

Town of Oakland, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2017

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Independent Auditor's Report

Board of Selectmen
Town of Oakland, Maine

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 Oakland, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oakland, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 6 through 12 and page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The other supplementary information on Schedule 1 is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule 1 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Brantron Shiodian & Associates

November 6, 2017

Management Discussion and Analysis for the Year Ended June 30, 2017

As management of the Town of Oakland we offer readers of the Town's financial statements this narrative overview and analysis of our financial statements. The Town of Oakland is reporting its financial information in compliance with Governmental Accounting Standards Board (GASB) #34. This statement is now the reporting model for governmental entities.

Financial Highlights

- The assets of the Town of Oakland exceeded its liabilities at the close of the most recent fiscal year by \$15,889,771. Of this amount, \$3,087,166 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town of Oakland's total net position increased by \$413,950.
- At the close of the current fiscal year, the Town of Oakland's governmental fund reported combined ending fund balances of \$2,682,363 a decrease of \$749,409 as compared with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,055,064 or 9.9% of total general fund expenditures.
- The Town of Oakland's long term debt decreased from \$3,181,510 to \$3,061,932. \$119,578 of debt was retired. State law limits municipal debt to 15% of property valuation. \$78,958,650 is the debt ceiling for the Town of Oakland.
- At the close of the current fiscal year, 97.8% of the 2016-2017 tax commitment was collected. The state average is 92%.
- Motor Vehicle Excise Taxes increased 1.3%. The current year's collections were \$1,263,246, up from \$1,247,516 the previous year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Oakland's basic financial statements. The Town's financial statements comprise three 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 of Oakland'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 differences between the two reported as net position. Over time, increases or decreases in net position 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 Town's net position changed during the most recent fiscal year. All changes in net position 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 and earned but unused vacation time).

Both of the government-wide financial statements distinguish functions of the Town of Oakland 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 cost through user fees and charges (business-type activities). The government activities of the Town include general government, public safety, public works, solid waste disposal, recreation, library and other activities. The Town has one business type activity, its wastewater pumping operation.

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 Oakland, 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 three 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 governmental-wide financial statements, government fund financial statements focus on near-term inflows and outflows of expendable resources as well as on balances of expendable 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 Town'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 funds and governmental activities.

The Town of Oakland 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.

Proprietary funds. The Town of Oakland maintains an enterprise fund to report the same functions presented as business-type activities in the government-wide financial statements. The enterprise fund is used to account for wastewater pumping operations.

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

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.

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 of Oakland assets exceeded liabilities by \$15,889,771 at the close of the most recent fiscal year.

By far the largest portion of the Town of Oakland's net assets (80.6%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment,) less any related debt used to acquire those assets. The Town of Oakland used these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Town of Oakland's Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Current and other assets	\$ 3,824,192	\$ 3,216,500	\$ 242,115	\$ 301,515	\$ 4,066,307	\$ 3,518,015
Capital assets	<u>6,354,007</u>	<u>7,486,798</u>	<u>8,530,474</u>	<u>8,377,739</u>	<u>14,884,481</u>	<u>15,864,537</u>
Total assets	\$ 10,178,199	\$ 10,703,298	\$ 8,772,589	\$ 8,679,254	\$ 18,950,788	\$ 19,382,552
Long-term liabilities						
outstanding	840,000	885,937	2,221,931	2,160,342	3,061,931	3,046,279
Other liabilities	<u>294,557</u>	<u>291,254</u>	<u>102,306</u>	<u>121,358</u>	<u>396,863</u>	<u>412,612</u>
Total liabilities	\$ 1,134,557	\$ 1,177,191	\$ 2,324,237	\$ 2,281,700	\$ 3,458,794	\$ 3,458,891
Deferred Inflows of Resources						
Prepaid Taxes		\$ 33,890				\$ 33,890
Net assets:						
Invested in capital assets						
net of related debt	5,454,007	6,646,798	6,248,965	6,155,807	11,702,972	12,802,605
Restricted	1,951,064					-
Unrestricted	<u>1,622,397</u>	<u>2,845,419</u>	<u>199,388</u>	<u>241,747</u>	<u>1,821,785</u>	<u>3,087,166</u>
Total net position	\$ 9,027,468	\$ 9,492,217	\$ 6,448,353	\$ 6,397,554	\$ 15,475,821	\$ 15,889,771

Financial Analysis of the Government's Funds

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

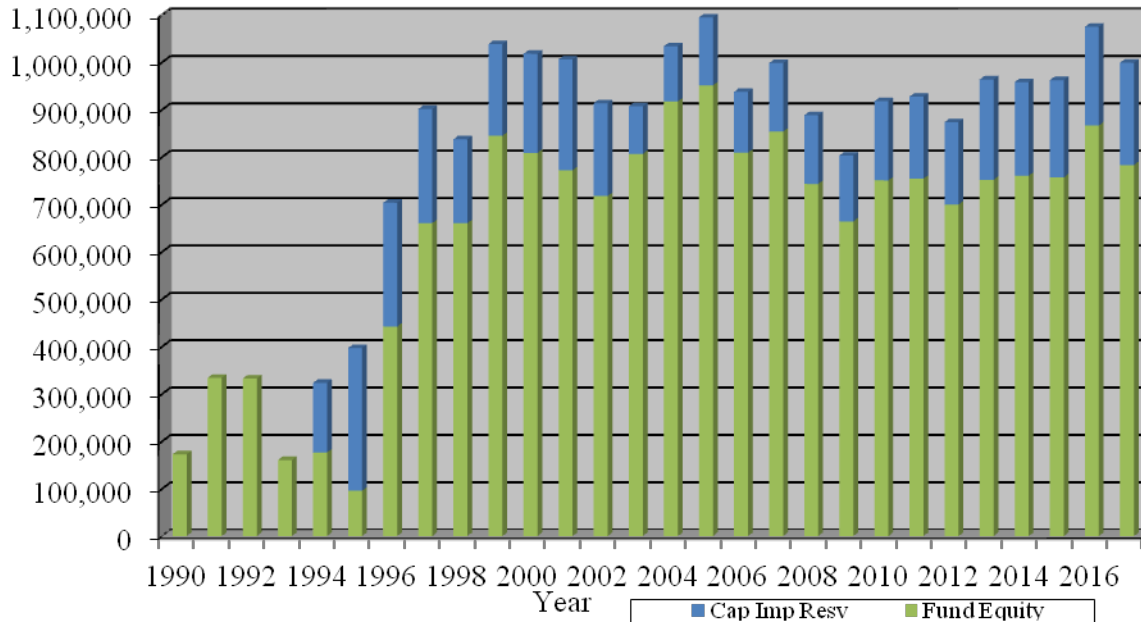
Governmental funds. The focus of the Town of Oakland's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful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

At the end of the current fiscal year, the Town of Oakland's governmental funds reported combined ending fund balances of \$2,682,363, a decrease of \$749,409 over the prior year.

