

TOWN OF POWNAL, MAINE

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2018

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Maine Municipal Audit Services, PA

Mindy J. Cyr, CPA

Independent Auditors' Report

To the Board of Selectmen
Town of Pownal
Pownal, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Town of Pownal, Maine, as of and for the year ended June 30, 2018, 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 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. 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. We also believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the governmental activities.

OPINIONS

Basis for Adverse Opinion on the Government-Wide Financial Statements

As discussed in the notes to the financial statements, management has not recorded certain general capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general capital assets, be

capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is significant.

Unqualified Opinion on the Governmental Funds Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds and the aggregate remaining fund information of the Town of Pownal, Maine, as of June 30, 2018, and the respective changes in financial position 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 on page 5-6 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.

The budgetary comparison information on page 23 is required by accounting principles generally accepted in the United States of America. This 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. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements.

Other Information

The other supplemental information section is the responsibility of management and the schedules were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit to the basic financial statements. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maine Municipal Audit Services, PA

Levant, Maine
September 12, 2018

Town of Pownal

Management's Discussion and Analysis

Fiscal Year ending June 30, 2018

Management of the Town of Pownal offers this management's discussion and analysis report that will provide information that should be used in conjunction with the outside audit report for fiscal year ending June 30, 2018.

Overview of the Financial Statements:

The discussion and analysis report is intended to serve as an introductory to the full audit report. The audit report consists of three components: government-wide financial statements; fund financial statements, and the notes to the financial statements. This report is intended to explain some of these financial statements in a concise and non-financial terminology.

Government-wide Financial Statements:

The government-wide financial statements present the Town's financial position as of a certain date using some common financial reporting tools and using the modified accrual basis of accounting. The governmental activities that are reported include: general government, public safety, public works, health, social services, education and cemetery, parks and recreation activities.

Fund Financial Statements:

A fund is a group of related accounts that have been grouped together to maintain control over activities that are segregated for specific purposes and objectives. These funds include: trust fund accounts.

Trust Fund Accounts include funds set aside by a specific trust fund document or by state law.

Notes to the Financial Statements:

The notes provide the reader with additional information about the Town that will help understand the financial data provided by our outside audit firm and our financial statements.

Government Wide Financial Analysis:

The audit report shows that the Town increased our net position by \$422,118.34 for the year ending June 30, 2018. Ending Net Position is \$3,352,310.99. The Town general fund has long-term debt of \$3,268,530.73 as of June 30, 2018.

Town of Pownal
Management's Discussion and Analysis
Fiscal Year ending June 30, 2018

Differences between the original and final budget for the general fund are typically caused by the usage of assigned and unassigned fund balances along with applied revenues.

All Town departments finished the year under budget. The general fund actual revenues totaled \$4,734,323.22, with actual expenditures totaling \$5,004,605.50.

Contacting the Town's Management:

If you have any questions about this report or need additional financial information, contact the Town Office at 429 Hallowell Road, Pownal, Maine 04069.

Town of Pownal, Maine
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS:	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 1,852,631.77
Investments	117,538.41
Taxes receivable	144,512.50
Tax liens receivable	31,766.62
<i>Total current assets</i>	2,146,449.30
 <i>Non-current assets:</i>	
Capital assets, net of accumulated depreciation	4,568,766.00
<i>Total non-current assets</i>	4,568,766.00
 TOTAL ASSETS	 \$ 6,715,215.30
 LIABILITIES:	
<i>Current liabilities:</i>	
Accounts payable	\$ 34,601.28
Accrued expenses	47,523.43
Current portion of long-term debt	254,195.12
<i>Total current liabilities</i>	336,319.83
 <i>Non-current liabilities:</i>	
<i>Non-current portion of long-term debt:</i>	
Bonds payable, net current portion	3,014,335.61
<i>Total non-current liabilities</i>	3,014,335.61
 TOTAL LIABILITIES	 3,350,655.44
 DEFERRED INFLOWS OF RESOURCES:	
Prepaid property taxes	12,248.87
 TOTAL DEFERRED INFLOWS OF RESOURCES	 12,248.87
 NET POSITION:	
Invested in capital assets, net of related debt	1,275,396.05
Unrestricted	2,076,914.94
 TOTAL NET POSITION	 3,352,310.99
 TOTAL LIABILITIES AND NET POSITION	 \$ 6,715,215.30

The accompanying notes are an integral part of this statement.

