</u>	<u>(11,380,423)</u>

STATEMENT B (CONTINUED)
TOWN OF POLAND, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(11,380,423)</u>
General revenues:	
Taxes	
Property taxes, levied for general purposes	10,538,133
Excise taxes	1,234,627
Grants and contributions not restricted to specific programs	426,102
Investment income, net of unrealized gains/(losses)	274,667
Miscellaneous	<u>266,884</u>
Total revenues	<u>12,740,413</u>
Change in net position	1,359,990
NET POSITION - JULY 1	<u>10,789,883</u>
NET POSITION - JUNE 30	<u><u>\$ 12,149,873</u></u>

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

TOWN OF POLAND, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,494,496	\$ 970,173	\$ 5,464,669
Investments	-	1,982,865	1,982,865
Accounts receivable (net of allowance for uncollectibles):			
Taxes	281,198	-	281,198
Liens	84,225	-	84,225
Other	98,052	-	98,052
Due from other governments	68,026	-	68,026
Tax acquired property	22,891	-	22,891
Prepaid items	7,500	26,500	34,000
Due from other funds	288,600	1,803,604	2,092,204
TOTAL ASSETS	\$ 5,344,988	\$ 4,783,142	\$ 10,128,130
LIABILITIES			
Accounts payable	\$ 102,155	\$ 15,467	\$ 117,622
Accrued payroll	18,239	-	18,239
Due to other governments	2,848	-	2,848
Due to other funds	1,803,604	288,600	2,092,204
Escrow accounts	15,690	-	15,690
TOTAL LIABILITIES	1,942,536	304,067	2,246,603
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenues	248,864	-	248,864
TOTAL DEFERRED INFLOWS OF RESOURCES	248,864	-	248,864
FUND BALANCES			
Nonspendable	30,391	-	30,391
Restricted	-	3,007,988	3,007,988
Committed	15,690	-	15,690
Assigned	198,838	1,485,714	1,684,552
Unassigned	2,908,669	(14,627)	2,894,042
TOTAL FUND BALANCES	3,153,588	4,479,075	7,632,663
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,344,988	\$ 4,783,142	\$ 10,128,130

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

TOWN OF POLAND, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 7,632,663
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 in the funds, net of accumulated depreciation	12,649,182
Long-term assets are not available in the current period and therefore are not reported as assets in the funds:	
Receivable for long-term debt obligations from RSU No. 16	2,367,540
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	248,864
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	424,231
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(10,271,692)
Net pension liability	(650,896)
Accrued compensated absences	(97,860)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(152,159)</u>
Net position of governmental activities	<u><u>\$ 12,149,873</u></u>

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

TOWN OF POLAND, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
General tax revenue	\$ 11,740,410	\$ -	\$ 11,740,410
Intergovernmental revenue	844,948	-	844,948
Charges for services	325,148	183,361	508,509
Investment income, net of unrealized gains/(losses)	20,001	254,666	274,667
Other revenue	229,137	37,747	266,884
TOTAL REVENUES	13,159,644	475,774	13,635,418
EXPENDITURES			
Current:			
General government	1,055,060	31,431	1,086,491
Public safety	1,039,893	-	1,039,893
Public works	558,337	-	558,337
Recreation and culture	183,195	306,639	489,834
Health and sanitation	179,104	-	179,104
TIF	-	1,313,011	1,313,011
Education	6,673,248	-	6,673,248
County tax	728,065	-	728,065
Overlay	10,040	-	10,040
Debt service:			
Principal	189,194	-	189,194
Interest	63,740	-	63,740
Miscellaneous	36,612	136,365	172,977
Capital outlay	-	1,506,674	1,506,674
TOTAL EXPENDITURES	10,716,488	3,294,120	14,010,608
EXCESS REVENUES OVER (UNDER) EXPENDITURES	2,443,156	(2,818,346)	(375,190)
OTHER FINANCING SOURCES (USES)			
Transfers in	332,351	2,468,788	2,801,139
Transfers (out)	(2,419,319)	(381,820)	(2,801,139)
TOTAL OTHER FINANCING SOURCES (USES)	(2,086,968)	2,086,968	-
NET CHANGE IN FUND BALANCES	356,188	(731,378)	(375,190)
FUND BALANCES - JULY 1	2,797,400	5,210,453	8,007,853
FUND BALANCES - JUNE 30	\$ 3,153,588	\$ 4,479,075	\$ 7,632,663

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

TOWN OF POLAND, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (375,190)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset acquisitions	1,530,803
Depreciation expense	<u>(560,599)</u>
	<u>970,204</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>214,433</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported	
Taxes and liens receivable	<u>32,350</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>775,053</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>33,173</u>
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:	
Net pension liability	(317,512)
Accrued compensated absences	<u>27,479</u>
	<u>(290,033)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 1,359,990</u></u>

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

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Poland was incorporated under the laws of the State of Maine. The Town operates under the Selectperson-manager form of government and provides the following services: general government services, public safety, public works, health and sanitation, education, and recreation.

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).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not material to the financial statements.

Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined that this Statement is not applicable.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 77, "Tax Abatement Disclosures". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined that this Statement is not material to the financial statements.

Statement No. 80, "Blending Requirements for Certain Component Units". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not applicable.

Statement No. 81, "Irrevocable Split-Interest Agreements". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not applicable.

Statement No. 82, "Pension Issues". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial 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 and nonmajor funds).

Both the government-wide and fund financial statements categorize primary activities as governmental or business-type. All activities of the Town are categorized as governmental.

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources 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 Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc) excluding any fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, miscellaneous revenues, 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. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

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.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds

- a. The 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.

Nonmajor Funds

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

The emphasis in fund financial statements is on the major funds in the governmental activity category. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources,

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

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

2. Modified Accrual

The governmental fund 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 soon enough thereafter to be used to pay liabilities of the current period. 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.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

The Town of Poland has no formal investment policy but instead follows the State of Maine Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

Allowances for uncollectible accounts netted with accounts receivable were \$166,078 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$86,357 as of June 30, 2017.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, net pension liability and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Board of Selectperson meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectperson.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Nonmajor Governmental Funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Selectperson meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred tax revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly this item is reported in the governmental funds balance sheet. Deferred inflows related to pensions is reported only in the statement of net position. All items in

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 16, 2016 on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Taxes were due on in two installments on October 3, 2016 and April 3, 2017. Interest on unpaid taxes commenced on November 3, 2016 and May 3, 2017, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$53,893 for the year ended June 30, 2017.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The Town maintains a cash pool which is available for use by all funds. In addition cash and investments may be held by other funds within the government.