The general fund unassigned fund equity balance decreased from \$1,109,880, as of June 30, 2016, to \$1,055,064 as of June 30, 2017. Unspent appropriations, excess revenues and the overlay balance contributed \$106,800 to this account. \$170,000 of fund equity was used to fund the 2016-2017 budget.

The capital improvement reserve balance moved from \$253,260 last year to \$260,734 as of June 30, 2017. \$45,000 of this account was used to offset the 2016-2017 budget. This account is funded by allocating 25% of unspent appropriations and 25% of excess revenues from each year's budget. That totaled \$52,473 in 2016-2017.

Fund Equity & Capital Impr. Resv. (After Budget)



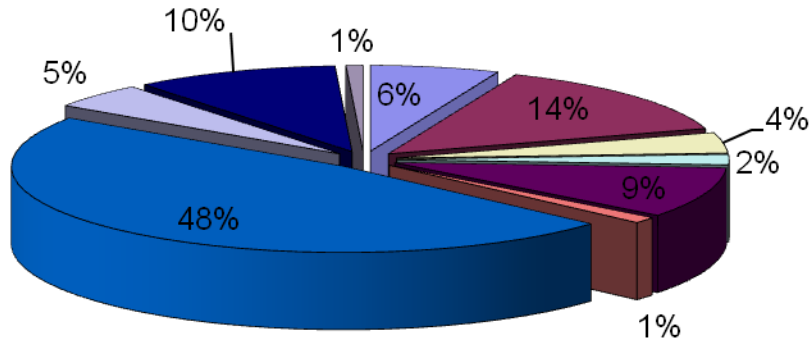
General Fund Budgetary Highlights

Expenditures

The 2016-2017 budget included appropriations of \$4,493,181 for municipal services, \$5,108,246 for RSU #18 costs and \$504,297 for Kennebec County government services. The municipal services budget increased 3.3%. The Kennebec County budget assessment increased 2.8% and the RSU #18 assessment was up 3.9%. 96.9% of the total budget was spent and 3.1% or \$335,725 remained unspent at year end. \$299,425 was carried forward into the 2017-2018 fiscal year. \$36,300 was returned to fund equity and reserve for capital improvements.

All operating departments finished the year under budget.

2016-2017 General Fund Expenditures



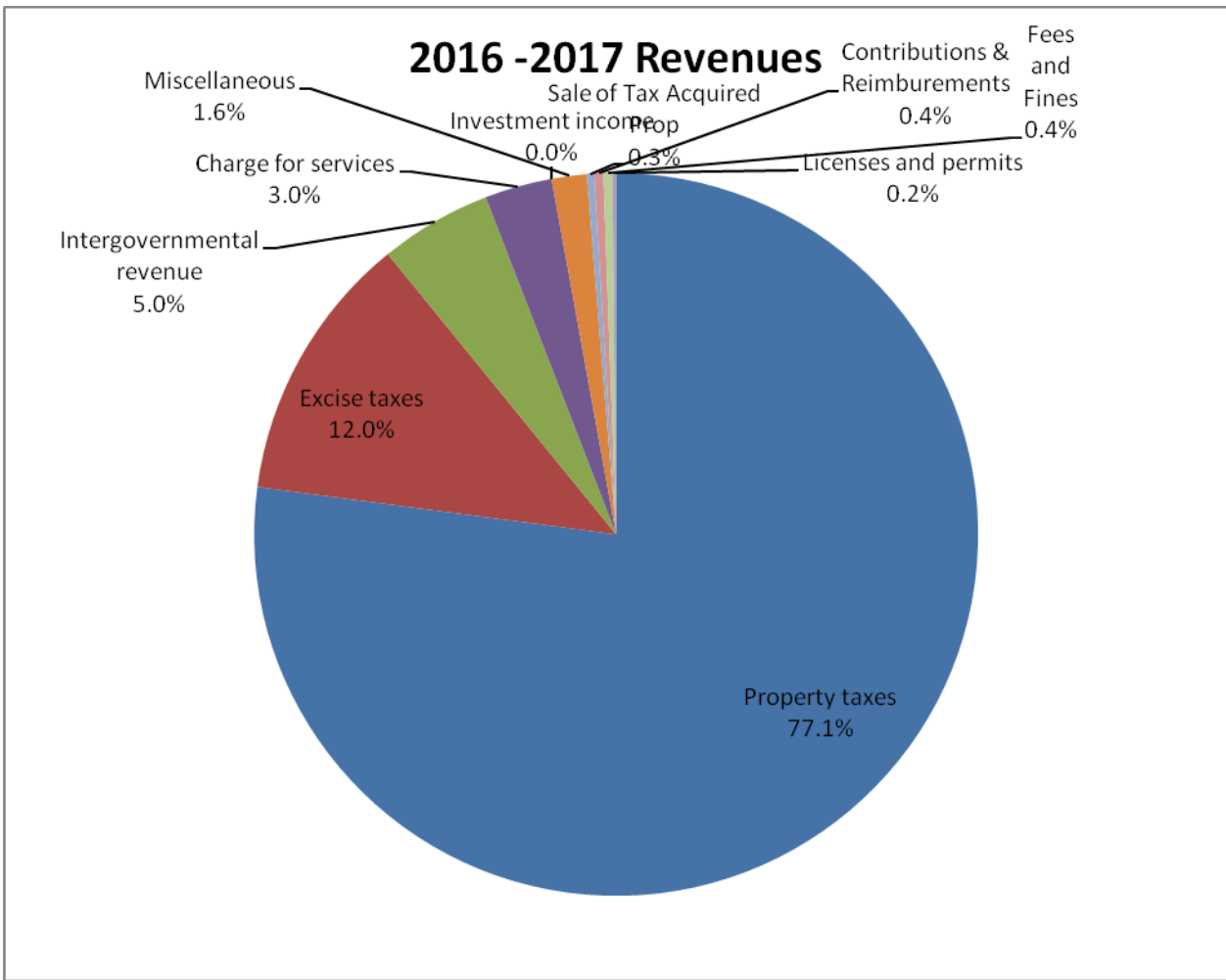
General Government -6.3%	Public Safety - 13.9%
Sanitation - 3.8%	Town Property Maint - 1.9%
Public Works -9.5%	Leisure Services - 1.1%
Education - 47.9%	County Tax - 4.7%
Special Appropriation -9.5%	Debt Service - .8%