Town of Pownal, Maine
Statement of Activities
For the Year Ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
Governmental activities:						
General government	\$ 253,405.89	\$ 10,002.68	\$ -	\$ -	\$ (243,403.21)	\$ (243,403.21)
Public safety	114,900.76	-	-	-	(114,900.76)	(114,900.76)
Public works	380,536.90	-	-	34,984.00	(345,552.90)	(345,552.90)
Health and sanitation	101,792.86	21,580.00	-	-	(80,212.86)	(80,212.86)
Education	2,819,448.96	-	-	-	(2,819,448.96)	(2,819,448.96)
County tax	163,232.00	-	-	-	(163,232.00)	(163,232.00)
Social services	5,750.00	-	1,186.50	-	(4,563.50)	(4,563.50)
Interest	111,141.94	-	-	-	(111,141.94)	(111,141.94)
Other	134,695.04	-	728.20	-	(133,966.84)	(133,966.84)
Depreciation	266,878.00	-	-	-	(266,878.00)	(266,878.00)
<i>Total governmental activities</i>	<i>4,351,782.35</i>	<i>31,582.68</i>	<i>1,914.70</i>	<i>34,984.00</i>	<i>(4,283,300.97)</i>	<i>(4,283,300.97)</i>
 <i>General revenues:</i>						
Property taxes, levied for general purposes					4,145,489.98	4,145,489.98
Excise taxes					338,754.42	338,754.42
Interest					13,980.83	13,980.83
Licenses and permits					15,717.55	15,717.55
<i>Grants and contributions not restricted to specific programs:</i>						
State revenue sharing					77,740.29	77,740.29
Homestead exemption					68,063.00	68,063.00
Other					4,723.06	4,723.06
Unrealized gain (loss) on investments					(1,216.80)	(1,216.80)
Miscellaneous revenues					42,166.98	42,166.98
<i>Total general revenues and transfers</i>					<i>4,705,419.31</i>	<i>4,705,419.31</i>
<i>Changes in net position</i>					422,118.34	422,118.34
NET POSITION - BEGINNING					2,930,192.65	2,930,192.65
NET POSITION - ENDING					\$ 3,352,310.99	\$ 3,352,310.99

The accompanying notes are an integral part of this statement.

Town of Pownal, Maine
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	MAJOR FUND Capital Reserves	MAJOR FUND Road Bond	NON-MAJOR Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,515,431.95	\$ 332,129.18	\$ -	\$ 5,070.64	\$ 1,852,631.77
Investments	-	-	-	117,538.41	117,538.41
Taxes receivable, net	144,512.50	-	-	-	144,512.50
Tax liens receivable	31,766.62	-	-	-	31,766.62
Interfund receivables	-	51,267.68	176,496.16	167,349.91	395,113.75
TOTAL ASSETS	\$ 1,691,711.07	\$ 383,396.86	\$ 176,496.16	\$ 289,958.96	\$ 2,541,563.05
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts payable	\$ 34,601.28	\$ -	\$ -	\$ -	\$ 34,601.28
Accrued expenses	22,684.21	-	-	-	22,684.21
Interfund payables	395,113.75	-	-	-	395,113.75
<i>Total liabilities</i>	452,399.24	-	-	-	452,399.24
<i>Deferred inflows of resources:</i>					
Prepaid property taxes	12,248.87	-	-	-	12,248.87
Deferred property tax revenue	96,000.00	-	-	-	96,000.00
<i>Total deferred inflows of resources</i>	108,248.87	-	-	-	108,248.87
<i>Fund balances:</i>					
Non-spendable	-	-	-	62,054.00	62,054.00
Restricted	21,249.04	-	176,496.16	106,263.49	304,008.69
Committed	-	383,396.86	-	55,186.31	438,583.17
Assigned	143,121.72	-	-	66,455.16	209,576.88
Unassigned	966,692.20	-	-	-	966,692.20
<i>Total fund balances</i>	1,131,062.96	383,396.86	176,496.16	289,958.96	1,980,914.94
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,691,711.07	\$ 383,396.86	\$ 176,496.16	\$ 289,958.96	
<i>Amounts reported for governmental activities in the statement of net position (Stmt. 1) are different because:</i>					
Depreciable and non-depreciable capital assets as reported in Stmt. 1					4,568,766.00
Long-term liabilities, including bonds payable and accrued interest, as reported on Stmt. 1					(3,293,369.95)
Deferred property taxes not reported on Stmt. 1					96,000.00
NET POSITION OF GOVERNMENTAL ACTIVITIES					\$ 3,352,310.99