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

At June 30, 2017, the Town's cash balances amounting to \$5,464,669 were comprised of bank deposits of \$5,696,456. Of these bank deposits, \$250,000 were covered by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining bank deposits of \$5,267,242 were not collateralized and consequently were exposed to custodial credit risk. The cash equivalents of \$179,214 were not collateralized and consequently were exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 5,517,242
Money market accounts	179,214
	<u>\$ 5,696,456</u>

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2017, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>Over 5 Years</u>
Debt securities:					
Corporate bonds: fixed income	\$ 101,597	\$ -	\$ 39,975	\$ 61,622	\$ -
Mutual funds: fixed income	213,600	213,600	-	-	-
Equity securities:					
Common stock	1,359,354	1,359,354	-	-	-
Preferred stock	9,009	9,009	-	-	-
Mutual funds and exchange-traded funds	229,125	229,125	-	-	-
Certificate of deposit	70,180	-	70,180	-	-
	<u>\$ 1,982,865</u>	<u>\$ 1,811,088</u>	<u>\$ 110,155</u>	<u>\$ 61,622</u>	<u>\$ -</u>

The Town's investments of \$1,982,865 were not insured and consequently were exposed to custodial credit risk.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2017:

	Total June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
Corporate bonds: fixed income	\$ 101,597	\$ -	\$ 101,597	\$ -
Mutual funds: fixed income	213,600	213,600	-	-
Equity securities:				
Common stock	1,359,354	1,359,354	-	-
Preferred stock	9,009	9,009	-	-
Mutual funds and exchange-traded funds	229,125	229,125	-	-
Total investments by fair value level	<u>1,912,685</u>	<u>\$ 1,811,088</u>	<u>\$ 101,597</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market fund	179,214			
Total cash equivalents measured at the NAV	<u>179,214</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 2,091,899</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 3 investments. The fair value of money market funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2017 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. As of June 30, 2017, the credit ratings for the Town’s investments in corporate bonds were rated A1 (\$9,898), A3 (\$25,692), Baa1 (\$20,637), Baa2 (\$35,446) and Baa3 (\$9,924) by Moody’s Rating Service.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

	<u>Receivables</u> (Due from)	<u>Payables</u> (Due to)
General fund	\$ 288,600	\$ 1,803,604
Special revenue fund	387,617	271,523
Capital project fund	1,394,467	14,608
Permanent fund	21,520	2,469
	<u>\$ 2,092,204</u>	<u>\$ 2,092,204</u>

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance, 7/1/16	Additions	Disposals	Balance, 6/30/17
Non-depreciated assets:				
Land	\$ 576,568	\$ -	\$ -	\$ 576,568
	<u>576,568</u>	<u>-</u>	<u>-</u>	<u>576,568</u>
Depreciated assets:				
Buildings and improvements	6,156,374	51,370	-	6,207,744
Machinery and equipment	660,848	139,280	-	800,128
Furniture and fixtures	6,600	-	-	6,600
Vehicles	2,983,217	984,764	-	3,967,981
Infrastructure	5,418,617	355,389	-	5,774,006
	<u>15,225,656</u>	<u>1,530,803</u>	<u>-</u>	<u>16,756,459</u>
Less: accumulated depreciation	<u>(4,123,246)</u>	<u>(560,599)</u>	<u>-</u>	<u>(4,683,845)</u>
	<u>11,102,410</u>	<u>970,204</u>	<u>-</u>	<u>12,072,614</u>
Net capital assets	<u>\$ 11,678,978</u>	<u>\$ 970,204</u>	<u>\$ -</u>	<u>\$ 12,649,182</u>
<u>Current year depreciation</u>				
Fire				\$ 231,166
Public Safety				25,269
Public Works				193,664
Library				1,693
Recreation				862
Transfer Station				12,552
TIF				70,407
Town-wide				24,986
Total depreciation expense				<u>\$ 560,599</u>

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt for the year ended June 30, 2017 is as follows:

	Balance, 7/1/16	Additions	Deletions	Balance, 6/30/17	Due Within One Year
Bonds payable	\$ 12,029,061	\$ -	\$ (1,757,369)	\$ 10,271,692	\$ 1,673,877
Net pension liability	333,384	374,996	(57,484)	650,896	-
Accrued compensated absences	125,339	-	(27,479)	97,860	97,860
Total Governmental Activities	<u>\$ 12,487,784</u>	<u>\$ 374,996</u>	<u>\$ (1,842,332)</u>	<u>\$ 11,020,448</u>	<u>\$ 1,771,737</u>

The following is a summary of the outstanding bonds payable:

\$1,600,000, 2006C General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2021. Interest is charged at a rate from 1.8% to 6.25% per annum.	\$ 533,335
\$2,600,000, 2003 General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2022. Interest is charged at a rate of 1.80% per annum.	901,464
\$17,263,578, 1998 General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2018. Interest is charged at a rate from 4.528% to 5.378% per annum.	1,726,358
\$736,422, 2000 General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2020. Interest is charged at a rate from 5.028% to 5.903% per annum.	147,286
\$669,259, 2003 General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2020. Interest is charged at a rate from 2.078% to 5.078% per annum.	24,140
\$894,741, 2003 General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2022. Interest is charged at a rate from 2.078% to 5.078% per annum.	469,756
\$2,090,000, 2003 General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2023. Interest is charged at a rate from 2.085% to 5.085% per annum.	731,500
\$692,835, 2010 General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2031. Interest is charged at a rate from 1% per annum.	499,260

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT (CONTINUED)

\$4,498,200, 2011 General Obligation Water and Sewer Bond due in annual principal installments and semi-annual interest installments through November 2030. Interest is charged at a rate from .831% to 5.094% per annum.	3,315,471
\$2,300,000, 2012 General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2032. Interest is charged at a rate from 1.480% to 3.706% per annum.	<u>1,923,122</u>
Total Bonds Payable	<u><u>\$ 10,271,692</u></u>