Revenues

Revenues for 2016-2017 were budgeted at \$2,221,278. Included in this was \$170,000 from fund equity and \$45,000 from capital improvements reserve. Total revenue collections were \$2,308,247; \$86,969 or 3.9% more than budgeted.

Motor Vehicle Excise Tax collections increased this year, from \$1,247,526 last year to \$1,263,246, up 1.3%. State Revenue Sharing has declined from \$571,498 in 2007-2008 to \$240,829 in 2014-2015. It increased to \$258,057 in 2016-2017.

The current year property tax collection rate increased from 97.7% to 97.8%.



Capital Assets

Spending on capital assets increased this year compared to the prior year. In 2016-2017 \$1,497,296 was spent, up from \$645,955 last year. The Police Station accounted for \$696,604 of this year’s spending. Total capital assets, net of depreciation, increased from \$14,884,481 last year to \$15,645,537 this year.

Debt Service

\$119,578 of the Town’s debt was retired in 2016-2017. The beginning debt balance was \$3,181,510. The ending balance was \$3,061,932.

Property Valuations

Total real estate and personal property valuation decreased by .3%, from \$527,955,900 last year to \$526,391,000 in 2016-2017. The decrease is due to the homestead exemption increasing from \$10,000 to

\$15,000. Only 50% of that lost valuation was reimbursed by the state. The mil rate increased from 15.10 in 2015-2016 to 15.50 in 2016-2017.

Proprietary Funds.

The unrestricted net position of the Town's wastewater pumping fund increased from \$199,388 last year to \$241,747 this year. The year end cash balance increased from \$181,544 a year ago to \$232,605 in the current year. This enterprise fund generates its' revenues from user fees.

Economic Factors and Next Year's Budgets and Rates

- The residential property market has started to strengthen. Home prices remain down slightly from the peak of 2005-2007.
- Motor vehicle excise tax revenue collections continued upward in 2016-2017, increasing 1.3%. They are up 1.0% in the first 3 months of 2017-18.
- Oakland's financial health continues to be good. In 2016-2017 actual expenditures were less than budgeted and revenue collections exceeded the budget. Uncollected taxes remain below the state average and declined from the previous year. Capital spending was increased over prior years and funded adequately the operational needs of the Town of Oakland.
- LD1, passed in January 2005, limits future municipal tax levy increases to the increase in the percentage of disposable income, as calculated by the State Economist, added to the percentage increase in valuation. The 2017-2018 budget, passed at the May 2017 town meeting, was under the tax levy limit.
- State revenue sharing has decreased from \$571,498 in 2007-2008 to \$258,057 in 2016-2017. The current projection for 2017-2018 is \$281,307. Some personal property valuations will be phased out over a five year, or longer period.
- Construction of the sewer line sending wastewater to the Waterville Sewerage District was completed in May 2013. The project, which cost about \$6,400,000, went on line in August 2012. A forgivable loan of \$1.7 million in American Reinvestment and Recovery funds was received from MEDEP to fund a portion of the project. The remainder of the project was funded thru a loan/grant package with the USDA. The loan portion was \$2,501,000. In August 2016 the 5th annual bond payment of \$136,580 was made. 25 years remain on this bond.
- Sewer user fees were increased 35% effective July 2015 to meet the increased costs of pumping sewerage to Waterville. This financial position of the sewer fund has improved significantly since this increase. The sewer fund net position increased from \$154,662 in June 2015 to \$241,747 in June 2017.
- Construction of the main natural gas pipeline from Pittston to Madison was completed in 2014. A Tax Increment Financing district was created for the construction in Oakland. \$94,882 of tax revenue was generated in 2017-18.

Respectfully submitted,
Douglas J. Mather
Finance Director

Town of Oakland, Maine
Statement of Net Position
June 30, 2017

	Governmental Activities	Buisness-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,467,597	\$ 232,605	\$ 1,700,202
Investments	1,393,485	-	1,393,485
Taxes receivable, net	298,932	-	298,932
Sewer fees receivable	-	68,910	68,910
Due from other governmental agencies	52,590	-	52,590
Prepaid expenses	3,896	-	3,896
Capital assets not being depreciated	1,507,253	500	1,507,753
Capital assets being depreciated, net	5,979,545	8,377,239	14,356,784
	<u>10,703,298</u>	<u>8,679,254</u>	<u>19,382,552</u>
LIABILITIES			
Accounts payable and accrued expenses	190,746	59,768	250,514
Due to other governmental agencies	22,021	-	22,021
Accrued compensated absences	18,487	-	18,487
Long-term liabilities			
Due within one year			
Bonds and notes payable	60,000	61,590	121,590
Due in more than one year			
Bonds and notes payable	780,000	2,160,342	2,940,342
Accrued compensated absences	105,937	-	105,937
	<u>1,177,191</u>	<u>2,281,700</u>	<u>3,458,891</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	33,890	-	33,890
NET POSITION			
Net investment in capital assets	6,646,798	6,155,807	12,802,605
Unrestricted	2,845,419	241,747	3,087,166
	<u>\$ 9,492,217</u>	<u>\$ 6,397,554</u>	<u>\$ 15,889,771</u>