The accompanying notes are an integral part of this statement.

Town of Pownal, Maine
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	MAJOR FUND Capital Reserves	MAJOR FUND Road Bond	NON-MAJOR Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 4,133,489.98	\$ -	\$ -	\$ -	\$ 4,133,489.98
Excise taxes	338,754.42	-	-	-	338,754.42
Intergovernmental revenue	187,425.05	-	-	-	187,425.05
Charges for services	31,582.68	-	-	-	31,582.68
Licenses and permits	15,717.55	-	-	-	15,717.55
Interest	10,721.56	1,568.18	-	1,691.09	13,980.83
Other revenues	16,631.98	-	-	25,535.00	42,166.98
<i>Total revenues</i>	4,734,323.22	1,568.18	-	27,226.09	4,763,117.49
EXPENDITURES:					
General government	253,405.89	-	-	-	253,405.89
Public safety	114,900.76	-	-	-	114,900.76
Public works	1,027,628.90	-	-	-	1,027,628.90
Health and sanitation	101,792.86	-	-	-	101,792.86
Social services	5,750.00	-	-	-	5,750.00
Education	2,819,448.96	-	-	-	2,819,448.96
County tax	163,232.00	-	-	-	163,232.00
Debt service	390,679.29	-	-	-	390,679.29
Unclassified	127,766.84	-	-	6,928.20	134,695.04
<i>Total expenditures</i>	5,004,605.50	-	-	6,928.20	5,011,533.70
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(270,282.28)	1,568.18	-	20,297.89	(248,416.21)
OTHER FINANCING SOURCES (USES)					
Unrealized gain (loss) on investments	-	-	-	(1,216.80)	(1,216.80)
Transfers in	351,176.29	51,267.68	-	400.00	402,843.97
Transfers (out)	(51,667.68)	-	(348,697.62)	(2,478.67)	(402,843.97)
<i>Total other financing sources (uses)</i>	299,508.61	51,267.68	(348,697.62)	(3,295.47)	(1,216.80)
<i>Net change in fund balances</i>	29,226.33	52,835.86	(348,697.62)	17,002.42	(249,633.01)
FUND BALANCES - BEGINNING	1,101,836.63	330,561.00	525,193.78	272,956.54	2,230,547.95
FUND BALANCES - ENDING	\$ 1,131,062.96	\$ 383,396.86	\$ 176,496.16	\$ 289,958.96	\$ 1,980,914.94

The accompanying notes are an integral part of this statement.