The following is a summary of outstanding bond principal and interest requirements for the fiscal years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 1,673,877	\$ 219,212	\$ 1,893,089
2019	1,683,509	200,750	1,884,259
2020	829,368	179,430	1,008,798
2021	839,084	158,527	997,611
2022	812,434	136,332	948,766
2023	2,393,788	446,035	2,839,823
2028-2032	1,890,484	159,544	2,050,028
2033-2037	149,148	2,764	151,912
	<u>\$ 10,271,692</u>	<u>\$ 1,502,594</u>	<u>\$ 11,774,286</u>

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

NOTE 6 - NONSPENDABLE FUND BALANCE

At June 30, 2017, the Town had the following nonspendable fund balance:

General fund:	
Tax acquired property	\$ 22,891
Prepaid items	<u>7,500</u>
	<u><u>\$ 30,391</u></u>

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2017, the Town had the following restricted fund balances:

Nonmajor special revenue funds (Schedule E)	\$ 808,168
Nonmajor permanent funds (Schedule I)	<u>2,199,820</u>
	<u>\$ 3,007,988</u>

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2017, the Town had the following committed fund balances:

General fund:	
Escrows	<u>\$ 15,690</u>

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2017, the Town had the following assigned fund balances:

General fund:	
Accrued compensated absences	\$ 97,860
Library funds	100,978
Nonmajor capital projects funds (Schedule G)	1,394,467
Nonmajor special revenue funds (Schedule E)	<u>91,247</u>
Total	<u>\$ 1,684,552</u>

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, the Town had the following expenditures over appropriations:

Public safety	\$ 30,013
Debt service - interest	<u>4,395</u>
	<u>\$ 34,408</u>

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFICIT FUND BALANCES

At June 30, 2017, the Town had the following deficit fund balances:

Capital Projects Funds:	
Town roads	\$ 13,649
Recreation facility reserve	959
Historical Society Fund	19
	<u>\$ 14,627</u>

NOTE 12 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. During the year ended June 30, 2016 (the most recent period available), the retirement system consisted of 283 participating employers. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of 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 her/his normal

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

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. The Town's plan members are required to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.5% of covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2017 was \$57,122.

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

At June 30, 2017, the Town reported a liability of \$650,896 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2016, the Town's proportion was 0.122503%, which was an increase of 0.017977% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized total pension expense of \$69,906. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,891	\$ 41,865
Changes of assumptions	69,778	-
Net difference between projected and actual earnings on pension plan investments	240,527	100,104
Changes in proportion and differences between contributions and proportionate share of contributions	48,913	10,190
Contributions subsequent to the measurement date	57,122	-
Total	<u>\$ 424,231</u>	<u>\$ 152,159</u>

\$57,122 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Plan year ended June 30:	
2017	\$ 46,156
2018	35,608
2019	95,673
2020	37,513
2021	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2016 and 2015, using the following methods and assumptions applied to all periods included in the measurement:

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 and June 30, 2015 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum for the year ended June 30, 2016 and 7.125% per annum for the year ended June 30, 2015, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.750% to 9.00% per year.

Mortality Rates - For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females is used; for all recipients of disability benefits, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females is used.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Cost of Living Benefit Increases - 2.20% per annum for the year ended June 30, 2016 and 2.55% for the year ended June 30, 2015.

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 June 30, 2016 are summarized in the following table:

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	5.2%
Infrastructure	10%	5.2%
Hard assets	5%	5.0%
Fixed income	25%	2.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2016 and 7.125% for 2015. 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 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.

The following table shows how the collective net pension liability/(asset) as of June 30, 2016 would change if the discount rate used was one percentage point lower.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

or one percentage point higher than the current rate. The current rate is 6.875% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 1,080,370	\$ 650,896	\$ 246,561

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2016 and 2015, this was 4 years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For the PLD Plan, the discount rate was decreased from 7.125% to 6.875% and the cost of living benefit increase assumption was changed from 2.55% to 2.20%.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2016 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (800) 451-9800.

NOTE 13 - DEFERRED COMPENSATION PLAN

International City Management Association Retirement Corporation

Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City Management Association Retirement Corporation (ICMA-RC). The plan, available to all full time Town employees not subject to a collective bargaining agreement (should one arise), permits them to defer a portion of their salary, in addition to Town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town's Board of Selectperson. The Town will contribute a maximum of 4% of annualized income on behalf of employees that participate in the Town's deferred compensation plan and 8% on behalf of the Town Manager. A minimum employee contribution of 4.00% is required to receive the maximum employer match. The maximum employee contribution to the ICMA-RC plan is 10.00%. Employee overtime is exempt from employer matching funds. The Town's contributions to the plan for 2017, 2016 and 2015 were \$3,755, \$4,249 and \$7,502 respectively.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFERRED COMPENSATION PLAN (CONTINUED)

Nationwide Retirement Solutions

Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the Nationwide Retirement Solutions. The plan, available to all full time Town employees not subject to a collective bargaining agreement (should one arise), permits them to defer a portion of their salary, in addition to Town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town's Board of Selectperson. The Town will contribute a maximum of 4% of annualized income on behalf of employees that participate in the Town's deferred compensation plan and 7.5% on behalf of the Town Manager. A minimum employee contribution of 4.00% is required to receive the maximum employer match. The maximum employee contribution to the Nationwide plan is 7.5%. Employee overtime is exempt from employer matching funds. The Town's contributions to the plan for 2017 were \$4,000.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plans but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 14 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town participates in a public entity risk pool sponsored by the Maine Municipal Association. The Maine Municipal Association Group Risk Pool is a state chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations, and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - RISK MANAGEMENT (CONTINUED)

deficiencies during the past three years and management believes that no deficiency exists at June 30, 2017.

The Town is a member of the Maine Municipal Association – Property and Casualty Pool and pays an annual premium for its coverage. Under the property portion of the policy, coverage is provided after a \$1,000 per occurrence deductible is met. Under the general liability portion of the policy, the limit is \$400,000 per occurrence for causes of action pursuant to the Maine Tort Claims Act. Coverage is limited to those areas for which governmental immunity has been expressly waived and \$2,000,000 per occurrence for causes of action pursuant to federal law or state law for which immunity is not proved by the Maine Tort Claims Act. The same limit applies for Law Enforcement after a \$1,000 per occurrence deductible is met. For public official liability and employment practices liability, the coverage is \$2,000,000 per occurrence and \$4,000,000 aggregate with a \$5,000 deductible.