**Town of Oakland, Maine
Statement of Activities
For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 669,420	\$ 75,924	\$ -	\$ -	\$ (593,496)	\$ -	\$ (593,496)
Town properties	236,588	33,354	-	-	(203,234)	-	(203,234)
Public safety	1,589,712	118,331	-	2,970	(1,468,411)	-	(1,468,411)
Public works	893,753	-	469	41,704	(851,580)	-	(851,580)
Sanitation	422,650	97,184	-	-	(325,466)	-	(325,466)
Education	5,108,246	-	-	-	(5,108,246)	-	(5,108,246)
Leisure services	121,425	6,443	47,055	-	(67,927)	-	(67,927)
County tax	504,297	-	-	-	(504,297)	-	(504,297)
Cemeteries	-	5,500	-	-	5,500	-	5,500
Special appropriations	569,530	1,149	49,379	-	(519,002)	-	(519,002)
Interest and other charges on long-term debt	27,976	-	-	-	(27,976)	-	(27,976)
Total governmental activities	10,143,597	337,885	96,903	44,674	(9,664,135)	-	(9,664,135)
Business-type activities							
Sewer fund	609,948	558,725	-	-	-	(51,223)	(51,223)
Total primary government	\$ 10,143,597	\$ 337,885	\$ 96,903	\$ 44,674	(9,664,135)	-	(9,715,358)
General revenues							
Taxes							
Property taxes					8,199,932	-	8,199,932
Excise taxes, permits, licenses and other fees					1,275,716	-	1,275,716
Interest and lien costs					42,156	-	42,156
Grants and contributions not restricted to specific programs					484,494	-	484,494
Unrestricted investment earnings and interest					(16)	424	408
Miscellaneous					114,743	-	114,743
Special item - loss on sale of assets					12,181	-	12,181
Total general revenues and special item					10,129,206	(50,799)	10,129,630
Change in net position					465,071	(50,799)	414,272
NET POSITION - BEGINNING					9,027,468	6,448,353	15,475,821
Restatement of beginning balance					(322)	-	(322)
NET POSITION - BEGINNING, RESTATED					9,027,146	6,448,353	15,475,499
NET POSITION - ENDING					\$ 9,492,217	\$ 6,397,554	\$ 15,889,771

See accompanying notes to
basic financial statements.

Town of Oakland, Maine
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,467,597	\$ -	\$ 1,467,597
Investments	1,393,485	-	1,393,485
Taxes receivable, net	298,932	-	298,932
Due from other governmental agencies	52,590	-	52,590
Due from other funds	-	57,523	57,523
Prepaid expenses	3,896	-	3,896
	<u>3,896</u>	<u>-</u>	<u>3,896</u>
Total assets	<u>\$ 3,216,500</u>	<u>\$ 57,523</u>	<u>\$ 3,274,023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 149,560	\$ -	\$ 149,560
Due to other funds	57,523	-	57,523
Payable to other governments	15,157	-	15,157
Accrued payroll	41,186	-	41,186
Accrued compensated absences	18,487	-	18,487
Other accrued liabilities	6,864	-	6,864
	<u>6,864</u>	<u>-</u>	<u>6,864</u>
Total liabilities	<u>288,777</u>	<u>-</u>	<u>288,777</u>
Deferred inflows of resources			
Prepaid taxes	33,890	-	33,890
Unavailable property taxes	268,993	-	268,993
	<u>268,993</u>	<u>-</u>	<u>268,993</u>
Total deferred inflows of resources	<u>302,883</u>	<u>-</u>	<u>302,883</u>
Fund balances			
Nonspendable for			
Prepaid expenses	3,896	-	3,896
Committed for			
Capital projects	-	57,523	57,523
Other purposes	1,266,455	-	1,266,455
Assigned for			
Other purposes	299,425	-	299,425
Unassigned	1,055,064	-	1,055,064
	<u>1,055,064</u>	<u>-</u>	<u>1,055,064</u>
Total fund balances	<u>2,624,840</u>	<u>57,523</u>	<u>2,682,363</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,216,500</u>	<u>\$ 57,523</u>	<u>\$ 3,274,023</u>

See accompanying notes to
basic financial statements.

Town of Oakland, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balance, governmental funds	\$ 2,682,363
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.	7,486,798
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	
Deferred inflows related to property taxes	268,993
Some liabilities, (such as Accrued interest, Capital Lease Contract Payable, Accrued Compensated Absences, Other Postemployment Benefit Obligation, Bonds and Notes Payable, and Net Pension Liability), 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.	<u>(945,937)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 9,492,217</u></u>

Town of Oakland, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 8,176,920	\$ -	\$ 8,176,920
Excise and miscellaneous taxes	1,275,716	-	1,275,716
Fees and fines	42,156	-	42,156
Licenses and permits	17,109	-	17,109
Intergovernmental	530,555	-	530,555
Charges for services	319,746	-	319,746
Investment and interest earnings (loss)	(16)	-	(16)
Sale of tax acquired property	33,180	-	33,180
Contributions and reimbursements	44,901	-	44,901
Miscellaneous	166,388	-	166,388
	<u>10,606,655</u>	<u>-</u>	<u>10,606,655</u>
EXPENDITURES			
Current			
General government	669,992	-	669,992
Public safety	1,488,077	-	1,488,077
Public works	1,017,448	-	1,017,448
Sanitation	409,939	-	409,939
Leisure services	121,345	-	121,345
Education	5,108,246	-	5,108,246
County tax	504,297	-	504,297
Town properties	202,689	-	202,689
Special appropriations	1,060,529	-	1,060,529
Debt service			
Principal	60,000	-	60,000
Interest and loan fees	27,976	-	27,976
Capital outlay	-	685,204	685,204
	<u>10,670,538</u>	<u>685,204</u>	<u>11,355,742</u>
Excess (deficiency) of revenues over expenditures	<u>(63,883)</u>	<u>(685,204)</u>	<u>(749,087)</u>
FUND BALANCES - BEGINNING	2,689,045	742,727	3,431,772
Restatement of beginning balance	<u>(322)</u>	<u>-</u>	<u>(322)</u>
FUND BALANCES - BEGINNING, RESTATED	<u>2,688,723</u>	<u>742,727</u>	<u>3,431,450</u>
FUND BALANCES - ENDING	<u>\$ 2,624,840</u>	<u>\$ 57,523</u>	<u>\$ 2,682,363</u>

See accompanying notes to
basic financial statements.

Town of Oakland, Maine
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds: \$ (749,087)

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 outlays	\$ 1,468,092	
Depreciation	<u>(314,302)</u>	1,153,790

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain (loss) on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(20,999)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.

