

Audited Financial Statements

Town of Madison, Maine

June 30, 2016



*Proven Expertise and Integrity*

TOWN OF MADISON, MAINE

CONTENTS

JUNE 30, 2016

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 12
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	13
STATEMENT B - STATEMENT OF ACTIVITIES	14 - 15
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	16
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	17
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	18
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
NOTES TO FINANCIAL STATEMENTS	20 - 37
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	38
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	39

## OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	40
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND REVENUES	41
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	42 - 44
SCHEDULE C - COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	45
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	46
SPECIAL REVENUE FUNDS DESCRIPTION	47
SCHEDULE E - COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	48
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	49
PERMANENT FUNDS DESCRIPTION	50
SCHEDULE G - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	51
SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR PERMANENT FUNDS	52
GENERAL CAPITAL ASSETS DESCRIPTION	53
SCHEDULE I - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	54
SCHEDULE J - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	55

FEDERAL COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

56 - 57



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## INDEPENDENT AUDITORS' REPORT

Selectboard  
Town of Madison  
Madison, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Madison, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Madison, Maine's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

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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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Madison, Maine as of June 30, 2016, 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 and budgetary comparison information on pages 4 through 11 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Madison, Maine's basic financial statements. The Schedule of Departmental Operations – General Fund, the Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, combining and individual nonmajor fund financial statements and capital

asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Departmental Operations – General Fund, the Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations – General Fund, the Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of the Town of Madison, Maine’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Madison, Maine’s internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
October 17, 2016

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**(UNAUDITED)**

The following management's discussion and analysis of Town of Madison, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

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

**Basic Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of Madison are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, parks and recreation, cemeteries, community and social agencies, education, and unclassified.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and / or charges to external users for goods and/or services. These activities for the Town of Madison include the Community Access Television Fund.

### **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 Madison, Maine, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Madison, Maine can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

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

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

*Proprietary Funds:* The Town of Madison, Maine maintains one proprietary funds, the Community Access Television Fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. This fund was closed as of June 30, 2015.

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

### **Other Supplementary Information**

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

## Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental and business-type activities. The Town's total net position for governmental activities decreased by \$320,906 from \$8.91 million to \$8.59 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$1,771,250 at the end of this year.

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

	Governmental Activities		Business-type Activities	
	2016	2015 (Restated)	2016	2015
<b>Assets</b>				
Current Assets	\$ 2,843,162	\$ 2,968,670	\$ -	\$ -
Capital Assets	5,994,302	6,161,420	-	-
Total Assets	<u>8,837,464</u>	<u>9,130,090</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>				
Current Liabilities	187,878	177,782	-	-
Long-term Debt Outstanding	30,541	39,033	-	-
Total Liabilities	<u>218,419</u>	<u>216,815</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Prepaid Taxes	26,676	-	-	-
Total Deferred Inflows of Resources	<u>26,676</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in Capital Assets	5,994,302	6,161,420	-	-
Restricted: Special Revenue Funds	552,639	431,087	-	-
Permanent Funds	274,178	259,762	-	-
Unrestricted	1,771,250	2,061,006	-	-
Total Net Position	<u>\$ 8,592,369</u>	<u>\$ 8,913,275</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>				
<i>Program revenues:</i>				
Charges for services	\$ 91,748	\$ 205,233	\$ -	\$ -
Operating grants and contributions	59,876	296,658	-	-
<i>General revenues:</i>				
Taxes	8,172,051	7,433,922	-	-
Grants and contributions not restricted to specific programs	878,635	914,146	-	-
Miscellaneous	199,787	62,620	-	-
<b>Total Revenues</b>	<b>9,402,097</b>	<b>8,912,579</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>				
General government	587,333	775,132	-	-
Public safety	970,204	1,266,347	-	-
Public works	1,024,437	1,079,997	-	-
Parks and recreation	72,680	71,226	-	-
Cemeteries	31,079	42,979	-	-
Community and social agencies	194,251	193,620	-	-
Education	4,972,897	5,478,126	-	-
County tax	1,140,205	1,128,803	-	-
Unclassified	728,511	124,911	-	53,147
Capital outlay	1,406	454,850	-	-
<b>Total Expenses</b>	<b>9,723,003</b>	<b>10,615,991</b>	<b>-</b>	<b>53,147</b>
<b>Change in Net Position</b>	<b>(320,906)</b>	<b>(1,703,412)</b>	<b>-</b>	<b>(53,147)</b>
<b>Net Position - July 1, Restated</b>	<b>8,913,275</b>	<b>10,616,687</b>	<b>-</b>	<b>53,147</b>
<b>Net Position - June 30</b>	<b>\$ 8,592,369</b>	<b>\$ 8,913,275</b>	<b>\$ -</b>	<b>\$ -</b>