The Town is also a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker’s compensation coverage. The Town’s agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies’ reinsurance contracts, coverage for claims in excess of \$1,000,000.

The Town is also a member of the Maine Municipal Association – Unemployment Compensation Group Fund (“MMA UC Fund”). The MMA UC Fund was created to assist in meeting members’ obligations under the Employment Security Act in an efficient and cost effective manner. The Fund is composed of individual municipalities and other public and related non-profit entities that are individually self-insured but administered as a group. Within the Fund, each member has a separate account. As such, the Town makes quarterly payments into their account, based on rates developed by MMA’s consulting actuary. Claims, if any, are paid out of the Town’s own account. The Maine Department of Labor classifies MMA’s UC Fund members as Direct Reimbursement Employers. In other words, the Fund reimburses the Maine DOL on the Town’s behalf only when the Town has unemployment claims from present or former employees.

Occasionally, the Town may have layoffs or resignations or even a part-time employee losing a primary job, that lead to larger claims payments than anticipated. When claims exceed the balance of the Town’s account, the UC Fund continues to pay the Town’s claims with no regard for the negative balance. Repayment of a negative balance is spread out over a period of years to avoid a financial hardship to the Town.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - RISK MANAGEMENT (CONTINUED)

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2017. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 15 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town of Poland's landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. Federal and state laws require that certain post closure care be met. The Town estimates that on an annual basis, some immaterial costs will be incurred for post closure care. The annual amount will be paid for within the Town's annual operating budget.

NOTE 16 - INTERLOCAL AGREEMENT/REORGANIZATION PLAN

As of August 21, 2008, the Town entered into an agreement with the Town of Mechanic Falls and Minot for transfer of ownership and operations of the Central Office building and the land on which it sits to RSU 16. If the Central Office is ever transferred off of this property, the land would revert back to the Town of Poland and the building would be turned back to the three towns and disbursed as an asset under the Interlocal Agreement.

NOTE 17 - COMMITMENTS

On August 30, 2011, the Town of Poland and Nestle Waters North America, Inc. entered into agreements with the Auburn Sewer District and the Auburn Water District for the construction of certain infrastructure. The nature of the agreements allows the construction of sewer and water mains within the Town at the Town's cost. The infrastructure will not be owned by the Town, but will be owned by the respective Districts. As of June 30, 2011, the Town was obligated for \$4,498,200 worth of general obligation bonds for this project. The project was completed in December 2011. The debt service on these bonds will ultimately be paid from the Tax Increment Financing District with the Nestle Waters North America, Inc. The current principal balance on the bond is \$3,315,471.

NOTE 18 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 18 - CONTINGENCIES (CONTINUED)

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 19 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

TOWN OF POLAND, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 2,797,400	\$ 2,797,400	\$ 2,797,400	\$ -
Resources (Inflows):				
General tax revenue	11,527,352	11,527,352	11,740,410	213,058
Intergovernmental revenue	840,538	840,538	844,948	4,410
Charges for services	319,800	319,800	325,148	5,348
Investment income	9,000	9,000	20,001	11,001
Other revenue	108,350	108,350	229,137	120,787
Transfers from other funds	240,000	240,000	332,351	92,351
Amounts Available for Appropriation	<u>15,842,440</u>	<u>15,842,440</u>	<u>16,289,395</u>	<u>446,955</u>
Charges to Appropriations (Outflows):				
General government	1,060,147	1,060,147	1,055,060	5,087
Public safety	1,009,880	1,009,880	1,039,893	(30,013)
Public works	585,200	585,200	558,337	26,863
Recreation and culture	211,547	211,547	183,195	28,352
Health and sanitation	198,389	198,389	179,104	19,285
Education	6,673,248	6,673,248	6,673,248	-
County tax	728,065	728,065	728,065	-
Overlay	53,893	34,475	10,040	24,435
Debt service:				
Principal	189,194	189,194	189,194	-
Interest	59,345	59,345	63,740	(4,395)
Miscellaneous	40,000	40,000	36,612	3,388
Transfers to other funds	2,399,901	2,419,319	2,419,319	-
Total Charges to Appropriations	<u>13,208,809</u>	<u>13,208,809</u>	<u>13,135,807</u>	<u>73,002</u>
Budgetary Fund Balance, June 30	<u>\$ 2,633,631</u>	<u>\$ 2,633,631</u>	<u>\$ 3,153,588</u>	<u>\$ 519,957</u>
Utilization of unassigned fund balance	<u>\$ 163,769</u>	<u>\$ 163,769</u>	<u>\$ -</u>	<u>\$ (163,769)</u>

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

TOWN OF POLAND, MAINE

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 TEN FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan:</u>			
Proportion of the net pension liability (asset)	0.12%	0.10%	0.11%
Proportionate share of the net pension liability (asset)	\$ 650,896	\$ 333,484	\$ 170,747
Covered-employee payroll	\$ 892,301	\$ 859,883	\$ 908,208
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	72.95%	38.78%	18.80%
Plan fiduciary net position as a percentage of the total pension liability	88.30%	88.30%	94.10%

* The amounts presented for each fiscal year are for those years for which information is available.

TOWN OF POLAND, MAINE

SCHEDULE OF CONTRIBUTIONS
LAST 10 TEN FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan:</u>			
Contractually required contribution	\$ 57,122	\$ 58,620	\$ 41,805
Contributions in relation to the contractually required contribution	<u>(57,122)</u>	<u>(58,620)</u>	<u>(41,805)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,271,060	\$ 892,301	\$ 859,883
Contributions as a percentage of covered- employee payroll	4.49%	6.57%	4.86%

* The amounts presented for each fiscal year are for those years for which information is available.