(Continued)

Town of Pownal, 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, 2018

Net change in fund balances - total governmental funds (Statement 4)	\$ (249,633.01)
<p>Amounts reported for governmental activities in the Statement of Activities (Stmt. 2) are different due to the following items:</p>	
<p>Depreciation expense recorded on Statement of Activities, yet not required to be recorded as expenditures on Governmental Funds Report</p>	(266,878.00)
<p>Capital outlays expensed on the Governmental Funds Report (Stmt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmt. 2)</p>	647,092.00
<p>Revenues in the Statement of Activities (Stmt 2) 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 and other deferred revenue.</p>	12,000.00
<p>Accrued interest expense on long-term debt is reported in the government wide Statement of Activities but does not require the use of current financial resources; therefore, is not reported as an expenditure in the Governmental Funds.</p>	(3,781.22)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. More specifically, this represents the net amount of principal reduction in debt service made during the fiscal year.</p>	283,318.57
<hr/>	
Changes in net position of governmental activities (see Stmt. 2)	\$ 422,118.34

The accompanying notes are an integral part of this statement.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town operates under a selectmen-town meeting form of government and was incorporated in 1808 under the laws of the State of Maine.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the Town to restructure much of the information presented in the past. The more significant of the government’s accounting policies are described below.

In evaluating how to define the Town for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. Based on the criteria, it was determined that no other entities should be included in the Town’s financial statements.

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 1989 that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB-pronouncements issued after that date to its business-type activities, the Town has chosen not to do so.

B. Basis of Presentation

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.

Government-Wide Financial Statements

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reports information on all of the non-fiduciary activities of the Town as a whole.

The Statement of Net Position reports all financial and capital resources of the Town and reports the difference between assets and liabilities, as “net position” not fund balance or equity. The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenue and reflects the “net (expense) revenue” of the Town’s individual functions before applying general revenues.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The Town has elected not to allocate indirect costs among programs. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

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. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund.

Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

C. Measurement Focus and Basis of Accounting

Governmental Fund Types

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

Special Revenue Fund – This fund is used for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Reserves and Road Bond Fund are considered major funds.

Permanent Fund – This fund is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column (a breakdown by fund for the non-major funds is provided on Schedules B & C). GASB NO. 34 sets forth minimum criteria for the determination of major funds.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

The Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting in accordance with GASB #34. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

D. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair value.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	20-40
Infrastructure	40
Machinery and Equipment	10-20
Vehicles	10-20

Management believes it is not cost effective to report general capital assets acquired before January 1, 2008, but may report them in the future.

Net Position and Fund Balances

In the Government-wide financial statements, the difference between the Town's total assets and total liabilities represents net position. Net position displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

- Non-spendable* – Funds that are not in spendable form, such as funds that are legally required to be maintained in tact (corpus of a permanent fund).
- Restricted* – Funds that can be spent only for specific purposes because of constitutional provisions or enabling legislation.
- Committed* – Funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the governing body.
- Assigned* – Funds intended to be used for specific purposes set by the Board of Selectmen.
- Unassigned* – Funds available for any purpose.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue arises when resources are received by the Town before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Property Taxes

Property taxes for the current year were committed on August 3, 2017, on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Payment of taxes was due on September 15, 2017, December 15, 2017, March 15, 2018, and June 15, 2018, with interest at 7% on all tax bills unpaid as of the due date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$44,697.15 for the year ended June 30, 2018.

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

Risk Management

The Town pays insurance premiums to certain agencies to cover risks that may occur in normal operations. The Town purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk of deposits is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized or collateralized by securities held by the pledging financial institution’s trust department but not in the Town’s name. At June 30, 2018, cash deposits had a carrying value of \$1,852,631.77. Of the deposited amounts, \$250,000 of demand deposits and \$250,000 of savings deposits per bank were covered by federal depository insurance. Deposits above FDIC are covered by an irrevocable stand by letter of credit. Accordingly, the Town was not exposed to credit risk at June 30, 2018.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Currently the Town does not have a policy for custodial credit risk for investments, but instead follows the state statutes, which authorize the Town to invest in obligations of the U.S. Treasury, agencies, mutual funds, and repurchase agreements. The Town has \$117,538.41 invested with Morgan Stanley as of June 30, 2018, which is protected by FDIC insurance.