**Revenues and Expenses**

Revenues for the Town's governmental activities increased by 5.49%, while total expenses decreased by 8.41%. Tax revenues experienced the largest increase while public safety, education and capital outlay expenses had the largest decreases. For the business-type activities, the fund was closed out in the previous year.

## Financial Analysis of the Town's Fund Statements

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

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

	<b>2016</b>	<b>2015 (Restated)</b>
General Fund:		
Nonspendable	\$ 44,998	\$ 34,692
Assigned	481,051	590,321
Unassigned	982,354	897,358
Total General Fund	\$ 1,508,403	\$ 1,522,371
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 49,705	\$ 48,521
Restricted	552,639	642,188
Permanent Funds:		
Nonspendable	28,046	28,046
Restricted	274,178	259,762
Total Nonmajor Funds	\$ 904,568	\$ 978,517

The general fund total fund balance decreased by \$13,968 from the prior fiscal year. The nonmajor fund balances also decreased, by \$73,949 from the prior fiscal year.

### Budgetary Highlights

There was no significant difference between the original and final budget for the general fund with the exception of the use of assigned and unassigned fund balance.

The general fund actual revenues were over budget by \$254,134. This was mainly the result of excess receipts in property and excise taxes and miscellaneous revenues.

The general fund actual expenditures were under the budget by \$443,071. All expenditure categories were under budget.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the Town decreased by \$167,118 from the prior year. The decrease is the result of current year additions of \$106,510 less current year depreciation expense of \$273,628.

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

	<u>2016</u>	<u>2015</u>
Land and non-depreciable assets	\$ 976,169	\$ 976,169
Buildings, building improvements and land improvements	811,261	840,918
Machinery, equipment and vehicles	793,700	884,495
Infrastructure	<u>3,413,172</u>	<u>3,459,838</u>
Total	<u>\$ 5,994,302</u>	<u>\$ 6,161,420</u>

### Debt

The only debt that the Town had as of June 30, 2016 was accrued compensated absences.

### Currently Known Facts, Decisions, or Conditions

#### Economic Factors and Next Year's Budgets and Rates

The Town will continue to face some economic uncertainty with the closure of Madison Paper Industries. The announcement of closure was made March 14, 2016 and the mill's last day of operation was May 22, 2016. As of June 30, 2016, the mill assets were being put out to bid and it appeared likely that the production portion of the mill would be sold for scrap and the hydro-electric facilities would be sold separately.

The economic impact affects the 214 workers who were laid off, and the hundreds of other timber industry related jobs in the area. In addition, the Madison tax base continues to shrink as the April 1, 2016 valuation of Madison Paper Industries was reduced from \$80,000,000.00 to \$72,759,800.00. MPI has since filed for an abatement seeking an additional reduction of \$47,759,800.00 down to a valuation of \$25,000,000.00. The abatement request was denied by the Madison Board of

Assessors and it appears likely that this issue will go before the State Board of Property Valuation Review sometime in 2017.

The April 1, 2017 Town Valuation will be affected by the status of Madison Paper if the property is not an active production facility. If the property is being sold for scrap then the personal property that is normally taxable would then be considered inventory and not available for taxation. The Town should prepare for a lower valuation with the anticipation of reduced budgets for school and municipality and/or an increase in the tax rate.