TOWN OF POLAND, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Changes of Assumptions

There was a change in the investment rate of return assumption this year from 7.125% to 6.875%. This change was made in the other MainePERS Programs with the 2014 valuation, but is first being recognized in the PLD Consolidated Plan in 2015. In addition to this change, the cost of living benefit increase assumption was changed from 2.55% to 2.20%. Further, those PLDs who had an IUUAL Surplus account received a refund of that account. As a result, there will be no more IUUAL surplus payments reflected beginning with the 2015 valuation. Finally, the amortization methodology for the Pooled Unfunded Actuarial Liability (PUAL) was changed from a fifteen-year open level dollar method to a method where a separate twenty-year closed period is established annually for the gain or loss in that year with these amortizations being developed as a level percentage of payroll and amortizing the existing PUAL at the time of this change, July 1, 2015, over a closed fifteen-year period beginning on this date.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF POLAND, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues:				
Property taxes	\$ 10,515,352	\$ 10,515,352	\$ 10,505,783	\$ (9,569)
Vehicle excise taxes	1,000,000	1,000,000	1,220,914	220,914
Boat excise taxes	12,000	12,000	13,713	1,713
Intergovernmental revenues:				
State revenue sharing	215,940	215,940	217,734	1,794
BETE reimbursement	346,278	346,278	346,310	32
Homestead exemption	181,320	181,320	181,320	-
Local road assistance	70,000	70,000	72,536	2,536
Tree growth	17,000	17,000	14,635	(2,365)
General assistance	5,000	5,000	245	(4,755)
Veteran's exemption	-	-	3,951	3,951
Other intergovernmental	5,000	5,000	8,217	3,217
Charges for services:				
Ambulance fees	200,000	200,000	183,173	(16,827)
Code enforcement fees	40,000	40,000	37,515	(2,485)
Motor vehicle fees	21,000	21,000	22,029	1,029
Solid waste revenues/fees	25,000	25,000	46,145	21,145
Plumbing permits	11,000	11,000	12,620	1,620
Inland fisheries agent fees	2,500	2,500	2,576	76
Animal control fees	3,000	3,000	2,487	(513)
Electrical permit fees	7,500	7,500	7,429	(71)
Customer service fees	1,000	1,000	808	(192)
Other	8,800	8,800	10,366	1,566
Investment income	9,000	9,000	20,001	11,001
Other revenue:				
Rentals	10,600	10,600	6,022	(4,578)
Interest/fees on liens	45,000	45,000	36,909	(8,091)
Cable franchise fees	47,000	47,000	52,806	5,806
Other miscellaneous income	5,750	5,750	32,422	26,672
Library funds	-	-	100,978	100,978
Transfers in from other funds	240,000	240,000	332,351	92,351
Total revenues	\$ 13,045,040	\$ 13,045,040	\$ 13,491,995	\$ 446,955

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

TOWN OF POLAND, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General government					
Administration	\$ 415,791	\$ -	\$ 415,791	\$ 385,503	\$ 30,288
Benefits	487,066	-	487,066	504,861	(17,795)
Contracted services	95,500	-	95,500	94,098	1,402
Buildings and grounds	50,128	-	50,128	59,761	(9,633)
Cable TV	11,662	-	11,662	10,837	825
	<u>1,060,147</u>	<u>-</u>	<u>1,060,147</u>	<u>1,055,060</u>	<u>5,087</u>
Public safety					
Fire/rescue	646,969	-	646,969	682,018	(35,049)
Police	233,415	-	233,415	228,949	4,466
Insurance	47,000	-	47,000	45,062	1,938
Dispatch contract	37,815	-	37,815	38,830	(1,015)
Street lights	14,000	-	14,000	15,409	(1,409)
Emergency management	5,450	-	5,450	5,304	146
Animal control	10,000	-	10,000	9,696	304
Hydrants	15,231	-	15,231	14,625	606
	<u>1,009,880</u>	<u>-</u>	<u>1,009,880</u>	<u>1,039,893</u>	<u>(30,013)</u>
Public works					
Highways	585,200	-	585,200	558,337	26,863
	<u>585,200</u>	<u>-</u>	<u>585,200</u>	<u>558,337</u>	<u>26,863</u>

TOWN OF POLAND, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Health and sanitation					
Solid waste	198,389	-	198,389	179,104	19,285
	<u>198,389</u>	<u>-</u>	<u>198,389</u>	<u>179,104</u>	<u>19,285</u>
Community services					
Planning & Community Development	100,862	-	100,862	94,960	5,902
Recreation	74,375	-	74,375	67,996	6,379
General assistance	15,000	-	15,000	2,754	12,246
Social service agencies	4,000	-	4,000	4,000	-
Other	17,310	-	17,310	13,485	3,825
	<u>211,547</u>	<u>-</u>	<u>211,547</u>	<u>183,195</u>	<u>28,352</u>
Education	<u>6,673,248</u>	<u>-</u>	<u>6,673,248</u>	<u>6,673,248</u>	<u>-</u>
County tax	<u>728,065</u>	<u>-</u>	<u>728,065</u>	<u>728,065</u>	<u>-</u>
Debt service					
Principal	189,194	-	189,194	189,194	-
Interest	59,345	-	59,345	63,740	(4,395)
	<u>248,539</u>	<u>-</u>	<u>248,539</u>	<u>252,934</u>	<u>(4,395)</u>

TOWN OF POLAND, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Miscellaneous					
McConaghy house demo	30,000	-	30,000	24,129	5,871
Tripp Lake erosion	10,000	-	10,000	12,483	(2,483)
	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>36,612</u>	<u>3,388</u>
Overlay/Emergency Article	<u>53,893</u>	<u>(19,418)</u>	<u>34,475</u>	<u>10,040</u>	<u>24,435</u>
Transfers					
Special revenue funds	1,451,232	19,418	1,470,650	1,470,650	-
Permanent funds	77,369	-	77,369	77,369	-
Capital projects funds	871,300	-	871,300	871,300	-
	<u>2,399,901</u>	<u>19,418</u>	<u>2,419,319</u>	<u>2,419,319</u>	<u>-</u>
Total Departmental Operations	<u><u>\$ 13,208,809</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,208,809</u></u>	<u><u>\$ 13,135,807</u></u>	<u><u>\$ 73,002</u></u>

