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TOWN OF LIMESTONE, MAINE
FINANCIAL STATEMENTS
JUNE 30, 2017

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To the Board of Selectmen of
Town of Limestone, Maine

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business – type activities, each major fund and the aggregate remaining fund information of the Town of Limestone, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Limestone, Maine, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 and the required supplementary schedules and notes on pages 34-37 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Limestone's basic financial statements as a whole. The accompanying supplementary information on pages 38 through 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 on our consideration of the Town of Limestone'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Chester M. Kearney

Presque Isle, Maine
December 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF LIMESTONE, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Limestone, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

Financial Highlights

- The assets of Limestone exceeded its liabilities at the close of the most recent fiscal year by \$3,166,663 (net position). Of this amount, \$1,276,678 (unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors.
- The government's total net position decreased by \$60,606 in the year ended June 30, 2017.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,212,470 a decrease of \$240,981 in comparison with the prior year. Approximately 63% of this total amount, \$769,552, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$769,552 or 32.5% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Limestone's basic financial statements. The Town's basic financial statements are comprised of 3 components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, protection, highways, general assistance, sanitation, cemetery, properties, recreation, county tax assessment and education. The Town does have business-type activities.

TOWN OF LIMESTONE, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 10 and 11 of this report.

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 of Limestone, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into 3 categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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-fund balance sheet and the governmental-fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two (2) individual governmental funds. Information is presented separately in the governmental-fund balance sheet and in the governmental-fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental-fund financial statements can be found on pages 12 through 14 of this report.

Proprietary funds. The Town maintains 1 proprietary fund which was established July 1, 2012 for the purpose of accounting for the operations of the Trafton Lake Campground.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary-fund financial schedule can be found on page 19 of this report.

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 fund financial statements. The notes to the financial statements can be found on pages 20 to 33 of this report.

Other information. This report also includes various supplemental schedules to provide additional detail for the various items reported. These supplemental schedules can be found on pages 30 to 50 of this report.

TOWN OF LIMESTONE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$3,166,663 at the close of the most recent fiscal year.

A large portion of the Town's net position (59%) reflects its investment in capital assets (e.g., land, buildings, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, if any, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF LIMESTONE, Net assets (in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June</u> <u>30, 2017</u>	<u>June</u> <u>30, 2016</u>	<u>June</u> <u>30, 2017</u>	<u>June</u> <u>30, 2016</u>	<u>June</u> <u>30, 2017</u>	<u>June</u> <u>30, 2016</u>
Current and other assets	1,540	1,711	60	71	1,600	1,782
Capital assets	<u>1,924</u>	<u>1,713</u>	<u>7</u>	<u>—</u>	<u>1,931</u>	<u>1,713</u>
Total assets	<u>3,464</u>	<u>3,424</u>	<u>67</u>	<u>71</u>	<u>3,531</u>	<u>3,495</u>
Deferred Outflows	<u>124</u>	<u>99</u>			<u>124</u>	<u>99</u>
Current and other liabilities	141	92			141	92
Long-term liabilities	68	43			68	43
Net pension liability	<u>215</u>	<u>146</u>			<u>215</u>	<u>146</u>
Total liabilities	<u>424</u>	<u>281</u>			<u>424</u>	<u>281</u>
Deferred inflows	<u>64</u>	<u>82</u>			<u>64</u>	<u>82</u>
Net position:						
Invested in capital assets						
Net of related debt	1,847	1,678	7		1,854	1,678
Restricted	36	28			36	28
Unrestricted	<u>1,217</u>	<u>1,454</u>	<u>60</u>	<u>71</u>	<u>1,277</u>	<u>1,525</u>
Total net position	<u>3,100</u>	<u>3,160</u>	<u>67</u>	<u>71</u>	<u>3,167</u>	<u>3,231</u>

Unrestricted net position (\$1,276,678) may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in net position.

During the current fiscal year, the government's net position decreased by \$60,606, one of the largest factors was depreciation expense of \$119,109.

TOWN OF LIMESTONE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities. Governmental activities decreased the Town's net position by \$60,606 and Business-type activities decreased the net position by \$3,363. Key elements of the decreases are as follows:

<u>TOWN OF LIMESTONE</u>						
<u>CHANGES IN NET ASSETS (in thousands)</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>
Revenues						
Program revenues:						
Charges for services	90	72	10	10	100	82
Operating grants and contributions	36	36			36	36
Capital grants and contributions	120				120	
General revenues:						
Property taxes	1,348	1,529			1,348	1,529
Excise taxes	270	257			270	257
Federal & state assistance	266	172			266	172
Other	<u>80</u>	<u>727</u>	—	—	<u>80</u>	<u>727</u>
Total revenues	<u>2,210</u>	<u>2,793</u>	<u>10</u>	<u>10</u>	<u>2,220</u>	<u>2,803</u>
Expenses:						
Education	656	641			656	641
General government	207	214			207	214
Public works	432	353			432	353
Police	260	243			260	243
Fire	119	95			119	95
Public safety & sanitation	164	148			164	148
Debt service	2	4			2	4
Other	<u>431</u>	<u>384</u>	<u>13</u>	<u>13</u>	<u>444</u>	<u>397</u>
Total expenses	<u>2,271</u>	<u>2,082</u>	<u>13</u>	<u>13</u>	<u>2,284</u>	<u>2,095</u>
Change in net assets	<u>(61)</u>	<u>711</u>	<u>(3)</u>	<u>(3)</u>	<u>(64)</u>	<u>708</u>

TOWN OF LIMESTONE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the Town of Limestone uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,212,470, a decrease of \$240,981 in comparison with the prior year. 63% of this total amount, \$769,552, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is committed to indicate that it is not available for new spending.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$769,552, while total fund balance reached \$1,176,690. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.5% of total general fund expenditures, while total fund balance represents 49.7% of that same amount.

The fund balance of the Town's general fund decreased by \$249,030 during the current fiscal year. Key factors in this increase are as follows:

- Actual revenues were more than anticipated revenues by \$94,474, consisting mostly of miscellaneous revenues, fees and excise tax. The deferral for unavailable property taxes increased by \$40,000.
- Actual expenditures were less than anticipated expenditures by \$25,250.
- Expenditures from reserve accounts decreased fund balance by \$56,318.
- The original budget anticipated a reduction in fund balance in the amount of \$204,833 resulting from budgeted usage of unassigned fund balance to reduce the mil rate.