Municipal officials will consider applying to the State for assistance under their "Sudden and Severe" Program, but that will not provide any immediate aid. It is unlikely that there will be any special assistance for taxpayers from the State or Federal government.

Madison continues to see some small development with several single and multi-family dwellings under construction. An investment in market rate housing is deemed a high priority in Madison as the Town's largest taxpayer and employer Backyard Farms continues to operate at a steady production and needs more workers than may be available in the immediate area.

The investment of nearly \$10,000,000.00 of solar panels on land owned by Madison Electric could provide the dual benefit of a decrease in overall MEW electricity rates and additional tax revenue from the personal property on site.

The Town has a sufficient unassigned fund balance to sustain government operations for a period of approximately two months. In addition the Town has an available line of credit up to \$2,500,000.00. To date, the Town has not borrowed from the line of credit, which expires on December 31, 2017. Voters at Town Meeting in June of 2017 will have the option of approving another three-year line of credit.

Expectations are that next year's budgets will continue to be constrained and voters will have to consider an increase to the tax rate to continue the level of current services.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, the Treasurer for the Town of Madison can be reached at P.O. Box 190, Madison, Maine 04950.

TOWN OF MADISON, MAINE  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Primary Governmental Governmental Activities	Component Unit
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,709,048	\$ 911,229
Restricted cash	-	739,381
Investments	595,674	-
Accounts receivable (net of allowance for uncollectibles):		
Taxes	331,835	1,335,528
Liens	73,568	-
Notes	49,705	153,122
Other	38,334	13,594
Inventory	-	392,294
Prepaid expense	-	54,493
Tax acquired property	44,998	-
Total current assets	2,843,162	3,599,641
Noncurrent assets:		
Note receivable, less current portion	-	1,772,307
Capital assets:		
Land and other assets not being depreciated	976,169	-
Buildings and vehicles, net of accumulated depreciation	5,018,133	5,168,629
Total noncurrent assets	5,994,302	6,940,936
<b>TOTAL ASSETS</b>	<b>\$ 8,837,464</b>	<b>\$ 10,540,577</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 139,128	\$ 296,260
Other accrued payables	44,387	141,943
Customer deposits	-	313,247
Current portion of long-term obligations	4,363	150,000
Total current liabilities	187,878	901,450
Noncurrent liabilities:		
Noncurrent portion of long-term obligations:		
Bond payable, less current portion	-	1,650,000
Accrued compensated absences	30,541	55,430
Total noncurrent liabilities	30,541	1,705,430
<b>TOTAL LIABILITIES</b>	<b>218,419</b>	<b>2,606,880</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue - bond premiums	-	15,709
Prepaid taxes	26,676	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>26,676</b>	<b>15,709</b>
<b>NET POSITION</b>		
Net investment in capital assets	5,994,302	3,352,920
Restricted for: Special revenue funds	552,639	-
Permanent funds	274,178	-
Other purposes	-	739,381
Unrestricted	1,771,250	3,825,687
<b>TOTAL NET POSITION</b>	<b>8,592,369</b>	<b>7,917,988</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 8,837,464</b>	<b>\$ 10,540,577</b>

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

## STATEMENT B

## TOWN OF MADISON, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Governmental Activities	Component Unit
Primary government:						
Governmental activities:						
General government	\$ 587,333	\$ 33,456	\$ -	\$ -	\$ (553,877)	
Public safety	970,204	2,187	-	-	(968,017)	
Public works	1,024,437	36,731	59,876	-	(927,830)	
Parks and recreation	72,680	(969)	-	-	(73,649)	
Cemeteries	31,079	9,267	-	-	(21,812)	
Community and social agencies	194,251	9,574	-	-	(184,677)	
Education	4,972,897	-	-	-	(4,972,897)	
County tax	1,140,205	-	-	-	(1,140,205)	
Unclassified	728,511	1,502	-	-	(727,009)	
Capital outlay	1,406	-	-	-	(1,406)	
Total governmental activities	<u>\$ 9,723,003</u>	<u>\$ 91,748</u>	<u>\$ 59,876</u>	<u>\$ -</u>	<u>(9,571,379)</u>	
Component unit:						
Madison electric works	\$ 6,664,845	\$ 6,519,576	\$ -	\$ 147,379		\$ 2,110
Total component unit	<u>\$ 6,664,845</u>	<u>\$ 6,519,576</u>	<u>\$ -</u>	<u>\$ 147,379</u>		<u>2,110</u>