23,012

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

Debt payments		60,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued compensated absences		<u>(1,645)</u>
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Change in net position of governmental activities	<u>\$</u>	<u>465,071</u>
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Town of Oakland, Maine
Statement of Net Position
Proprietary Fund
June 30, 2017

	Enterprise Fund
	Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 232,605
Accounts receivable, net	68,910
Total current assets	301,515
Non-current assets	
Property, plant and equipment	11,321,744
Less accumulated depreciation	(2,944,005)
Total non-current assets	8,377,739
Total assets	8,679,254
LIABILITIES	
Current liabilities	
Accounts payable	59,323
Salaries payable	445
Bond payable	61,590
Total current liabilities	121,358
Noncurrent liabilities	
Bond payable	2,160,342
Total liabilities	2,281,700
NET POSITION	
Net investment in capital assets	6,155,807
Unrestricted	241,747
Total net position	\$ 6,397,554

Town of Oakland, Maine
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	Enterprise Fund
	Sewer Fund
REVENUES	
Charges for services	\$ 552,730
Interest and liens on user fees	4,343
Total operating revenues	557,073
OPERATING EXPENSES	
Administration	98,630
Contracted services	196,144
Supplies and materials	8,014
Plant maintenance and equipment	47,337
Depreciation	181,170
Total operating expenses	531,295
Operating income	25,778
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	424
Interest expense	(77,001)
Total net non-operating revenues (expenses)	(76,577)
Change in net position	(50,799)
TOTAL NET POSITION - BEGINNING	6,448,353
TOTAL NET POSITION - ENDING	\$ 6,397,554

Town of Oakland, Maine
Statement of Cash Flows - Proprietary Fund
For the Year ended June 30, 2017

	Enterprise Fund Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 544,392
Interest and lien charges	4,343
Payments to suppliers for goods and services	(234,998)
Payments for administrative services	<u>(98,086)</u>
Net cash provided by operating activities	<u>215,651</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital expenditures	(28,434)
Interest payments	(77,001)
Bond and note payments	<u>(59,579)</u>
Net cash used by capital and related financing activities	<u>(165,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>424</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,061
CASH AND CASH EQUIVALENTS, BEGINNING	<u>181,544</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 232,605</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ <u>25,778</u>
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	181,170
(Increase) decrease in the following assets	
Accounts receivable	(8,338)
Increase (decrease) in the following liabilities	
Accounts payable	16,497
Accrued payroll liabilities	<u>544</u>
Total adjustments to income	<u>189,873</u>
Net cash provided by operating activities	<u><u>\$ 215,651</u></u>

See accompanying notes to basic financial statements.

Town of Oakland, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Private Purpose</u> <u>Trust Funds</u>
ASSETS	
Investments	\$ 307,525
Total assets	<u>307,525</u>
NET POSITION	
Held in trust for benefits and other purposes	<u>\$ 307,525</u>

Town of Oakland, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Income	
Interest and investment income	\$ 157
Contributions	<u>1,200</u>
Total additions	<u>1,357</u>
DEDUCTIONS	
Benefits	<u>2,748</u>
Change in net position	(1,391)
NET POSITION - BEGINNING	<u>308,916</u>
NET POSITION - ENDING	<u><u>\$ 307,525</u></u>

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Oakland, Maine was incorporated in 1883 under the laws of the State of Maine. The Town operates under a Council-manager form of government and provides the following services: general government, public safety, sanitation, public works, town property maintenance, leisure services, and education.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the Town are described below.

A. FINANCIAL REPORTING ENTITY

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Town. Additionally, the Town is required to consider other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no entities that should be included as part of these financial statements.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information of all the activities of the Town, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities of the Town include the sewer fund.

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

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary, and fiduciary activities. The governmental and proprietary statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column, when applicable. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

1. Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Town has presented the following major governmental funds:

General Fund

The general fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Capital Projects Fund

The capital projects fund is used to account for all resources for the acquisition or construction of capital facilities or items by the Town.

2. Proprietary Fund

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, in essentially the same manner as a private entity. The accounting objectives are determinations of net income, financial position and cash flow.

The Town has presented the following major proprietary fund:

Enterprise Fund – Sewer Fund

The enterprise fund is used to account for the operations of the waste water treatment plant. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt for the sewer fund. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

3. Fiduciary Funds (not included in government-wide statements)

The Town has presented the following fiduciary fund:

Private Purpose Trust Funds

Private purpose funds are funds held by the Town in a trustee capacity and are accounted for in essentially the same manner as a private entity. Capital maintenance of private purpose funds is critical. The Town accounts for the activities of endowments whose purpose benefits individuals or entities outside the government using this fund type.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and the fund financial statements for proprietary funds and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities, whether current or non-current, are included on the statement of net position and the operating statements present increases, revenues, and decreases, expenses, in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and compensated absence expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, intergovernmental revenues, and charges for services. All other governmental fund revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Town utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the Town's operations. In May, the budget is voted on by taxpayers. If approved, the budget becomes legal.

Generally, appropriations for the general fund lapse at year end, except for balances approved to be carried forward by the Town Council.

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Formal budgets are not adopted for the other funds.

F. FINANCIAL STATEMENT AMOUNTS

1. Deposits and Investments

For purposes of the statements of net position and cash flows, the Town consider all highly liquid investments, except for money market mutual funds, with a maturity of three months or less to be cash equivalents. Cash equivalents include certificates of deposits with a longer maturity. Additional information is presented in Note 2.

Investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Additional information, including the composition of investments, is presented in Note 2.

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statement of net position. Any residual balances between the governmental activities and fiduciary funds are reported in the statement of net position as "due to/from fiduciary funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

3. Interfund Transfers

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the governmental funds on the fund financial statements. For the purposes of the government-wide statement of activities, all interfund transfers between individual funds within governmental activities and individual funds within business-type activities have been eliminated.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of over \$5,000 and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

4. Capital Assets (Continued)

Estimated useful lives are as follows:

Buildings	40 years
Vehicles	5-10 years
Equipment	5-10 years
Infrastructure	20-50 years

The Town elected to utilize the infrastructure transition option in the implementation of GASB Statement #34 which does not require the Town to retroactively capitalize certain infrastructure assets.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Long-term Debt

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

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

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

The Town's policies do not permit employees to carryover unused vacation. Full time employees will be permitted to accumulate up to 120 days of sick leave. Upon separation or retirement, an employee hired prior to February 12, 2003, will be paid for 33% of his/her then-accrued sick leave at the employees' last current hourly rate of pay. Employees hired after February 12, 2003, will not receive any payment for unused sick leave at separation. Compensated absences liability is reported in the government-wide financial statements. Governmental funds report only vacation time owed to the end of each calendar year or matured compensated absences payable to currently terminating employees or acc.

6. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported 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

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

7. Government-wide Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

8. Governmental Fund Balances

Fund balance represents the difference between assets and liabilities in the fund financial statements. Fund balance must be properly reported within one of the five fund balance categories listed below:

Nonspendable such as fund balances associated with inventories or prepaid expenses. The nonspendable fund balance may also include amounts that are required to be maintained intact, such as the corpus of an endowment fund.

Restricted fund balance classification includes amounts that can be used only for the specific purposes stipulated by constitution, grantors or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority, which is a Council vote in the Town's Council-manager form of government.

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Town Council is authorized to assign amounts for a particular purpose under authority granted by the Town Charter.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Town has formally adopted a fund balance policy that addresses the requirements of GASB 54. For expenditures that qualify for multiple categories, amounts will be first spent from restricted fund balance, followed by committed fund balance, then assigned fund balance, and finally unassigned fund balance. The Town has not adopted a minimum fund balance.

9. Revenue Recognition - Property Taxes

Property taxes were levied on assessed values of April 1, 2016 and were due in full or in installments on August 19, 2016, October 14, 2016, January 20, 2017 and March 10, 2017. Interest was charged at 7% per annum on amounts not paid by the due date. Upon the expiration of eight months, and within one year from the date of the original commitment, a tax lien is recorded for all delinquent taxes on real estate.

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

10. Revenue Recognition - Property Taxes (Continued)

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2017, and during the first sixty days of the next fiscal year are recognized as revenue in 2017. Receivables estimated to be collectible after the sixty day period are recorded as deferred inflows of resources in the general fund.

Assessed value	
Real estate	\$ 511,558,300
Personal property	<u>14,832,700</u>
	526,391,000
Tax rate (per \$1,000)	<u>15.50</u>
Commitment	8,159,061
Less: collections and abatements	<u>(7,976,530)</u>
Receivable at June 30, 2017	<u>\$ 182,531</u>
Collection rate	98%

11. New Governmental Accounting Standards

During the year ended June 30, 2017, the Town implemented the Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. This statement improves financial reporting by increasing disclosure of information about the nature and magnitude of tax abatements, increasing transparency of the transactions, and providing more information about how tax abatements affect a government's future ability to raise resources and meet its financial obligations, and the impact those abatements have on a government's financial position and economic condition.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, the Town reported deposits of \$1,700,202 with bank balances of \$1,796,231. Of the Town's total bank balance of \$1,796,231, \$1,502,309 was exposed to custodial credit risk. Of the exposed amount, \$1,397,920 was collateralized by underlying securities held by the related bank, which were not in the Town's name, and \$104,389 was uncollateralized.

Deposits in the primary government have been reported as follows:

Reported in governmental funds	\$1,467,597
Reported in proprietary funds	<u>232,605</u>
Total deposits	<u>\$1,700,202</u>

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments of the Town reported in the governmental and fiduciary funds as of June 30, 2017 are as follows:

	Fair Value Level 1
Negotiable CDs	\$ 282,498
Money market mutual funds	206,878
U.S. Agency debt securities	<u>1,211,634</u>
Total investments	<u>\$ 1,701,010</u>

Concentration of Credit Risk: The Town does not have any investments that meet the criteria to be classified as a concentration of credit risk investment.

Interest Rate Risk: The Town does not have a policy related to investment rate risk. The Town is required to disclose the interest rate risk of its debt investments as follows:

	Due in less than one year	Due in 1-5 years	Due in more than five years
Negotiable CDs	\$ 282,498	\$ 282,498	\$ -
Money market mutual funds	206,878	206,878	-
U.S. Agency debt securities	<u>1,211,634</u>	<u>953,194</u>	<u>259,440</u>
Total debt investments	<u>\$ 1,701,010</u>	<u>\$ 1,442,570</u>	<u>\$ 259,440</u>

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Disposals	Balance June 30, 2017
Governmental activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,507,253	\$ -	\$ -	\$ 1,507,253
Construction in progress	<u>307,273</u>	<u>-</u>	<u>(307,273)</u>	<u>-</u>
Total	<u>1,814,526</u>	<u>-</u>	<u>(307,273)</u>	<u>1,507,253</u>
<i>Capital assets being depreciated</i>				
Buildings	2,227,742	1,003,877	(135,695)	3,095,924
Vehicles	2,414,502	469,599	(234,196)	2,649,905
Equipment	1,432,230	18,699	(19,499)	1,431,430
Infrastructure	<u>3,033,246</u>	<u>283,190</u>	<u>-</u>	<u>3,316,436</u>
Total	<u>9,107,720</u>	<u>1,775,365</u>	<u>(389,390)</u>	<u>10,493,695</u>
<i>Less accumulated depreciation for</i>				
Buildings	(1,002,391)	(69,685)	114,696	(957,380)
Vehicles	(1,933,170)	(136,652)	234,196	(1,835,626)
Equipment	(1,065,529)	(29,130)	19,499	(1,075,160)
Infrastructure	<u>(567,149)</u>	<u>(78,835)</u>	<u>-</u>	<u>(645,984)</u>
Total accumulated depreciation	<u>(4,568,239)</u>	<u>(314,302)</u>	<u>368,391</u>	<u>(4,514,150)</u>
Total capital assets being depreciated, net	<u>4,539,481</u>	<u>1,461,063</u>	<u>(20,999)</u>	<u>5,979,545</u>
Total governmental activities, net	<u>\$ 6,354,007</u>	<u>\$ 1,461,063</u>	<u>\$ (328,272)</u>	<u>\$ 7,486,798</u>
Business-type activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 500	\$ -	\$ -	\$ 500
<i>Capital assets being depreciated</i>				
Buildings	1,963,133	-	-	1,963,133
Transmission lines	8,204,488	23,010	-	8,227,498
Equipment	<u>1,124,418</u>	<u>6,194</u>	<u>-</u>	<u>1,130,612</u>
Total	<u>11,292,039</u>	<u>29,204</u>	<u>-</u>	<u>11,321,243</u>
<i>Less accumulated depreciation for</i>				
Buildings	(930,444)	(33,884)	-	(964,328)
Transmission lines	(731,956)	(146,443)	-	(878,399)
Equipment	<u>(1,099,665)</u>	<u>(1,612)</u>	<u>-</u>	<u>(1,101,277)</u>
Total accumulated depreciation	<u>(2,762,065)</u>	<u>(181,939)</u>	<u>-</u>	<u>(2,944,004)</u>
Total capital assets being depreciated, net	<u>8,529,974</u>	<u>(152,735)</u>	<u>-</u>	<u>8,377,239</u>
Total business-type activities, net	<u>\$ 8,530,474</u>	<u>\$ (152,735)</u>	<u>\$ -</u>	<u>\$ 8,377,739</u>