TOWN OF LIMESTONE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$1,924,585, (net of accumulated depreciation). This investment in capital assets includes land, building systems and infrastructure. Additions of a new equipment in the amount of \$330,953 were offset by depreciation expense of \$119,109.

Long-term debt. Long-term debt increased by \$44,793 due to principal payments of \$34,793, new borrowings of \$77,700 and an increase in compensated absences payable of \$1,886.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7.5% of its total state valuation of the Town. The current debt limitation for Limestone is \$4,388,106 which is significantly in excess of the Town's outstanding general obligation debt.

Requests for Information

This financial report is designed to provide a general overview of Limestone, Maine's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, 93 Main Street, Limestone, Maine 04750, 207-325-4704.

BASIC FINANCIAL STATEMENTS

TOWN OF LIMESTONE
STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and equivalents	817,360	59,581	876,941
Accounts receivable	18,567		18,567
Uncollected taxes, net of \$22,000 allowance for uncollectable taxes	247,489		247,489
Tax acquired property	2,500		2,500
Total current assets	<u>1,085,916</u>	<u>59,581</u>	<u>1,145,497</u>
Certificates of deposit	<u>454,667</u>		<u>454,667</u>
Capital assets net of accumulated depreciation	<u>1,924,585</u>	<u>7,320</u>	<u>1,931,905</u>
TOTAL ASSETS	<u>3,465,168</u>	<u>66,901</u>	<u>3,532,069</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension expense	<u>123,615</u>		<u>123,615</u>
Total deferred outflows of resources	<u>123,615</u>		<u>123,615</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	113,113		113,113
Current portion of long-term liabilities	<u>27,870</u>		<u>27,870</u>
	<u>140,983</u>		<u>140,983</u>
Long-term liabilities, net of current portion			
Capital lease payable	62,279		62,279
Net pension liability	215,455		215,455
Compensated absences	<u>5,882</u>		<u>5,882</u>
	<u>283,616</u>		<u>283,616</u>
TOTAL LIABILITIES	<u>424,599</u>		<u>424,599</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension expense	<u>64,422</u>		<u>64,422</u>
Total deferred inflows of resources	<u>64,422</u>		<u>64,422</u>
NET POSITION			
Invested in capital assets, net of related debt	1,846,885	7,320	1,854,205
Restricted for special revenue funds	35,780		35,780
Unrestricted	<u>1,217,097</u>	<u>59,581</u>	<u>1,276,678</u>
TOTAL NET POSITION	<u>3,099,762</u>	<u>66,901</u>	<u>3,166,663</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	206,680	19,061			(187,619)		(187,619)
Public works	432,761	5,091	35,952		(391,718)		(391,718)
Police department	260,447	48,207			(212,240)		(212,240)
Fire department	118,875	2,600		120,000	3,725		3,725
Public safety and landfill	163,789				(163,789)		(163,789)
Education	655,788				(655,788)		(655,788)
RSU 39 withdrawal	23,065				(23,065)		(23,065)
Other	380,882	14,906			(365,976)		(365,976)
Accrued pension expense	26,676				(26,676)		(26,676)
Interest on long-term debt	1,745				(1,745)		(1,745)
Total governmental activities	<u>2,270,708</u>	<u>89,865</u>	<u>35,952</u>	<u>120,000</u>	<u>(2,024,891)</u>	<u>-</u>	<u>(2,024,891)</u>
Business-type activities:							
Trafton Lake	13,323	9,960				(3,363)	(3,363)
Total Primary Government	<u>2,284,031</u>	<u>99,825</u>	<u>35,952</u>	<u>120,000</u>	<u>(2,024,891)</u>	<u>(3,363)</u>	<u>(2,028,254)</u>
General revenues:							
Property taxes, net of discounts and abatements					1,348,106		1,348,106
Excise taxes					270,072		270,072
State Revenue Sharing					165,876		165,876
Homestead exemption					74,766		74,766
BETE Program					25,288		25,288
Other					59,009		59,009
Interest on taxes and investments					21,168		21,168
Total general revenues					<u>1,964,285</u>	<u>-</u>	<u>1,964,285</u>
Payment for land purchase						-	-
Change in net position					(60,606)	(3,363)	(63,969)
Net position - beginning of year					<u>3,160,368</u>	<u>70,264</u>	<u>3,230,632</u>
Net position - end of year					<u>3,099,762</u>	<u>66,901</u>	<u>3,166,663</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL FUND	CDBG GRANT FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	781,580		35,780	817,360
Accounts receivable	18,567			18,567
Uncollected taxes, net of allowance for uncollectible taxes of \$22,000	247,489			247,489
Certificates of deposit	454,667			454,667
Tax acquired property	2,500			2,500
TOTAL ASSETS	1,504,803	None	35,780	1,540,583
LIABILITIES				
Accounts payable and accrued expenses	113,113			113,113
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue-property taxes	215,000			215,000
FUND BALANCES				
Restricted				
Special revenue funds			35,780	35,780
Unrestricted				
Committed for subsequent years' expenditures	396,138			396,138
Assigned	11,000			11,000
Unassigned	769,552			769,552
TOTAL FUND BALANCES	1,176,690		35,780	1,212,470
TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES	1,504,803	None	35,780	1,540,583

The note to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

Total fund balance, governmental funds	1,212,470
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,924,585
Certain assets in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Deferred outflows of resources	123,615
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	215,000
Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Capital lease payable	(77,700)
Accrued compensated absences	(18,331)
Net pension liability	(215,455)
Deferred inflows of resources	<u>(64,422)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>3,099,762</u></u>

These notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	LDA-CDBG	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property taxes, net	1,308,106	-	-	1,308,106
State assistance	301,882	-	-	301,882
Federal assistance	-	664,541	120,000	784,541
Excise taxes	270,072	-	-	270,072
Interest income	21,163	-	5	21,168
Other revenues	216,672	-	9,901	226,573
TOTAL REVENUES	<u>2,117,895</u>	<u>664,541</u>	<u>129,906</u>	<u>2,912,342</u>
EXPENDITURES				
Current				
General government	200,137	-	-	200,137
Public works	384,553	-	-	384,553
Police department	257,267	-	-	257,267
Fire department	74,817	-	-	74,817
Public safety and landfill	163,789	-	-	163,789
Education	655,788	-	-	655,788
RSU 39 withdrawal	23,065	-	-	23,065
Other current expenditures	360,018	-	1,858	361,876
Other capital outlays	210,953	-	119,999	330,952
Debt service				
Principal	34,793	-	-	34,793
Interest	1,745	-	-	1,745
TOTAL EXPENDITURES	<u>2,366,925</u>	<u>-</u>	<u>121,857</u>	<u>2,488,782</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(249,030)	664,541	8,049	423,560
OTHER EXPENDITURES				
Grants passed-thru to subrecipients	-	(664,541)	-	(664,541)
CHANGE IN FUND BALANCE	(249,030)	-	8,049	(240,981)
FUND BALANCE - JULY 1, 2016	<u>1,425,720</u>	<u>-</u>	<u>27,731</u>	<u>1,453,451</u>
FUND BALANCE - JUNE 30, 2017	<u>1,176,690</u>	<u>-</u>	<u>35,780</u>	<u>1,212,470</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE

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:		(240,981)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized	330,953	
Depreciation expense	<u>(119,109)</u>	211,844
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Principal payments on long-term debt		34,793
Certain revenues provide current financial resources and are reported as revenues in governmental funds but not in the Statement of Activities		
Proceeds from long-term debt		(77,700)
Increase in unavailable property tax revenue		40,000
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:		
Accrued pension expense		(26,676)
Increase in accrual for compensated absences		<u>(1,886)</u>
Change in net position of governmental activities		<u><u>(60,606)</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE
STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2017

	Trafton Lake
ASSETS	
Current assets	
Cash and cash equivalents	59,581
Fixed assets	
Equipment	8,133
Less: Accumulated Depreciation	(813)
	7,320
 Total assets	 66,901
 LIABILITIES	 None
 NET POSITION	
Invested in capital assets	7,320
Unrestricted	59,581
Total liabilities and net position	66,901

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUND

FOR YEAR ENDED JUNE 30, 2017

	<u>Trafton Lake</u>
REVENUES	
Campground rental	9,960
Total operating revenues	<u>9,960</u>
OPERATING EXPENSES	
Repairs and maintenance	1,505
Supplies	2,504
Utilities	7,805
Licenses and fees	532
Depreciation	813
Miscellaneous	164
Total operating expenses	<u>13,323</u>
Operating loss	<u>(3,363)</u>
Transfer from general fund	<u>-</u>
Change in net position	(3,363)
Total net position - July 1, 2016	<u>70,264</u>
Total net position - June 30, 2017	<u><u>66,901</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Trafton Lake
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from fees	9,960
Payments to suppliers for goods and services	<u>(12,510)</u>
Net cash used in operating activities	<u>(2,550)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	<u>(8,133)</u>
Net cash used in operating activities	<u>(8,133)</u>
Net decrease in cash and cash equivalents	(10,683)
CASH AND CASH EQUIVALENTS - JULY 1, 2016	<u>70,264</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2017	<u><u>59,581</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	(3,363)
Depreciation expense	813
Adjustments to reconcile operating loss to net cash used in operating activities	<u>None</u>
Net cash used in operating activities	<u><u>(2,550)</u></u>

The notes to the financial statements are an integral part of these statements

TOWN OF LIMESTONE

FIDUCIARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>4th of July</u>	<u>Chamber of Commerce</u>	<u>Alumni Scholarship</u>	<u>Total</u>
ASSETS				
Cash and equivalents	<u>6,189</u>	<u>10,273</u>	<u>68,063</u>	<u>84,525</u>
TOTAL ASSETS	<u><u>6,189</u></u>	<u><u>10,273</u></u>	<u><u>68,063</u></u>	<u><u>84,525</u></u>
LIABILITIES	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
NET POSITION - HELD IN TRUST	<u><u>6,189</u></u>	<u><u>10,273</u></u>	<u><u>68,063</u></u>	<u><u>84,525</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Limestone, Maine, was incorporated under the laws of the State of Maine and operates under a selectmen/manager form of government. In evaluating how to define the reporting entity, for financial purposes, management has considered all potential component units. The criteria used to determine which entities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon all pertinent facts derived from the analysis of the above criteria, it was determined that no additional entities should be included as part of these financial statements.

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).

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 funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among program, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

All governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources and uses of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. For this reason, a reconciliation is presented with brief explanations to identify the differences between the two sets of financial statements.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Government-Wide and Fund Financial Statements (cont'd.)

Like government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Measurement Focus and Basis of Accounting (cont'd.)

The Town reports the following major governmental fund:

- The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

- The Trafton Lake Campground Fund accounts for the cost operation of the Trafton Lake Campground. It is self-supporting through user fees. This fund was established as of July 1, 2012, prior to which it was accounted for in the Town's general fund.

Additionally, the Town reports the following fund type:

- Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to the same limitations. The Town has not elected to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's public service function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Measurement Focus and Basis of Accounting (cont'd.)

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and temporary investments

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are reported at fair value.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets with an initial, individual cost of more than \$2,000, and an estimated useful life in excess of one year, are reported at actual or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The town has elected not to report infrastructure prior to June 30, 2003.

Donated capital assets are recorded at estimated fair value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalization value of the assets constructed.

Capital assets of the primary government and business-type activities are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20 to 100 years
Vehicles and equipment	5 to 20 years
Infrastructure	10 to 20 years

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Compensated Absences

Vested or accumulated vacation leave that is expected to liquidate with expendable available financial resources is reported in an expenditure and fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Upon termination, an employee is paid the full amount of accumulated vacation. At June 30, 2017, accrued compensated absences was \$18,331.

Sick Leave

Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or propriety fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Flow Assumption

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

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statement, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amount to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Deferred outflows/inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently reports deferred outflows of resources that are related to its participation in the Maine Public Employees Retirement System (MainePERS).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available on the Governmental Funds balance sheet. The Town also reports deferred inflows of resources related to its participation in MainePERS on the Statement of Net Position.