## TOWN OF MADISON, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	Primary Government <u>Governmental</u> <u>Activities</u>	Component <u>Unit</u>
Changes in net position:		
Net (expense) revenue	<u>(9,571,379)</u>	<u>2,110</u>
General revenues:		
Taxes:		
Property taxes, levied for general purposes	7,400,242	-
Excise taxes	771,809	-
Grants and contributions not restricted to specific programs	878,635	-
Miscellaneous	<u>199,787</u>	<u>212,867</u>
Total general revenues	<u>9,250,473</u>	<u>212,867</u>
Change in net position	(320,906)	214,977
NET POSITION - JULY 1, RESTATED	<u>8,913,275</u>	<u>7,703,011</u>
NET POSITION - JUNE 30	<u>\$ 8,592,369</u>	<u>\$ 7,917,988</u>

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

## TOWN OF MADISON, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	All Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,363,264	\$ 345,784	\$ 1,709,048
Investments	142,625	453,049	595,674
Accounts receivable (net of allowance for uncollectibles):			
Taxes	331,835	-	331,835
Liens	73,568	-	73,568
Notes	-	49,705	49,705
Other	38,334	-	38,334
Tax acquired property	44,998	-	44,998
Due from other funds	2,311	58,341	60,652
<b>TOTAL ASSETS</b>	<b>\$ 1,996,935</b>	<b>\$ 906,879</b>	<b>\$ 2,903,814</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 139,128	\$ -	\$ 139,128
Accrued expenses	44,387	-	44,387
Due to other funds	58,341	2,311	60,652
<b>TOTAL LIABILITIES</b>	<b>241,856</b>	<b>2,311</b>	<b>244,167</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	26,676	-	26,676
Deferred tax revenues	220,000	-	220,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>246,676</b>	<b>-</b>	<b>246,676</b>
<b>FUND BALANCES</b>			
Nonspendable	44,998	77,751	122,749
Restricted	-	826,817	826,817
Assigned	481,051	-	481,051
Unassigned	982,354	-	982,354
<b>TOTAL FUND BALANCES</b>	<b>1,508,403</b>	<b>904,568</b>	<b>2,412,971</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,996,935</b>	<b>\$ 906,879</b>	<b>\$ 2,903,814</b>

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

## TOWN OF MADISON, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 2,412,971
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	5,994,302
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	220,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	<u>(34,904)</u>
Net position of governmental activities	<u>\$ 8,592,369</u>

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

## TOWN OF MADISON, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	All Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 7,470,242	\$ -	\$ 7,470,242
Excise taxes	771,809	-	771,809
Intergovernmental	938,511	-	938,511
Charges for services	91,748	-	91,748
Miscellaneous revenues	146,646	53,141	199,787
<b>TOTAL REVENUES</b>	<b>9,418,956</b>	<b>53,141</b>	<b>9,472,097</b>
<b>EXPENDITURES</b>			
Current:			
General government	563,566	-	563,566
Public safety	928,147	-	928,147
Public works	820,922	-	820,922
Parks and recreation	72,520	-	72,520
Cemeteries	31,079	-	31,079
Community and social agencies	194,251	-	194,251
Education	4,972,897	-	4,972,897
County tax	1,140,205	-	1,140,205
Unclassified	19,711	708,800	728,511
Capital outlay	107,916	-	107,916
<b>TOTAL EXPENDITURES</b>	<b>8,851,214</b>	<b>708,800</b>	<b>9,560,014</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>567,742</b>	<b>(655,659)</b>	<b>(87,917)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	277,800	859,510	1,137,310
Transfers (out)	(859,510)	(277,800)	(1,137,310)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(581,710)</b>	<b>581,710</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(13,968)</b>	<b>(73,949)</b>	<b>(87,917)</b>
<b>FUND BALANCES - JULY 1, RESTATED</b>	<b>1,522,371</b>	<b>978,517</b>	<b>2,500,888</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,508,403</b>	<b>\$ 904,568</b>	<b>\$ 2,412,971</b>