Depreciation was charged to the following activities as follows:

<i>Governmental activities:</i>	
Public safety	\$108,576
Public works	159,116
Property maintenance	33,899
Sanitation	<u>12,711</u>
Total depreciation expense – Governmental activities	<u>\$314,302</u>
Business-type activities	
Sewer fund	<u>\$181,939</u>

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Portion due within one year
Governmental Fund-Type Liabilities					
General Obligation Bond					
Police Building, issued 2016 due 2031, principal and interest due annually. Interest rate at 3.1%	\$ 900,000	\$ -	\$ (60,000)	\$ 840,000	\$ 60,000
Compensated absences	<u>117,918</u>	<u>-</u>	<u>(11,981)</u>	<u>105,937</u>	<u>N/A</u>
Total governmental long-term liabilities	<u>1,017,918</u>	<u>-</u>	<u>(71,981)</u>	<u>945,937</u>	<u>60,000</u>
Proprietary Fund Liabilities					
Note payable					
Rural Development Loan, Issued 2011, due in annual principal and interest payments to 2040. interest rate at 3.375%	<u>2,281,511</u>	<u>-</u>	<u>(59,579)</u>	<u>2,221,932</u>	<u>61,590</u>
Total governmental fund and proprietary fund long-term liabilities	<u>\$ 3,299,429</u>	<u>\$ -</u>	<u>\$ (131,560)</u>	<u>\$ 3,167,869</u>	<u>\$ 121,590</u>

General obligation bonds payable

Future maturities of long-term debt are as follows:

Fiscal year ended	Governmental Activities		
	Principal	Interest	Total
2018	\$ 60,000	\$ 26,040	\$ 86,040
2019	60,000	24,180	84,180
2020	60,000	22,320	82,320
2021	60,000	20,460	80,460
2022	60,000	18,600	78,600
2023-2027	300,000	65,100	365,100
2033-2035	<u>240,000</u>	<u>18,600</u>	<u>258,600</u>
	<u>\$ 840,000</u>	<u>\$ 195,300</u>	<u>\$ 1,035,300</u>
	Proprietary Activities		
2018	\$ 61,590	\$ 74,990	\$ 136,580
2019	63,669	72,911	136,580
2020	65,817	70,763	136,580
2021	68,039	68,541	136,580
2022	70,335	66,245	136,580
2023-2027	388,925	293,975	682,900
2028-2032	459,138	223,762	682,900
2033-2037	542,027	140,873	682,900
2038-2040	<u>502,392</u>	<u>43,050</u>	<u>545,442</u>
	<u>\$ 2,212,932</u>	<u>\$ 1,055,110</u>	<u>\$ 3,277,042</u>

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 4. LONG-TERM LIABILITIES

In accordance with Maine law, no municipality shall incur debt for specific purposes in excess of certain percentages of State valuation of such municipality. The Town was in compliance with these limitations.

Overlapping Debt

Town is contingently responsible for a proportionate share of the overlapping debt of RSU 18's debt. At June 30, 2017, the Town's share of the total debt outstanding of share was \$2,366,144.

NOTE 5. INTERFUND TRANSACTIONS

During the course of normal operations the Town has numerous transactions between funds including expenditures and transfers.

Individual fund interfund receivable and payable balances at June 30, 2017 arising from these transactions were as follows:

	Receivable	Payable
General fund	\$ -	\$ 57,523
Capital projects fund	<u>57,523</u>	<u>-</u>
	<u>\$ 57,523</u>	<u>\$ 57,523</u>

NOTE 6. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and leases payable, adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2017:

Capital assets	\$ 23,322,691
Accumulated depreciation	(7,458,154)
Related bonds payable	<u>(3,061,932)</u>
Total balance	<u>\$ 12,802,605</u>

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 7. FUND BALANCE – GENERAL FUND – COMMITTED

At June 30, 2017, the Town maintained committed fund balances for the following purposes:

Capital improvement reserve	\$ 260,734
Drug forfeiture reserve	3,253
Memorial hall	3,579
Demolition debris reserve	108,777
Digital mapping reserve	36,677
Learning for life reserve	27
Cascade mill reserve	75,480
Swim area reserve	60,820
Police training funds reserve	5,652
Efficiency Maine grant	611
Underage drinking grant	3,064
Municipal building reserve	161,755
Chris Curato memorial reserve	147
DARE contribution reserve	573
Gazebo project	22,121
Wellness grant	340
Firstpark reserve	259,925
Fire equipment reserve	6,504
Library gifts reserve	15,066
Library building improvements reserve	24,074
Loader replacement	5,250
Don Borman donation	3,726
TIF reserve	43,085
Septic system replacement reserve	5,767
Summit gas road opening reserve	24,065
Fire equipment reserve	6,000
Phoebe Folsom recreation reserve	958
Road improvement reserve	<u>128,425</u>
 Total	 <u>\$ 1,266,455</u>

NOTE 8. NET POSITION – FIDUCIARY FUNDS

At June 30, 2017, the Town maintained net positions in its' fiduciary funds for the following purposes:

Cemeteries	\$190,849
Distressed persons	25,140
Library trust	5,985
Phoebe Folsom Recreation	35,250
Greenough book trust	<u>50,301</u>
	<u>\$307,525</u>

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 9. FUND BALANCE – GENERAL FUND – ASSIGNED

At June 30, 2017, the Town maintained assigned fund balances for the following purposes:

Voting machines	\$ 10,644
Employee separation costs	91,988
File server	7,500
Memorials maintenance	2,797
Heating oil reserve	3,322
150 th anniversary	2,000
Solid waste	14,738
Paving	5,728
Hussey Hill road project	58,256
Miscellaneous road improvements	24,257
Public works truck	5,628
Fire truck	53,554
Messalonskee trail	10,013
Memorial hall improvements	<u>9,000</u>
 Total	 <u>\$299,425</u>

NOTE 10. DEFERRED COMPENSATION PLAN

The Town provides a 401 and 457 Deferred Compensation Plan through ICMA Retirement Corporation. The plan permits salary deferral to future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan's trustee under one of two investment options or a combination thereof chosen by the participants.