3. CAPITAL ASSETS

Governmental activities:	Balance 7/1/17	Additions	Deletions	Balance 6/30/18
<i>Capital assets:</i>				
Buildings & improvements	\$ 38,297.00	\$ -	\$ -	\$ 38,297.00
Vehicles	1,734,136.00	17,200.00	-	1,751,336.00
Equipment	26,196.00	86,873.00	-	113,069.00
Infrastructure	3,523,164.00	543,019.00	-	4,066,183.00
Total capital assets	5,321,793.00	647,092.00	-	5,968,885.00
<i>Less accumulated depreciation</i>	(1,133,241.00)	(266,878.00)	-	(1,400,119.00)
Governmental activities Capital assets, net	\$ 4,188,552.00	\$ 380,214.00	\$ -	\$ 4,568,766.00

Depreciation expense has not been charged as a direct expense for any department of the Town.

4. PENDING LITIGATION

According to Town management, there are no matters that would result in adverse losses, claims, or assessments against the Town through the date of the audit report.

5. SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

6. INTERFUND ACTIVITY

Interfund balances as of June 30, 2018 consisted of the following:

DUE TO:	
<i>Major Governmental Funds</i>	
Capital Reserve	\$ 51,267.68
Road Bond	176,496.16
<i>Non-major Governmental Funds</i>	
Special Revenues	141,838.36
Capital Projects	19,611.44
Permanent – Expendable	5,900.11
TOTAL	<u>\$ 395,113.75</u>
DUE FROM:	
General Fund	<u>\$ 395,113.75</u>

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfer to:	
General Fund	\$ 348,697.62
General Fund	2,478.67
Permanent Fund	400.00
Capital Reserve	51,267.68
TOTAL	<u>\$ 402,843.97</u>
Transfer from:	
General Fund	\$ 400.00
General Fund	51,267.68
Road Bond Fund	348,697.62
TOTAL	<u>\$ 402,843.97</u>

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

7. DEFERRED COMPENSATION PLAN

The Town offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and maintained by International City Management Association Retirement Corporation (ICMA-RC). The plan allows employees to defer a portion of their salary, plus town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Town contributes 6% of the annual gross pay of employees who work an average of 36 hours per week. Employees are eligible to participate after 90 days of services. Employee's interest in Town contribution vests 20% for each year of service. Employee is 100% vested after 5 years of service. This applies to employees hired after 5/1/2008. Any employees hired prior to 5/1/2008 are grandfathered under earlier vesting schedules, which allows the employee's interest in the Town's contribution to vest at 1/3 each year of full employment service. If the employee terminates, non-vested portions revert back to the Town. The Town contributes at the end of the year based on the Town's payroll records.

Employees who work an average of less than 36 hours, but more than 20 hours per week are eligible to defer pay into the plan, but the Town does not contribute. An employee is eligible to participate after ninety days of service. Employees are fully vested in their deferred contribution.

The Town's contributions to the plan including employee contributions for the year ended June 30, 2018 totaled \$11,651.

8. FUND BALANCES

Non-spendable:

Permanent fund	<u>\$ 62,054.00</u>
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Restricted:

General Fund	
Education (applied to FY19 tax commitment)	\$ 21,249.04
Capital Project Fund	
Road bonds	176,496.16
Special Revenue Fund	
Impact fees	\$ 104,434.48
Federal Emergency Management Agency	1,244.85
Fire Department Ropes Rescue Grant	381.99
DPW grants	<u>202.17</u>
	<u>106,263.49</u>
TOTAL RESTRICTED	<u>\$ 304,008.69</u>

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

8. FUND BALANCES (CONTINUED)

Committed:

Capital Project Fund

Capital Reserves	\$ 383,396.86
Future expenses	11,728.00
Fire truck	4,491.00
Communications upgrades	2,393.18
Highway truck	<u>999.26</u>
	403,008.30