Fund Equity or Balances

The Town of Limestone follows Statement No. 54 which establishes a fund balance hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The classifications of fund balance are as follows:

- Non-spendable-Items that are either not in spendable form or legally or contractually required to remain intact.
- Restricted fund balance-Resources that have constraints imposed by creditors, grantors, contributors or laws and regulations of other governments; or amounts that have very stringent conditions imposed by external parties or law.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Fund Equity or Balances (cont'd.)

- Unrestricted fund balance-Has 3 components;
 - Committed fund balance-Amounts with internally imposed restrictions mandated by the government's highest level of decision making authority which require action from that authority to be redeployed. In the case of the Town of Limestone, this action requires a vote at a town meeting.
 - Assigned fund balance-Amounts that are constrained by the government's intent that they will be used for specific purposes. Decision making authority with respect to these amounts lies with a committee or other government official (board of selectpersons) but not the highest level authority.
 - Undesignated fund balance-This is the residual balance of the general fund which represents the remaining fund balance after allocation to the other fund balance categories. It reflects resources that are available for further appropriation and expenditure for general governmental purposes.

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

Allowance for Uncollectible Accounts

The Town of Limestone provides for the valuation of outstanding taxes and accounts receivable through an allowance account based on estimated uncollectable taxes as of the period then ended.

Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Property Tax

The Town's property tax was levied June 21, 2016, on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. The assessed value for the list of April 1, 2016, upon which the levy was based, was \$58,508,078. Taxes were due and payable on October 31, 2016 with interest at the rate of 7% being charged on taxes unpaid after that date.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues. 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 the tax lien and associated costs remain unpaid.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Unavailable Property Taxes

The Town has adopted the standard established by GASB 33 regarding the recognition of property taxes. The criteria for this standard is to recognize property tax revenue as it becomes both "measurable and available". Measurable is defined as the amount that the Town can reasonably expect to receive of the property taxes assessed for the current year. Available is defined as the amount of current and past due taxes that will be collected during the current period or expected to be collected shortly thereafter to pay current liabilities. For the purposes of this report, 60 days is used as the collection period after year-end. Accordingly, deferred inflows of resources have been reported on the governmental funds' balance sheet for the taxes considered collectible but not available for current liabilities of \$215,000 as of June 30, 2017.

Commitments and contingencies

The Town is exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settled claims, if any, resulting from these risks, have not exceeded commercial insurance coverage.

The Town is liable for its proportionate share of any defaulted debt issued by entities of which it is a member. The overlapping bonded debt applicable to the Town as of June 30, 2017 consists of debt owed by the Tri-Community Recycling and Sanitary Landfill and is detailed in Note #7.

Minimum Fund Balance

The council has not adopted a financial policy to maintaining a minimum level of unrestricted fund balance in the general fund.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds, except the special revenue, capital projects and fiduciary funds. These are not budgeted. All annual appropriations lapse at fiscal year end, unless a carry-forward of unexpected amounts is approved by the Selectmen.

The Town Manager submits to the Board of Selectmen a proposed operating budget for the ensuing year. The Selectmen hold public meetings and a final budget is prepared and adopted.

The budget is adopted at the department level through the passage of appropriation resolves. The Town Manager may make transfers of appropriations within a department. Transfers between departments or additional appropriations require the approval of the Board of Selectmen.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, the Town's appropriations exceeded expenditures by \$25,250 a favorable variance. Expenditures exceeded appropriations in 5 accounts, fire department, public safety and landfill, library, social services and other.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(2) CASH AND TEMPORARY INVESTMENTS

Deposits with financial institutions are exposed to custodial credit risk which is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does have a policy with respect to custodial credit risk for deposit accounts. As of June 30, 2017, the Town's deposits with financial institutions in the amount of \$1,461,938 were partially secured by FDIC insurance and NCUA insurance or collateralized with U.S. Government Agency securities held in the Town's name. As of June 30, 2017, \$209,809 of the Town's bank balances were exposed to custodial credit risk.

(3) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>164,670</u>			<u>164,670</u>
Capital assets, being depreciated:				
Buildings	1,347,202			1,347,202
Infrastructure	405,826			405,826
Equipment	860,257	211,011		1,071,268
Vehicles	<u>503,507</u>	<u>119,942</u>	None	<u>623,449</u>
Total capital assets being depreciated	<u>3,116,792</u>	<u>330,953</u>	None	<u>3,447,745</u>
Less accumulated depreciation for:				
Buildings	298,923	24,195		323,118
Infrastructure	212,428	17,141		229,569
Equipment	722,142	43,909		766,051
Vehicles	<u>335,228</u>	<u>33,864</u>	None	<u>369,092</u>
Total accumulated depreciation	<u>1,568,721</u>	<u>119,109</u>	None	<u>1,687,830</u>
Total capital assets, being depreciated, net	<u>1,548,071</u>	<u>211,844</u>	None	<u>1,759,915</u>
Total capital assets, net	<u>1,712,741</u>	<u>211,844</u>	None	<u>1,924,585</u>

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

Governmental Activities:	
General government	6,543
Public works department	48,208
Police department	3,180
Fire department	44,058
Other	<u>17,120</u>
	<u>119,109</u>
Proprietary Activities:	
Tafton Lake	<u>813</u>

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(4) LONG-TERM DEBT

As of June 30, 2017, long-term debt consisted of the following:

Capital lease payable in annual installments of \$16,554 including interest at 2.49% through July 2021. Secured by equipment.	77,700
Compensated absences payable	<u>18,331</u>
	<u>96,031</u>

As of June 30, 2017, long-term debt matures as follows:

June 30,	Principal	Interest	Compensated Absences	Total
2018	15,421	1,133	12,449	29,003
2019	14,998	1,556		16,554
2020	15,373	1,181		16,554
2021	15,757	797		16,554
2022	16,151	403		16,554
Other			<u>5,882</u>	<u>5,882</u>
	<u>77,700</u>	<u>5,070</u>	<u>18,331</u>	<u>101,101</u>

(5) FUND BALANCES

As of June 30, 2017, the Town had the following committed and assigned fund balances:

Committed	
Economic development	31,923
RSU 39 withdrawal	26,692
RSU 39 legal	15,444
Public works	76,397
Police	8,662
Fire	78,850
Planning grant	10,000
Revaluation	53,083
Community center	28,806
Development building	25,725
Salt/sand shed engineering	18,000
All others	<u>22,556</u>
	<u>396,138</u>
Assigned	
Website upgrade	3,000
Police academy tuition	<u>8,000</u>
	<u>11,000</u>

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

The Tri-Community Recycling and Sanitary Landfill is owned jointly by the City of Caribou and Towns of Fort Fairfield and Limestone. The Board of Directors consists of seven members residing in the three communities; three from the City of Caribou and two each from the Towns of Limestone and Fort Fairfield.