The Town's policy states the Town shall match 6.5%. The Town contribution for the year ended June 30, 2017 was \$79,325

NOTE 11. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, injuries to employees, and natural disasters. The Town maintains various commercial insurance policies to mitigate these risks to an acceptable level and to limit the Town's exposure to losses.

The Town is also a member of the Maine Municipal Association - Property and Casualty Pool ("Pool"). As with the Fund above, the Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. There were no deductible claims for the fiscal year.

The Town also a member of the Maine Municipal Association - Workers Compensation Fund ("Fund"). The fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for workers compensation coverage and develop a comprehensive loss control program.

Town of Oakland, Maine
Notes to Basic Financial Statements
June 30, 2017

NOTE 12. TAX ABATEMENT TAX INCREMENT FINANCING AGREEMENT

The Town has a property tax abatement or tax increment financing agreement with the Kennebec Regional Development Authority (KRDA) which operates FirstPark, a business park located in the Town. Under this agreement, taxes generated by a base valuation of \$178,000 is retained by the Town for their property. The remainder of the valuation on the property is transferred to KRDA. However, this agreement does not result in any net loss of tax revenue for the Town.

NOTE 13. CONTINGENCIES

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time. The Town believes there are no significant contingent liabilities relating to compliance or pending legal claims or lawsuits at this time.

Town of Oakland, Maine
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original*	Changes**	Final		
REVENUES					
Property taxes	\$ 8,159,061	\$ -	\$ 8,159,061	\$ 8,176,920	\$ 17,859
Excise and miscellaneous taxes	1,162,000	-	1,162,000	1,275,716	113,716
Interest and lien costs	41,000	-	41,000	42,156	1,156
Licenses, permits and fines	14,400	-	14,400	17,109	2,709
Intergovernmental	533,904	-	533,904	530,555	(3,349)
Charges for services	319,458	-	319,458	319,746	288
Investment and interest earnings (oss)	15,000	-	15,000	(16)	(15,016)
Sale of tax acquired property	-	-	-	33,180	33,180
Contributions and reimbursements	1,500	-	1,500	44,901	43,401
Miscellaneous	174,869	(45,000)	129,869	166,388	36,519
	<u>10,421,192</u>	<u>(45,000)</u>	<u>10,376,192</u>	<u>10,606,655</u>	<u>230,463</u>
Total revenues					
EXPENDITURES					
Current					
General government	719,183	-	719,183	669,992	49,191
Protection	1,527,882	-	1,527,882	1,488,077	39,805
Public works	1,014,485	-	1,014,485	1,017,448	(2,963)
Sanitation	410,883	-	410,883	409,939	944
Leisure services	142,791	-	142,791	121,345	21,446
Education	5,108,246	-	5,108,246	5,108,246	-
County tax	504,297	-	504,297	504,297	-
Cemeteries	213,093	-	213,093	202,689	10,404
Special appropriations	1,231,572	-	1,231,572	1,060,529	171,043
Debt service	-	-	-	-	-
Principal	60,000	-	60,000	60,000	-
Interest and other charges	27,900	-	27,900	27,976	(76)
	<u>10,960,332</u>	<u>-</u>	<u>10,960,332</u>	<u>10,670,538</u>	<u>289,794</u>
Total expenditures					
Excess of revenues over expenditures	(539,140)	(45,000)	(584,140)	(63,883)	520,257
OTHER FINANCING SOURCES (USES)					
Use of carryover unrestricted and committed fund b:	172,500	-	172,500	-	(172,500)
Use of committed fund balances	48,021	45,000	93,021	-	(93,021)
Use of assigned fund balances	364,964	-	364,964	-	(364,964)
Overlay	(46,345)	-	(46,345)	-	46,345
	<u>539,140</u>	<u>45,000</u>	<u>584,140</u>	<u>-</u>	<u>(584,140)</u>
Total other financing sources and (uses)					
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(63,883)	<u>\$ (63,883)</u>
FUND BALANCES - BEGINNING				2,689,045	
Restatement of beginning balance				(322)	
FUND BALANCES - BEGINNING, RESTATED				<u>2,688,723</u>	
FUND BALANCES - ENDING				<u>\$ 2,624,840</u>	

* includes assigned carryover accounts

** reclassification of budget and use of additional revenues

Town of Oakland, Maine
Taxes Receivable, Tax Liens and Tax Acquired Property
General Fund
June 30, 2017

Taxes receivable	
2017	\$ 3,695
2016	2,078
2015 and prior	<u>3,181</u>
Total taxes receivable	<u>8,954</u>
Tax liens and tax acquired property	
2017	178,836
2016	101,286
2015 and prior	<u>9,856</u>
Total tax liens and tax acquired property	<u>289,978</u>
Total taxes receivable, tax liens and tax acquired property	<u>\$ 298,932</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

To the Town Council
Town of Oakland, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oakland, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Oakland, Maine's basic financial statements and have issued our report thereon dated November 6, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in a separate letter to management that we consider to be a significant deficiency.

Compliance and Other Matters

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

We noted a certain other matter that we have reported to management of the Town of Oakland, Maine, in a separate letter dated November 6, 2017.

Town of Oakland, Maine's Response to Findings

Town of Oakland, Maine's response to the finding identified in our audit is described in the separate letter to management. Town of Oakland, 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 or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brantner Whibodian & Associates

Bangor, ME
November 6, 2017