Special Revenue Fund

PWCA	10,354.31
Fire station	6,881.09
Snowmobile	5,378.42
Veteran's memorial	4,389.32
Fire department EMS	2,167.73
Formatted ordinances	3,000.00
Mallet Hall improvements	2,545.00
Stewardship fund for town owned land	<u>859.00</u>
	<u>35,574.87</u>

TOTAL COMMITTED **\$ 438,583.17**

Assigned:

Permanent Fund \$ 66,455.16

General Fund

Public works	\$ 94,159.47
Fire department	32,810.74
Mallet Hall operations	6,151.51
General government	<u>10,000.00</u>
	<u>143,121.72</u>

TOTAL ASSIGNED **\$ 209,576.88**

UNASSIGNED **\$ 966,692.20**

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

9. LONG-TERM DEBT

	Balance 7/1/2017	Additions	(Reductions)	Balance 6/30/2018
MMBB, 2007D, due annually \$30k, 10 years, 2-6%, till 11/1/2017	\$ 30,000.00	\$ -	\$ (30,000.00)	\$ -
MMBB, 2007E, due annually \$39,416, 25 years, 2-6%, till 11/1/2033	827,756.00	-	(39,416.00)	788,340.00
MMBB, 2011C, due annually \$45,725, 30 years, 2.02-5.52%, till 11/1/2040	1,097,379.30	-	(45,724.14)	1,051,655.16
MMBB, 2016C, due annually \$150k, 10 years, 1.16-2.13%, till 11/1/2026	1,500,000.00	-	(150,000.00)	1,350,000.00
<i>Long-term leases:</i>				
Androscoggin Bank, grader lease, 10 Payments, \$21,378/year to 2021	96,714.00	-	(18,178.43)	78,535.57
Total	\$ 3,551,849.30	\$ -	\$ (283,318.57)	\$ 3,268,530.73

The annual future principal payment requirement for bonds payable outstanding as of June 30, 2018, is as follows:

Year ending June 30,	Governmental Activities
2019	\$ 254,195.12
2020	254,527.60
2021	254,848.70
2022	255,524.71
2023	235,140.14
2024-2028	1,025,700.70
2029-2033	425,700.70
2034-2038	425,720.70
2039-2043	<u>137,172.36</u>
Total	\$ <u>3,268,530.73</u>

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

10. JOINT VENTURE

Ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21-member communities, Ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The town is a member community in Ecomaine.

Interlocal agreements between Ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to Ecomaine for processing and to make service payments and pay tipping fees for such processing.

The Town has no measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in Ecomaine. Ecomaine's liabilities include an accrual for landfill closure and post closure care amounting to \$14,564,514, unaudited as of June 30, 2018. The Town's share of costs amount to \$76,582 (or 0.53% of the total). Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2012 and a projected closing date. The separate audited financial statements of Ecomaine may be obtained for the Town's finance office upon completion.

11. ECONOMIC DEPENDENCY

The Town of Pownal's largest taxpayer is Central Maine Power. CMP represents approximately 25.7% of the total assessed valuation of the Town as of June 30, 2018.