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

## TOWN OF MADISON, 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, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (87,917)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	106,510
Depreciation expense	<u>(273,628)</u>
	<u>(167,118)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>(70,000)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>4,129</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (320,906)</u></u>

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

The Town of Madison was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government services, public safety, public works, parks and recreation, cemeteries, community and social agencies, education, and unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has one component unit, Madison Electric Works (MEW), a department of the Town of Madison, Maine, as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61. Refer to Note 16 of Notes to Financial Statements for additional information.

***Implementation of New Accounting Standards***

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

***Government-Wide and Fund Financial Statements***

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. The Town categorizes all activities as governmental.

In the government-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position; and

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

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

1. Governmental Funds:

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds:

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

Nonmajor Funds:

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

The emphasis in fund financial statements is on the major funds in either the governmental activity category. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

**Basis of Accounting**

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

1. Accrual

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Budget**

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

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

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

**Deposits and Investments**

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

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**Interfund Receivables and Payables**

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

**Transactions Between Funds**

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

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2016.

**Capital Assets**

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

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

**Long-term Obligations**

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

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 accrued compensated absences.

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

**Compensated Absences**

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2016, the Town's liability for compensated absences is \$34,904.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Net Position**

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

**Fund Balance**

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

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

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

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

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no deferred outflows of resources.

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

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

The Town's property tax for the current year was levied August 12, 2015 at 19.5 mills on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Taxes were due on in two installments on September 15, 2015 and March 15, 2015. Interest on unpaid taxes commenced on September 16, 2015 and March 16, 2016, at 7% per annum.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$66,988 for the year ended June 30, 2016.

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

**Program Revenues**

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

**Encumbrance Accounting**

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

**Use of Estimates**

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

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

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2016, the Town's cash balances amounting to \$1,709,048 were comprised of bank deposits of \$2,212,015. Of these bank deposits, \$257,636 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk and \$1,954,379 were collateralized with securities held by the financial institution in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 264,312
Sweep accounts	1,947,678
Savings accounts	25
	<u>\$ 2,212,015</u>

**Investments:**

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

At June 30, 2016, the Town's investment balances amounting to \$595,674 were comprised of mutual funds. The Town's mutual funds were fully covered by the Securities Investor Protection Corporation (SIPC).

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Fair Value	Maturity		
		<1 Year	1 - 5 Years	N/A
Mutual funds	\$ 595,674	\$ -	\$ -	\$ 595,674
	<u>\$ 595,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,674</u>

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk.

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 2,311	\$ 58,341
Nonmajor Special Revenue Funds	58,341	2,311
	<u>\$ 60,652</u>	<u>\$ 60,652</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance, 7/1/15 (Restated)	Additions	Disposals	Balance, 6/30/16
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 976,169	\$ -	\$ -	\$ 976,169
	<u>976,169</u>	<u>-</u>	<u>-</u>	<u>976,169</u>
Depreciated assets:				
Buildings and improvements	930,982	-	-	930,982
Land improvements	284,601	-	-	284,601
Vehicles and equipment	2,618,269	26,215	-	2,644,484
Infrastructure	6,625,133	80,295	-	6,705,428
	10,458,985	106,510	-	10,565,495
Less: accumulated depreciation	(5,273,734)	(273,628)	-	(5,547,362)
	<u>5,185,251</u>	<u>(167,118)</u>	<u>-</u>	<u>5,018,133</u>
Net governmental capital assets	<u>\$ 6,161,420</u>	<u>\$ (167,118)</u>	<u>\$ -</u>	<u>\$ 5,994,302</u>
Current year depreciation:				
General government				\$ 27,896
Public safety				42,057
Public works				203,515
Recreation				160
Total depreciation expense				<u>\$ 273,628</u>