Financial statements of this joint venture for the calendar year 2016 were issued and reported on by separate independent public accountants in a separate report dated March 1, 2017. These financial statements are available at the Town Office.

A summary of the facility's activity for 2016 is as follows:

Total assets	15,106,665
Total deferred outflows of resources	241,569
Less: Total liabilities	12,582,052
Deferred inflows of resources	<u>113,032</u>
Total net position	<u>2,653,150</u>
Total revenue	2,308,982
Total expenses	<u>2,594,632</u>
Decrease in net position	<u>(285,650)</u>

The Town has guaranteed, together with the other member communities, two notes and a bond payable totaling \$8,526,000. As of December 31, 2016, the balance owed was \$5,313,282.

The State of Maine Department of Environmental Protection requires the landfill to place a final cover on its landfill once it is closed and perform certain maintenance and monitoring functions at the site for 30 years after closure. These estimated closure and post-closure costs are being recognized in the financial statements referred to above at the rate of utilization for the landfill site. As of December 31, 2016, the estimated cost of closure and post-closure care was approximately \$19,290,643 of which \$6,700,000 was recognized. The management of the landfill expects to use future earnings to cover the cost of closure and post-closure care. More information regarding the accounting for closure and post-closure care costs is available in the 2016 financial statements of the Tri-Community Recycling and Sanitary Landfill.

(7) EMPLOYEES' RETIREMENT PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MainePERS)

A. Plan Description

Town employees contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (MainePERS). The PLDs Consolidated Plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLD's Consolidated Plan Board of Trustees. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333, by calling (800) 451-9800 or at MainePERS.org.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(7) EMPLOYEES' RETIREMENT PLAN (cont'd.)

B. Pension Benefits and Funding Policy

Benefit Terms are established in Maine statute and an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The plan provides defined benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below normal retirement age at retirement. MainePERS also provides disability and death benefits which are established by contract with other participating employers under applicable statutory provisions.

The contribution requirements of plan members and the Town are established and may be amended by the PLD's Consolidated Board of Trustees. The Town's employees are part of the PLD's plan "AC" and are required to contribute 7.5% of their annual salary through June 30, 2016. The rate increased to 8.0% effective July 1, 2016 and will continue at 8.0% effective July 1, 2017. Through June 30, 2016 the Town was required to contribute a blended rate of 8.9% of the plan "AC" members' covered payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The blended rate increased to 9.5% effective July 1, 2016 and increased to 9.6% effective July 1, 2017. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employer's percentage of employees' covered payroll to determine the employers actual cost.

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

The Net Pension Liability was measured as of June 30, 2016 by MainePERS and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town reported a liability of \$215,455 for its proportionate share of the Net Pension Liability. The Town recognized pension expense of \$26,676 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	2,612	13,858
Difference between projected and actual earnings	79,617	33,136
Changes of assumptions	23,097	
Contributions made July 2016 – June 2017	14,091	
Less: Contributions made July 2015 – June 2016	(19,025)	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>23,223</u>	<u>17,428</u>
	<u>123,615</u>	<u>64,422</u>

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(7) EMPLOYEES' RETIREMENT PLAN (cont'd.)

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

Year ending June 30,	
2018	15,310
2019	21,994
2020	12,418

D. Discount Rate

The discount rate used to measure the collective 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 the contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2016 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for the PLD Consolidated Plan.

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
5.875%	6.875%	7.875%
\$357,616	\$215,455	\$81,615

Town employees not participating in MainePERS are covered under the social security system.

(8) 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. The Town has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2017, and the two previous years, no settlements exceeded insurance coverage.

(9) TAXES

As a municipal entity, the Town is not subject to Federal and State income taxes, accordingly it is not necessary to consider the effects of any uncertain tax positions.

The Town is subject to Federal and State payroll taxes and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of June 30, 2017. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.

TOWN OF LIMESTONE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(10) SUBSEQUENT EVENTS

Management has evaluated all subsequent events through December 20, 2017, the date the financial statements were available to be issued, and determined that no additional disclosures are required in order for these financial statements to be fairly stated.

SUPPLEMENTARY INFORMATION

TOWN OF LIMESTONE
 BUDGETARY COMPARISON
 GENERAL FUND
 YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL (Budgetary Basis)</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
RESOURCES				
Property taxes				
Commitment	1,418,821	1,418,821	1,418,821	-
Supplemental taxes	-	-	3,652	3,652
Abatements and adjustments	-	-	(32,993)	(32,993)
Uncollectable property taxes	-	-	(41,374)	(41,374)
State assistance				
Revenue sharing	162,000	162,000	165,876	3,876
Highway Block Grant	35,000	35,000	35,952	952
BETE Program	-	-	25,288	25,288
Homestead tax relief	55,000	55,000	74,766	19,766
Excise taxes	230,500	230,500	270,072	39,572
Interest income	12,150	12,150	21,163	9,013
Fee income	54,250	54,250	94,916	40,666
Other resources	18,000	18,000	44,056	26,056
TOTAL REVENUES	<u>1,985,721</u>	<u>1,985,721</u>	<u>2,080,195</u>	<u>94,474</u>
CHARGES TO APPROPRIATIONS				
General government	206,426	206,426	197,534	8,892
Public works	388,980	388,980	384,553	4,427
Police department	273,393	273,393	257,267	16,126
Fire department	73,910	73,910	74,817	(907)
Public safety and landfill	151,900	151,900	163,789	(11,889)
Education	655,789	655,789	655,788	1
Library	66,770	66,770	68,433	(1,663)
Recreation	80,295	80,295	67,291	13,004
Code enforcement	9,200	9,200	157	9,043
Insurance	72,250	72,250	55,355	16,895
Social Services	40,188	40,188	56,812	(16,624)
County tax	81,387	81,387	81,387	-
Other	18,528	18,528	30,583	(12,055)
RSU 39 withdrawal	-	65,000	65,000	-
Capital outlays	35,000	35,000	35,000	-
Debt service				
Principal	34,793	34,793	34,793	-
Interest	1,745	1,745	1,745	-
TOTAL CHARGES TO APPROPRIATIONS	<u>2,190,554</u>	<u>2,255,554</u>	<u>2,230,304</u>	<u>25,250</u>
EXCESS OF RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>(204,833)</u>	<u>(269,833)</u>	<u>(150,109)</u>	<u>119,724</u>
BUDGETARY FUND BALANCE - JULY 1, 2016			<u>1,153,760</u>	
BUDGETARY FUND BALANCE - JUNE 30, 2017			<u>1,003,651</u>	