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

TOWN OF POLAND, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 771,641	\$ -	\$ 198,532	\$ 970,173
Investments	-	-	1,982,865	1,982,865
Prepaid items	26,500	-	-	26,500
Due from other funds	387,617	1,394,467	21,520	1,803,604
TOTAL ASSETS	<u>\$ 1,185,758</u>	<u>\$ 1,394,467</u>	<u>\$ 2,202,917</u>	<u>\$ 4,783,142</u>
LIABILITIES				
Accounts payable	\$ 14,820	\$ -	\$ 647	\$ 15,467
Due to other funds	271,523	14,608	2,469	288,600
TOTAL LIABILITIES	<u>286,343</u>	<u>14,608</u>	<u>3,116</u>	<u>304,067</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	808,168	-	2,199,820	3,007,988
Committed	-	-	-	-
Assigned	91,247	1,394,467	-	1,485,714
Unassigned	-	(14,608)	(19)	(14,627)
TOTAL FUND BALANCES	<u>899,415</u>	<u>1,379,859</u>	<u>2,199,801</u>	<u>4,479,075</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,185,758</u>	<u>\$ 1,394,467</u>	<u>\$ 2,202,917</u>	<u>\$ 4,783,142</u>

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

TOWN OF POLAND, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Charges for services	\$ 183,361	\$ -	\$ -	\$ 183,361
Investment income, net of unrealized gains/(losses)	5,080	-	249,586	254,666
Other income	2,806	6,000	28,941	37,747
Total revenues	<u>191,247</u>	<u>6,000</u>	<u>278,527</u>	<u>475,774</u>
EXPENDITURES				
Current:				
Cemetery	-	-	2,805	2,805
Library	-	-	146,518	146,518
General government	31,431	-	-	31,431
Other	-	124,433	11,932	136,365
Debt service/TIF	1,313,011	-	-	1,313,011
Recreation	157,316	-	-	157,316
Capital outlay	105,124	1,401,550	-	1,506,674
Total expenditures	<u>1,606,882</u>	<u>1,525,983</u>	<u>161,255</u>	<u>3,294,120</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,415,635)</u>	<u>(1,519,983)</u>	<u>117,272</u>	<u>(2,818,346)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,470,650	871,300	126,838	2,468,788
Transfers (out)	<u>(240,000)</u>	<u>(92,351)</u>	<u>(49,469)</u>	<u>(381,820)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,230,650</u>	<u>778,949</u>	<u>77,369</u>	<u>2,086,968</u>
NET CHANGE IN FUND BALANCES	(184,985)	(741,034)	194,641	(731,378)
FUND BALANCES - JULY 1	<u>1,084,400</u>	<u>2,120,893</u>	<u>2,005,160</u>	<u>5,210,453</u>
FUND BALANCES - JUNE 30	<u>\$ 899,415</u>	<u>\$ 1,379,859</u>	<u>\$ 2,199,801</u>	<u>\$ 4,479,075</u>

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

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF POLAND, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Recreation Fees Reserve	TAP Economic Development	PSD TIF I	PSD TIF II	Downtown TIF	Auburn Water Escrow	Total
ASSETS							
Cash and cash equivalents	\$ 2,725	\$ -	\$ 383,772	\$ 230,341	\$ 154,803	\$ -	\$ 771,641
Prepaid items	-	-	-	-	-	26,500	26,500
Due from other funds	88,522	3,728	-	239,928	55,439	-	387,617
TOTAL ASSETS	<u>\$ 91,247</u>	<u>\$ 3,728</u>	<u>\$ 383,772</u>	<u>\$ 470,269</u>	<u>\$ 210,242</u>	<u>\$ 26,500</u>	<u>\$ 1,185,758</u>
LIABILITIES							
Accounts payable	-	\$ -	\$ 1,486	\$ -	\$ -	\$ 13,334	\$ 14,820
Due to other funds	-	-	271,523	-	-	-	271,523
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>273,009</u>	<u>-</u>	<u>-</u>	<u>13,334</u>	<u>286,343</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	3,728	110,763	470,269	210,242	13,166	808,168
Committed	-	-	-	-	-	-	-
Assigned	91,247	-	-	-	-	-	91,247
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>91,247</u>	<u>3,728</u>	<u>110,763</u>	<u>470,269</u>	<u>210,242</u>	<u>13,166</u>	<u>899,415</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 91,247</u>	<u>\$ 3,728</u>	<u>\$ 383,772</u>	<u>\$ 470,269</u>	<u>\$ 210,242</u>	<u>\$ 26,500</u>	<u>\$ 1,185,758</u>

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

TOWN OF POLAND, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Recreation Fees Reserve	TAP Economic Development	PSD TIF I	PSD TIF II	Downtown TIF	Auburn Water Escrow	Total
REVENUES							
Charges for services	\$ 183,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,361
Investment income, net of unrealized gains/(losses)	-	-	694	2,977	1,409	-	5,080
Other	2,806	-	-	-	-	-	2,806
Total revenues	<u>186,167</u>	<u>-</u>	<u>694</u>	<u>2,977</u>	<u>1,409</u>	<u>-</u>	<u>191,247</u>
EXPENDITURES							
General government	-	-	-	-	-	31,431	31,431
Recreation	157,316	-	-	-	-	-	157,316
Debt service/TIF	-	-	641,303	594,852	76,856	-	1,313,011
Capital outlay	7,500	-	77,608	-	20,016	-	105,124
Total expenditures	<u>164,816</u>	<u>-</u>	<u>718,911</u>	<u>594,852</u>	<u>96,872</u>	<u>31,431</u>	<u>1,606,882</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>21,351</u>	<u>-</u>	<u>(718,217)</u>	<u>(591,875)</u>	<u>(95,463)</u>	<u>(31,431)</u>	<u>(1,415,635)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	704,929	641,324	124,397	-	1,470,650
Transfers (out)	-	-	(100,000)	(140,000)	-	-	(240,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>604,929</u>	<u>501,324</u>	<u>124,397</u>	<u>-</u>	<u>1,230,650</u>
NET CHANGE IN FUND BALANCES	21,351	-	(113,288)	(90,551)	28,934	(31,431)	(184,985)
FUND BALANCES - JULY 1	<u>69,896</u>	<u>3,728</u>	<u>224,051</u>	<u>560,820</u>	<u>181,308</u>	<u>44,597</u>	<u>1,084,400</u>
FUND BALANCES - JUNE 30	<u>\$ 91,247</u>	<u>\$ 3,728</u>	<u>\$ 110,763</u>	<u>\$ 470,269</u>	<u>\$ 210,242</u>	<u>\$ 13,166</u>	<u>\$ 899,415</u>

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

Capital Projects Funds

The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities or equipment.