NOTE 5 - NOTES RECEIVABLE

Amounts recorded as loans receivable represent loans made under an economic development program to local businesses. Management has determined that no allowance for loan losses is necessary at June 30, 2016. Bad debt expense for the year ended June 30, 2016 was \$0. The portion of the loans receivable balance expected to be collected beyond a period of one year is reported in the fund financial statements as nonspendable because those resources are unavailable for use in the near term.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 6 - LINE OF CREDIT

The Town has secured a revolving line of credit with a bank. The maximum amount of the line is \$2,500,000. Interest is payable at a fixed rate of 3.19%. The line of credit is unsecured. The term of the loan will be six years. The first three years will be the revolving period, the final three years will be the repayment period. The loan will permit revolving advances and principal payments on an as needed basis during the first three years and require semiannual payments of interest based on the use of funds during the prior six months. No advances were taken from the line of credit for the year ended June 30, 2016.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Current Portion
<i>Governmental activities:</i>					
Accrued compensated absences	\$ 39,033	\$ -	\$ (4,129)	\$ 34,904	\$ 4,363

NOTE 8 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the Town had the following nonspendable fund balances:

General Fund:	
Tax acquired property	\$ 44,998
Nonmajor Special Revenue Funds (Schedule E)	49,705
Nonmajor Permanent Funds (Schedule G)	28,046
	<u>\$ 122,749</u>

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2016, the Town had the following restricted fund balances:

Nonmajor Special Revenue Funds (Schedule E)	\$ 552,639
Nonmajor Permanent Funds (Schedule G)	274,178
	<u>\$ 826,817</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2016, the Town had the following assigned fund balances:

	Balance, 7/1/15	Appropriations	Additions	Reductions	Balance, 6/30/16
Carryforwards:					
General government - cemetery repairs	\$ 2,500	\$ -	\$ -	\$ (1,268)	\$ 1,232
General government - admin equipment	3,500	-	-	-	3,500
Public safety - street lights	4,000	55,000	-	(59,000)	-
Public safety - equipment	55,000	-	-	(26,215)	28,785
Public works - summer roads	15,000	23,500	-	(35,170)	3,330
Public works - road surface	289,673	-	-	(80,295)	209,378
Recreation - equipment purchase	2,500	-	-	-	2,500
Recreation - library building repairs	2,500	-	-	(1,237)	1,263
Public mowing	5,000	-	-	-	5,000
Community services - tree removal	1,500	2,500	-	(2,050)	1,950
Madison Anson Days	18,081	-	8,112	-	26,193
Keep Madison Warm Fund	453	-	-	(166)	287
Christmas Parade Committee	2,555	-	1,279	-	3,834
189 Main Street Playground/Parking	-	-	4,971	-	4,971
Participation	4,812	-	556	-	5,368
Reserves:					
Debt retirement	33,903	-	-	-	33,903
Water access/beach area	6,932	-	-	-	6,932
Revaluation	114,820	-	174	-	114,994
Legal deductible	27,592	-	39	-	27,631
	<u>\$ 590,321</u>	<u>\$ 81,000</u>	<u>\$ 15,131</u>	<u>\$ (205,401)</u>	<u>\$ 481,051</u>

NOTE 11 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. As of June 30, 2016, the Town's share of school, Madison Electric Works, and county debt was as follows:

	Outstanding Debt	Town's Percentage	Total Share
County of Somerset	\$ 17,490,000	9.47%	\$ 1,656,303
Madison Electric Works	1,800,000	100.00%	1,800,000
MSAD No. 59	6,962,928	100.00%	6,962,928
			<u>\$ 10,419,231</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 12 - ECONOMIC DEPENDENCY

A single taxpayer, Madison Paper Industries, is assessed approximately \$1,567,738 or approximately 21.20% of the Town of Madison's current year tax commitment.