Town of Pownal, Maine
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget-
				Positive (negative)
REVENUES:				
Property taxes	\$ 4,152,118.13	\$ 4,152,118.13	\$ 4,133,489.98	\$ (18,628.15)
Excise taxes	310,900.00	310,900.00	338,754.42	27,854.42
Intergovernmental revenue	188,656.02	188,656.02	187,425.05	(1,230.97)
Charges for services	33,960.00	33,960.00	31,582.68	(2,377.32)
Licenses and permits	8,350.00	8,350.00	15,717.55	7,367.55
Interest	8,600.00	8,600.00	10,721.56	2,121.56
Other revenues	10,100.00	10,100.00	16,631.98	6,531.98
<i>Total revenues</i>	4,712,684.15	4,712,684.15	4,734,323.22	21,639.07
EXPENDITURES:				
General government	261,356.00	261,356.00	253,405.89	7,950.11
Public safety	126,969.00	126,969.00	114,900.76	12,068.24
Public works	671,387.00	1,050,084.62	1,027,628.90	22,455.72
Health and sanitation	95,075.00	95,075.00	101,792.86	(6,717.86)
Social services	9,850.00	9,850.00	5,750.00	4,100.00
Education	2,840,698.00	2,840,698.00	2,819,448.96	21,249.04
County tax	163,232.00	163,232.00	163,232.00	-
Debt service	393,270.00	393,270.00	390,679.29	2,590.71
Unclassified	183,150.00	185,628.67	127,766.84	57,861.83
<i>Total expenditures</i>	4,744,987.00	5,126,163.29	5,004,605.50	121,557.79
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(32,302.85)	(413,479.14)	(270,282.28)	143,196.86
OTHER FINANCING SOURCES (USES):				
Transfer (to) other funds	-	-	(51,667.68)	(51,667.68)
Transfer from other funds	2,000.00	353,176.29	351,176.29	(2,000.00)
<i>Total other financing sources</i>	2,000.00	353,176.29	299,508.61	(53,667.68)
<i>Net changes in fund balances</i>			29,226.33	
FUND BALANCES - BEGINNING			1,101,836.63	
FUND BALANCES - ENDING			\$ 1,131,062.96	

**Town of Pownal, Maine
 Combining Balance Sheet - All Other Non-Major Governmental Funds
 June 30, 2018**

	Capital Projects Fund	Permenant Fund	Special Revenue Fund	Total Non-Major Governmental Funds
ASSETS:				
Cash	\$ -	\$ 5,070.64	\$ -	\$ 5,070.64
Investments	-	117,538.41	-	117,538.41
Interfund receivable	19,611.44	5,900.11	141,838.36	167,349.91
TOTAL ASSETS	\$ 19,611.44	\$ 128,509.16	\$ 141,838.36	\$ 289,958.96
LIABILITIES AND FUND BALANCE:				
<i>Fund Balance:</i>				
Non-spendable	\$ -	\$ 62,054.00	\$ -	\$ 62,054.00
Restricted	-	-	106,263.49	106,263.49
Committed	19,611.44	-	35,574.87	55,186.31
Assigned	-	66,455.16	-	66,455.16
<i>Total fund balance</i>	19,611.44	128,509.16	141,838.36	289,958.96
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,611.44	\$ 128,509.16	\$ 141,838.36	\$ 289,958.96

Town of Pownal, Maine
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Other Non-Major Governmental Funds
For the Year Ended June 30, 2018

	CAPITAL PROJECTS		SPECIAL REVENUE FUND	TOTAL NON-MAJOR
	FUND	PERMENANT FUND		GOVERNMENTAL FUNDS
REVENUES:				
Interest income	\$ -	\$ 1,691.09		\$ 1,691.09
Other revenue	-	-	25,535.00	25,535.00
<i>Total revenues</i>	-	1,691.09	25,535.00	27,226.09
EXPENDITURES:				
Special projects	-	-	6,928.20	6,928.20
<i>Total expenditures</i>	-	-	6,928.20	6,928.20
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	-	1,691.09	18,606.80	20,297.89
OTHER FINANCING SOURCES (USES) OF FUNDS:				
Unrealized gain (loss) on investments	-	(1,216.80)	-	(1,216.80)
Transfers (to) general fund	-	(2,478.67)	-	(2,478.67)
Transfers from general fund	-	400.00	-	400.00
<i>Total other financing sources (uses)</i>	-	(3,295.47)	-	(3,295.47)
<i>NET CHANGE IN FUND BALANCES</i>	-	(1,604.38)	18,606.80	17,002.42
FUND BALANCE - BEGINNING OF YEAR	19,611.44	130,113.54	123,231.56	272,956.54
FUND BALANCE - END OF YEAR	\$ 19,611.44	\$ 128,509.16	\$ 141,838.36	\$ 289,958.96