TOWN OF POLAND, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Public Works Vehicle	Fire/ Rescue Vehicle	Town Roads	Solid Waste	Recreation Facility Reserve	Conservation Reserve
ASSETS						
Due from other funds	\$ 885,138	\$ 198,905	\$ -	\$ 16,268	\$ -	\$ 6,015
TOTAL ASSETS	<u>\$ 885,138</u>	<u>\$ 198,905</u>	<u>\$ -</u>	<u>\$ 16,268</u>	<u>\$ -</u>	<u>\$ 6,015</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 13,649	\$ -	\$ 959	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>13,649</u>	<u>-</u>	<u>959</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	885,138	198,905	-	16,268	-	6,015
Unassigned	-	-	(13,649)	-	(959)	-
TOTAL FUND BALANCES (DEFICITS)	<u>885,138</u>	<u>198,905</u>	<u>(13,649)</u>	<u>16,268</u>	<u>(959)</u>	<u>6,015</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 885,138</u>	<u>\$ 198,905</u>	<u>\$ -</u>	<u>\$ 16,268</u>	<u>\$ -</u>	<u>\$ 6,015</u>

TOWN OF POLAND, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Building Improvements	Contingency Reserve	Police Vehicle	Revaluation Reserve	Fire Station Reserve-Bond	CEO Reserve	Totals
ASSETS							
Due from other funds	\$ 102,426	\$ 2,690	\$ 5,674	\$ 75,000	\$ 92,351	\$ 10,000	\$ 1,394,467
TOTAL ASSETS	<u>\$ 102,426</u>	<u>\$ 2,690</u>	<u>\$ 5,674</u>	<u>\$ 75,000</u>	<u>\$ 92,351</u>	<u>\$ 10,000</u>	<u>\$ 1,394,467</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,608
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,608</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	102,426	2,690	5,674	75,000	92,351	10,000	1,394,467
Unassigned	-	-	-	-	-	-	(14,608)
TOTAL FUND BALANCES (DEFICITS)	<u>102,426</u>	<u>2,690</u>	<u>5,674</u>	<u>75,000</u>	<u>92,351</u>	<u>10,000</u>	<u>1,379,859</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 102,426</u>	<u>\$ 2,690</u>	<u>\$ 5,674</u>	<u>\$ 75,000</u>	<u>\$ 92,351</u>	<u>\$ 10,000</u>	<u>\$ 1,394,467</u>

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

TOWN OF POLAND, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Public Works Vehicle	Fire/ Rescue Vehicle	Town Roads	Solid Waste	Recreation Facility Reserve	Conservation Reserve
REVENUES						
Other income	\$ -	\$ -	\$ -	\$ -	\$ 6,000	\$ -
Total revenues	-	-	-	-	6,000	-
EXPENDITURES						
Other	-	-	107,846	-	9,088	1,985
Capital outlay	27,403	976,336	355,389	6,750	6,800	-
Total expenditures	27,403	976,336	463,235	6,750	15,888	1,985
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,403)	(976,336)	(463,235)	(6,750)	(9,888)	(1,985)
OTHER FINANCING SOURCES (USES)						
Transfers in	195,000	145,000	430,000	6,000	6,800	7,500
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	195,000	145,000	430,000	6,000	6,800	7,500
NET CHANGE IN FUND BALANCES (DEFICITS)	167,597	(831,336)	(33,235)	(750)	(3,088)	5,515
FUND BALANCES (DEFICITS) - JULY 1	717,541	1,030,241	19,586	17,018	2,129	500
FUND BALANCES (DEFICITS) - JUNE 30	\$ 885,138	\$ 198,905	\$ (13,649)	\$ 16,268	\$ (959)	\$ 6,015

TOWN OF POLAND, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Building Improvements	Contingency Reserve	Police Vehicle	Revaluation Reserve	Fire Station Reserve-Bond	CEO Reserve	Total
REVENUES							
Other income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
EXPENDITURES							
Other	5,514	-	-	-	-	-	124,433
Capital outlay	20,441	-	8,431	-	-	-	1,401,550
Total expenditures	<u>25,955</u>	<u>-</u>	<u>8,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,525,983</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(25,955)</u>	<u>-</u>	<u>(8,431)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,519,983)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	36,000	1,000	14,000	25,000	-	5,000	871,300
Transfers (out)	-	-	-	-	(92,351)	-	(92,351)
TOTAL OTHER FINANCING SOURCES (USES)	<u>36,000</u>	<u>1,000</u>	<u>14,000</u>	<u>25,000</u>	<u>(92,351)</u>	<u>5,000</u>	<u>778,949</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	10,045	1,000	5,569	25,000	(92,351)	5,000	(741,034)
FUND BALANCES (DEFICITS) - JULY 1	<u>92,381</u>	<u>1,690</u>	<u>105</u>	<u>50,000</u>	<u>184,702</u>	<u>5,000</u>	<u>2,120,893</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 102,426</u>	<u>\$ 2,690</u>	<u>\$ 5,674</u>	<u>\$ 75,000</u>	<u>\$ 92,351</u>	<u>\$ 10,000</u>	<u>\$ 1,379,859</u>

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

Permanent Funds

Permanent funds are used to account for assets held by the Town of Poland, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of the cemeteries, the library and the historical society.

TOWN OF POLAND, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS
JUNE 30, 2017

	Hackett Trust	Hackett Relief Fund	Empire Cemetery	White Oak Hill Cemetery	Highland Cemetery	AB Ricker	Lane Cemetery
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 2,966	\$ -	\$ -
Investments	11,093	14,141	6,574	8,551	101,175	11,662	925
Due from other funds	-	-	-	-	-	-	380
TOTAL ASSETS	\$ 11,093	\$ 14,141	\$ 6,574	\$ 8,551	\$ 104,141	\$ 11,662	\$ 1,305
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	11,093	14,141	6,574	8,551	104,141	11,662	1,305
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	11,093	14,141	6,574	8,551	104,141	11,662	1,305
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 11,093	\$ 14,141	\$ 6,574	\$ 8,551	\$ 104,141	\$ 11,662	\$ 1,305

TOWN OF POLAND, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS
JUNE 30, 2017