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE

RECONCILIATION OF BUDGETARY TO GAAP BASIS FINANCIAL STATEMENT

GENERAL FUND

YEAR ENDED JUNE 30, 2017

RECONCILIATION OF RESOURCES OVER CHARGES

Net decrease in budgetary fund balance	(150,109)
Transfer to committed fund balance	100,000
Use of committed fund balance for capital and other expenditures	(156,318)
Decrease in accounts payable and accrued expenses not recognized on a budgetary basis	(2,603)
Increase in unavailable property tax revenue not recognized on a budgetary basis	<u>(40,000)</u>
Excess of expenditures over revenues	<u><u>(249,030)</u></u>
Budgetary fund balance, June 30, 2017	1,003,651
Adjustments to reconcile to unassigned fund balance on a GAAP basis:	
Accounts payable and accrued expenses at June 30, 2017 not recognized on the budgetary basis	(19,099)
Unavailable property tax revenue at June 30, 2017 not recognized on the budgetary basis	<u>(215,000)</u>
Unassigned fund balance on a GAAP basis, June 30, 2017	<u><u>769,552</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE, MAINE

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2017

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	10,502	10,502	-	161,563	6.50%
2015	18,754	18,754	-	238,142	7.88%
2016	19,028	19,028	-	213,798	8.90%

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

TOWN OF LIMESTONE, MAINE

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2017

	2016	2015	2014
Employer's proportion of the Net Pension Liability (Asset)	0.040550%	0.04588%	0.030294%
Employer's proportionate share of the Net Pension Liability (Asset)	\$ 215,455	\$ 146,379	\$ 46,617
Employer's Covered Payroll	\$ 213,798	\$ 238,142	\$ 161,563
Employer's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered employee payroll	100.78%	61.47%	28.85%
Plan fiduciary net position as a percentage of the total pension liability	81.6%	88.3%	94.1%

Amounts presented have a measurement date of June 30, 2016

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

TOWN OF LIMESTONE, MAINE
NOTES TO GASB #68 REQUIRED SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017

Valuation Date:

Only fiscal years 2014, 2015 and 2016 are reported. The town will continue to present information until a full ten-year trend is compiled.

Changes of Benefit Terms include:

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

Changes of Assumptions include:

The discount rate was decreased from 7.125% to 6.875% and the COLA increase was changed from 2.55% to 3.5%. The rate of inflation was decreased to 2.75%. 3.5% was used in the year ended June 30, 2015.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	A level percentage of payroll using a method where a
Asset valuation method	One-third of the investment return that is different from
Retirement age	60 or 65, depending on years of creditable service at
Mortality	RP2000 tables projected to 2016 using Scale AA

TOWN OF LIMESTONE

SCHEDULE OF PROPERTY VALUATION AND ASSESSMENT - GENERAL FUND

YEAR ENDED JUNE 30, 2017

	<u>REAL ESTATE</u>	<u>PERSONAL PROPERTY</u>	<u>TOTAL</u>
ASSESSED VALUATION	56,731,550	1,776,528	58,508,078
TAX RATE PER \$1,000			<u>24.25</u>
			<u><u>1,418,821</u></u>

COMPUTATION OF ASSESSMENT

TAX COMMITMENT		1,418,821	
ESTIMATED REVENUES		<u>845,026</u>	<u>2,263,847</u>
APPROPRIATIONS			
Municipal		1,484,378	
Education		655,789	
County tax		<u>81,387</u>	<u>2,221,554</u>
OVERLAY			<u><u>42,293</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE
SCHEDULE OF CHANGES IN PROPERTY TAXES - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	TOTAL	2018 TAXES	2017 TAXES	2016 TAXES	2015-2011 TAXES	2006-2004 TAXES
UNCOLLECTED AT JULY 1, 2016	214,728		(12,781)	164,563	57,829	5,117
2016/17 COMMITMENT	1,418,821		1,418,821			
SUPPLEMENTAL TAXES	<u>3,652</u>	<u> </u>	<u>3,652</u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,637,201</u>	<u>-</u>	<u>1,409,692</u>	<u>164,563</u>	<u>57,829</u>	<u>5,117</u>
COLLECTIONS	1,400,705	3,228	1,219,781	127,455	50,241	-
ABATEMENTS AND DISCOUNTS	<u>(32,993)</u>	<u> </u>	<u>(32,993)</u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,367,712</u>	<u>3,228</u>	<u>1,186,788</u>	<u>127,455</u>	<u>50,241</u>	<u>-</u>
UNCOLLECTED AT JUNE 30, 2017	<u><u>269,489</u></u>	<u><u>(3,228)</u></u>	<u><u>222,904</u></u>	<u><u>37,108</u></u>	<u><u>7,588</u></u>	<u><u>5,117</u></u>
REPRESENTED BY						
Real estate taxes (liens)	234,366	(3,228)	217,309	20,285	-	-
Personal personal property taxes	<u>35,123</u>	<u> </u>	<u>5,595</u>	<u>16,823</u>	<u>7,588</u>	<u>5,117</u>
	<u>269,489</u>	<u>(3,228)</u>	<u>222,904</u>	<u>37,108</u>	<u>7,588</u>	<u>5,117</u>
Less: Reserve for uncollectable accounts	<u>(22,000)</u>	<u> </u>	<u> </u>	<u>(9,295)</u>	<u>(7,588)</u>	<u>(5,117)</u>
	<u><u>247,489</u></u>	<u><u>(3,228)</u></u>	<u><u>222,904</u></u>	<u><u>27,813</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE

SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

YEAR ENDED JUNE 30, 2017

	BALANCE JULY 1, 2016	DEBT ISSUED	DEBT RETIRED	BALANCE JUNE 30, 2017	DUE WITHIN ONE YEAR
NOTE PAYABLE					
Katahdin Trust Company, Fire Station	<u>34,793</u>	<u> </u>	<u>34,793</u>	<u> </u>	<u> </u>
CAPITAL LEASE PAYABLE					
Caterpillar Financial Services	<u> </u>	<u>77,700</u>	<u> </u>	<u>77,700</u>	<u>15,421</u>
COMPENSATED ABSENCES	<u>16,445</u>	<u>1,886</u>	<u> </u>	<u>18,331</u>	<u>12,449</u>
	<u>51,238</u>	<u>79,586</u>	<u>34,793</u>	<u>96,031</u>	<u>27,870</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2017

SPECIAL REVENUE FUNDS

	CDBG Sale Proceeds	Library Memorial Fund	Library Savings	Library Expansion Fund	LLC Bicentennial Fund	FEMA Grant	Total
ASSETS							
Cash and equivalents	8,356	7,149	410	11,473	8,390	1	35,779
TOTAL ASSETS	<u>8,356</u>	<u>7,149</u>	<u>410</u>	<u>11,473</u>	<u>8,390</u>	<u>1</u>	<u>35,779</u>
LIABILITIES	None	None	None	None	None	None	None
FUND BALANCE							
Restricted	8,356	7,149	410	11,473	8,390	1	35,779
	<u>8,356</u>	<u>7,149</u>	<u>410</u>	<u>11,473</u>	<u>8,390</u>	<u>1</u>	<u>35,779</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF LIMESTONE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCES - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS						Total
	CDBG Sale Proceeds	Library Memorial Fund	Library Savings	Library Expansion Fund	LLC Bicentennial Fund	FEMA Grant	
REVENUES							
Federal assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,000	\$ 120,000
Contributions	-	4,630	-	5,270	-	-	9,900
Interest income	-	-	-	-	5	-	5
TOTAL REVENUES	<u>-</u>	<u>4,630</u>	<u>-</u>	<u>5,270</u>	<u>5</u>	<u>120,000</u>	<u>129,905</u>
EXPENDITURES							
Capital Outlay	-	-	-	-	-	119,999	119,999
Other	-	1,848	-	10	-	-	1,858
TOTAL EXPENDITURES	<u>-</u>	<u>1,848</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>119,999</u>	<u>121,857</u>
NET CHANGE IN FUND BALANCE	-	2,782	-	5,260	5	1	8,048
FUND BALANCES - JULY 1, 2016	<u>8,356</u>	<u>4,367</u>	<u>410</u>	<u>6,213</u>	<u>8,385</u>	<u>-</u>	<u>27,731</u>
FUND BALANCES - JUNE 30, 2017	<u>\$ 8,356</u>	<u>\$ 7,149</u>	<u>\$ 410</u>	<u>\$ 11,473</u>	<u>\$ 8,390</u>	<u>\$ 1</u>	<u>\$ 35,779</u>

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

THE TOWN OF LIMESTONE, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANTOR NUMBER	AMOUNT PASSED-THROUGH TO SUBRECIPIENTS	FEDERAL REVENUE	EXPENDITURES RECOGNIZED
Department of Housing and Urban Development					
Passed-through from Maine Department of Economic and Community Development					
Passed-through to Loring Development Authority of Maine	14.228	015 19A 0587 01 6331	664,541	664,541	664,541
			<u>664,541</u>	<u>664,541</u>	<u>664,541</u>
Department of Homeland Security					
Federal Emergency Management Agency					
Assistance to firefighters grant	97.044	EMW-2015-FO-04275	-	120,000	119,999
			<u>-</u>	<u>120,000</u>	<u>119,999</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>664,541</u>	<u>784,541</u>	<u>784,540</u>

See notes to financial statements

TOWN OF LIMESTONE, MAINE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The accompanying Schedule of Expenditures of Federal Awards includes all federal award programs of The Town of Limestone, Maine for the fiscal year ended June 30, 2017. The reporting entity is defined in the Notes to the Financial Statements of The Town of Limestone, Maine.

Basis of Presentation – The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.

1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
2. Major Programs – The Uniform Guidance establishes the levels of expenditures to be used in defining major federal financial award programs. Major programs for The Town of Limestone, Maine have been identified in the attached Schedule of Findings and Questioned Costs.

Basis of Accounting - The schedule of expenditures of federal awards includes the federal grant activity of The Town of Limestone, Maine and is presented on the full accrual basis.

Indirect costs – The Town has not elected to use the 10% De Minimis Cost rate for the year ended June 30, 2017.

Loan Balances

The Town had no outstanding federal loan programs as of June 30, 2017.

TOWN OF LIMESTONE, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified Opinion*

Internal control over financial reporting:

- Material weakness(es) identified X Yes No
- Significant deficiency(ies) identified X Yes No

Noncompliance material to financial statements noted? X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified Yes X No
- Significant deficiency(ies) identified Yes X No

Type of auditor's report issued on compliance for major programs: *Unmodified Opinion*

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
14.228	U.S. Department of Housing & Urban Development	
	Community Development Block Grant – Passed through to Loring Development Authority of Maine	\$664,541

Dollar threshold to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

TOWN OF LIMESTONE, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS AND

2017-001 Material Weakness

Condition: Bank Accounts were not properly reconciled on a timely basis

Criteria and effect: Bank reconciliations are an essential control for numerous reasons, including but not limited to; To detect items not entered and errors in the cash book, to ensure that the cash book entries are complete, to ensure cash is adequate to meet financial obligations, to discover bank errors, to discover dishonored checks, to monitor “stale” checks and deposits and to monitor and deter fraud and embezzlement

Cause: Reconciliations were not completed due to lack of a policy and oversight to ensure completion on a timely basis.

Recommendation: We recommended that management assign an individual responsible for reconciling the bank statements for every bank account on a monthly basis by the 15th of each month. Upon completion, the reconciliations should be reviewed and approved by the supervisor of the individual performing the reconciliations.