	Scholarship Funds	Operations Ricker Library	Endowment Ricker Library	Ministerial	Historical Society	Ricker Cemetery	Totals
ASSETS							
Cash and cash equivalents	\$ 51,792	\$ 55,473	\$ 88,301	\$ -	\$ -	\$ -	\$ 198,532
Investments	176,894	404,037	1,230,579	17,234	-	-	1,982,865
Due from other funds	-	7,380	-	11,672	-	2,088	21,520
TOTAL ASSETS	<u>\$ 228,686</u>	<u>\$ 466,890</u>	<u>\$ 1,318,880</u>	<u>\$ 28,906</u>	<u>\$ -</u>	<u>\$ 2,088</u>	<u>\$ 2,202,917</u>
LIABILITIES							
Accounts payable	\$ -	\$ 647	\$ -	\$ -	\$ -	\$ -	\$ 647
Due to other funds	2,450	-	-	-	19	-	2,469
TOTAL LIABILITIES	<u>2,450</u>	<u>647</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>3,116</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	226,236	466,243	1,318,880	28,906	-	2,088	2,199,820
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(19)	-	(19)
TOTAL FUND BALANCES (DEFICITS)	<u>226,236</u>	<u>466,243</u>	<u>1,318,880</u>	<u>28,906</u>	<u>(19)</u>	<u>2,088</u>	<u>2,199,801</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 228,686</u>	<u>\$ 466,890</u>	<u>\$ 1,318,880</u>	<u>\$ 28,906</u>	<u>\$ -</u>	<u>\$ 2,088</u>	<u>\$ 2,202,917</u>

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

TOWN OF POLAND, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Hackett Trust	Hackett Relief Fund	Empire Cemetery	White Oak Hill Cemetery	Highland Cemetery	AB Ricker	Lane Cemetery
REVENUES							
Investment income, net of unrealized gains/(losses)	\$ 40	\$ -	\$ 24	\$ 31	\$ 2,966	\$ 43	\$ 5
Other income	-	668	-	-	16,281	-	-
Total revenues	40	668	24	31	19,247	43	5
EXPENDITURES							
Cemetery	-	-	-	-	2,805	-	-
Library	-	-	-	-	-	-	-
Other	-	325	-	-	-	-	-
Total expenditures	-	325	-	-	2,805	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40	343	24	31	16,442	43	5
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	40	343	24	31	16,442	43	5
FUND BALANCES (DEFICITS) - JULY 1	11,053	13,798	6,550	8,520	87,699	11,619	1,300
FUND BALANCES (DEFICITS) - JUNE 30	\$ 11,093	\$ 14,141	\$ 6,574	\$ 8,551	\$ 104,141	\$ 11,662	\$ 1,305

TOWN OF POLAND, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Scholarship Funds	Operations Ricker Library	Endowment Ricker Library	Ministerial	Historical Society	Ricker Cemetery	Total
REVENUES							
Investment income, net of unrealized gains/(losses)	\$ 12,445	\$ 49,378	\$ 184,540	\$ 106	\$ -	\$ 8	\$ 249,586
Other income	2,492	9,500	-	-	-	-	28,941
Total revenues	<u>14,937</u>	<u>58,878</u>	<u>184,540</u>	<u>106</u>	<u>-</u>	<u>8</u>	<u>278,527</u>
EXPENDITURES							
Cemetery	-	-	-	-	-	-	2,805
Library	-	146,518	-	-	-	-	146,518
Other	3,314	-	8,293	-	-	-	11,932
Total expenditures	<u>3,314</u>	<u>146,518</u>	<u>8,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,255</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,623</u>	<u>(87,640)</u>	<u>176,247</u>	<u>106</u>	<u>-</u>	<u>8</u>	<u>117,272</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	126,838	-	-	-	-	126,838
Transfers (out)	-	-	(49,469)	-	-	-	(49,469)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>126,838</u>	<u>(49,469)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,369</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	11,623	39,198	126,778	106	-	8	194,641
FUND BALANCES (DEFICITS) - JULY 1	<u>214,613</u>	<u>427,045</u>	<u>1,192,102</u>	<u>28,800</u>	<u>(19)</u>	<u>2,080</u>	<u>2,005,160</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 226,236</u>	<u>\$ 466,243</u>	<u>\$ 1,318,880</u>	<u>\$ 28,906</u>	<u>\$ (19)</u>	<u>\$ 2,088</u>	<u>\$ 2,199,801</u>

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

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF POLAND, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2017

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Fire department	\$ 6,300	\$ 3,205,542	\$ 2,909,435	\$ -	\$ 6,121,277
Public safety	-	275,087	530,279	-	805,366
Public works department	216,928	1,844,011	1,108,048	2,972,990	6,141,977
Transfer station	120,000	310,000	47,232	-	477,232
TIF	-	-	9,528	2,801,016	2,810,544
Library	-	15,488	13,435	-	28,923
Recreation	-	43,857	7,500	-	51,357
Town-wide	233,340	513,759	149,252	-	896,351
Total General Capital Assets	576,568	6,207,744	4,774,709	5,774,006	17,333,027
Less: Accumulated Depreciation	-	(1,466,105)	(2,356,344)	(861,396)	(4,683,845)
Net General Capital Assets	\$ 576,568	\$ 4,741,639	\$ 2,418,365	\$ 4,912,610	\$ 12,649,182

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

TOWN OF POLAND, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017

	General Capital Assets 7/1/16	Additions	Deletions	General Capital Assets 6/30/17
Fire department	\$ 5,494,587	\$ 626,690	\$ -	\$ 6,121,277
Public safety	369,681	435,685	-	805,366
Public works department	5,739,169	402,808	-	6,141,977
Transfer station	470,482	6,750	-	477,232
TIF	2,810,544	-	-	2,810,544
Library	28,923	-	-	28,923
Recreation	12,928	38,429	-	51,357
Town-wide	875,910	20,441	-	896,351
Total General Capital Assets	15,802,224	1,530,803	-	17,333,027
Less: Accumulated Depreciation	(4,123,246)	(560,599)	-	(4,683,845)
Net General Capital Assets	<u>\$ 12,204,848</u>	<u>\$ 970,204</u>	<u>\$ -</u>	<u>\$ 12,649,182</u>

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



Proven Expertise and Integrity

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

Board of Selectpersons
Town of Poland
Poland, 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, business-type activities, each major fund and the aggregate remaining fund information of Town of Poland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Poland's basic financial statements, and have issued our report thereon dated May 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Poland'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Poland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Poland'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 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

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Poland'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 organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.H.R. Smith & Company

Buxton, Maine
May 3, 2018