Identification of repeat finding: This finding was reported in the immediately prior audit period as a significant deficiency.

Views of responsible officials and planned corrective actions: Management agrees and will implement the corrective action plan found on page 49 of this report.

2017-002 Material Weakness

Condition: Payroll expense was not recorded

Criteria and effect: Failure to record all expenses misstates financial statements and provides poor information to management and residents in making budget decisions. This also caused the failure to create payroll warrants to be signed by the board of selectmen.

Cause: Expense was not recorded when reports were received from payroll service because management was researching for a method to import amounts from payroll service directly to TRIO. Manual entries should have been done on a timely basis.

Recommendation: Payroll expenses and a corresponding warrant should be recorded each processing period. The entry should be created from the payroll reports provided by Thompson-Hamel and should be broken down by department and recorded to TRIO by the clerk. The entry and warrant should be provided to the town manager for review and approval.

Management response and corrective action plan: Management agrees and will implement the corrective action plan found on page 49 of this report.

TOWN OF LIMESTONE, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (cont'd.)

YEAR ENDED JUNE 30, 2017

2017-003 Significant deficiency

Condition: Payroll is not approved by management

Criteria and effect: Payroll is reported to payroll processor each processing period by the clerk but the information is not reviewed by management.

Cause: Approvals were not completed due to lack of a policy and oversight to ensure completion on a timely basis.

Recommendation: At the time the town manager reviews the payroll entry he should also review the time sheets and compare to reports from the payroll processor to be sure that each employee was paid for the proper number of hours and that each hour is charged to the proper category (regular, vacation, sick, holiday, etc.)

Management response and corrective action plan: Management agrees and will implement the corrective action plan found on page 49 of this report.

2017-004 Significant Deficiency

Condition: Taxes receivable

Criteria and effect: There were a large number of outstanding taxes that were uncollectable on the books

Cause: Review of outstanding taxes was not completed due to lack of a policy and oversight to ensure completion on a timely basis.

Recommendation: Outstanding taxes should be reviewed by management and those that are uncollected should be resolved by using the proper lien/foreclosure process or legal action considered for personal property taxes. For taxes that are not believed to be collectable the amounts should be written off.

Management response and corrective action plan: Management agrees and will implement the corrective action plan found on page 49 of this report.

TOWN OF LIMESTONE, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (cont'd.)

YEAR ENDED JUNE 30, 2017

2017-005 Significant Deficiency

Condition: Financial statement review

Criteria and effect: Management needs to be aware of the town's financial status and budget v. actual amounts on an ongoing basis. There were several items on the financial statement that were either not posted or incorrectly posted that should have been noted by management.

Cause: Lack of oversight by management

Recommendation: The clerk should provide a monthly financial statement to the town manger that includes assets, liabilities and year to date revenues and expenses compared to budget. Once approved by the town manger it should be provided to the board for review so they are aware of the current financial status of the town

Management response and corrective action plan: Management agrees and will implement the corrective action plan found on page 50 of this report.

2017-006 Significant Deficiency

Condition: Budget was not recorded to TRIO

Criteria and effect: The budget was not properly recorded to TRIO which can make it difficult to determine fund balance use and properly commit taxes. The budget in TRIO should agree with the tax assessment certificate.

Cause: Employees are not properly trained to use the accounting system which causes errors.

Recommendation: Management should be sure the budget is properly recorded and agrees with the assessment certificate and ensure that employees are properly trained to use the accounting system

Management response and corrective action plan: Management agrees and will implement the corrective action plan found on page 50 of this report.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2017-001 was reported as a significant deficiency in the Town's financial statement for the year ended June 30, 2016.

TOWN OF LIMESTONE, MAINE

CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 Material Weakness

Name of contact person: Thomas Albert, Board Chair

Corrective Action: The Town clerk will complete the reconciliations and the town manager will oversee the task

Proposed completion date: Management intends to have the policy in place by January 1, 2018.

2017-002 Material Weakness

Name of contact person: Thomas Albert, Board Chair

Corrective Action: The Town clerk will record payroll and the town manager will oversee the task

Proposed completion date: Management intends to have the policy in place by January 1, 2018.

2017-003 Significant Deficiency

Name of contact person: Thomas Albert, Board Chair

Corrective Action: Payroll will be reviewed and approved by the Town Manager and the documents will be presented to the board as part of the payroll warrant.

Proposed completion date: Management intends to have the policy in place by January 1, 2018.

2017-004 Significant Deficiency

Name of contact person: Thomas Albert, Board Chair

Corrective Action: The Town Manager will review outstanding receivables for collectability and propose write offs to the board for approval

Proposed completion date: Management intends to have the policy in place by January 1, 2018.

TOWN OF LIMESTONE, MAINE

CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2017

2017-005 Significant Deficiency

Name of contact person: Thomas Albert, Board Chair

Corrective Action: Monthly statements will be presented to the Town Manager and board of selectmen

Proposed completion date: Management intends to have the policy in place by January 1, 2018.

2017-006 Significant Deficiency

Name of contact person: Thomas Albert, Board Chair

Corrective Action: Training will be provided to all staff and budgets correctly posted to TRIO.

Proposed completion date: Management intends to have the policy in place by January 1, 2018.

ADDITIONAL REPORTS



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Barbara D. McGuire, CPA, CGMA
Timothy P. Poitras, CPA, CGMA

To the Board of Selectmen of the
Town of Limestone, Maine

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

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 Town of Limestone, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design of 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses; 2017-001, 2017-002.

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies; 2017-003, 2017-004, 2017-005, 2017-006.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Limestone, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

Town of Limestone, Maine's Response to Findings

The Town of Limestone, Maine's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Limestone, Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Chester M. Kearney

Presque Isle, Maine
December 20, 2017



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Barbara D. McGuire, CPA, CGMA
Timothy P. Poitras, CPA, CGMA

To the Board of Commissioners of the
Town of Limestone, Maine

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Town of Limestone, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Limestone, Maine's major federal programs for the year ended June 30, 2017. The Town of Limestone, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Town of Limestone, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Town of Limestone, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Limestone, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Limestone, Maine has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Town of Limestone, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Limestone, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Limestone, Maine's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Chester M. Kearney

Presque Isle, Maine
December 20, 2017