NOTE 13 - TAX INCREMENT FINANCING DISTRICT

30% Economic Development/Infrastructure and 70% Credit Enhancement

Under Maine law, the Town has established a Tax Increment Financing District to finance a development program and a fund for economic development, assistance for job training, and public facilities improvements and infrastructure projects. The acquisitions and improvements made by the Development Program (Backyard Farms LLC for expansion) will result in additional investment, creating additional tax base within the Town.

The Town will make available to Backyard Farms 70% of the captured tax increment revenues from the District for a period of 30 years. These revenues will be used by Backyard Farms to finance expansion and improvements. Real property additions made by Backyard Farms above the original assessed value of the District prior to the establishment of the TIF District will be subject to a 30%/70% allocation. The tax on personal property additions made by Backyard Farms within the District over the original assessed value will be captured and retained 100% by the Town. Effective April 1, 2007 under state law, property taxes will no longer be assessed on personal property additions made after that date. Fiscal year ending June 30, 2016 is the ninth year tax revenues were retained and made available to Backyard Farms. The amount of captured tax increment revenues was \$582,708. The amount of retained captured tax increment revenues returned to Backyard Farms LLC was \$407,895; representing 70% of the captured tax increment revenues. The remaining 30% (\$174,813) was captured and held by the Town for economic development and infrastructure initiatives. In addition, the BETE reimbursement from the State (\$276,802) related to the property added in this TIF district is also captured and retained for the noted designated purpose for a total of \$451,615.

If certain hiring thresholds are achieved by Backyard Farms at any point during the 30 year period, the percentage of captured tax increment revenues captured and returned to Backyard Farms LLC would increase from 70% to 75%. As such, the percentage of captured tax increment revenues captured and retained by the Town would decrease from 30% to 25%.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 14 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the International City Management Association Retirement Corporation (ICMA-RC).

The plan, available to all full-time and permanent part-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plan.

The Town's deferred compensation plan contribution for the employees for the year ended June 30, 2016, was approximately \$31,004 which was charged to the general fund. The amount withheld from the Town's employees' as deferred compensation which was contributed to the plan was approximately \$42,324 which was charged to the general fund as wages. In addition, Madison Electric Works is allowed to participate in the plan. The amount contributed to the plan from Madison Electric Works (both employee and employer portions) was approximately \$100,304 for the year ended June 30, 2016, which was reimbursed in full by the Electric Works.

NOTE 15 - RISK MANAGEMENT

The Town faces a full realm of risks typical of a thriving entity. Liabilities associated with torts and protections against damage of loss of assets are the general categories of risk for which the Town carries commercial insurance. Specific insurance related to these categories includes general, police and public officials' liability coverage, workers compensation, and automobile insurance. The Town is liable for deductibles ranging up to \$1,000 for settlements exceeding the limits of coverage, which range from \$50,000 to \$3,000,000. Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2016. There were no significant reductions in insurance coverage from that of the prior year and the amounts of settlements have not exceeded insurance coverage for each of the past three years.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 16 - COMPONENT UNIT

The Town of Madison, Maine has discretely presented the following component unit in the financial statements:

Madison Electric Works (MEW), a department of the Town, was created by a legislative act of the State of Maine for the purpose of performing all duties of the Town of Madison in connection with the management and operation of the service area's electric works. MEW services parts of the towns of Madison, Anson, Norridgewock and Starks. Operations of MEW are financed through usage fees charged to customers. MEW is a separate legal entity from the Town, however, debt issued for MEW is backed by the full faith and credit of the Town. Financing costs for MEW debt are provided through user charges. Separately issued financial statements of MEW can be obtained by contacting the Electric Works' superintendent at 6 Business Park Drive, Madison, ME.

NOTE 17 - CONTINGENCIES

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

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

NOTE 18 - COMPARATIVE DATA/RECLASSIFICATIONS

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 19 - RESTATEMENTS AND PRIOR PERIOD ADJUSTMENTS

The beginning net position for the governmental funds was restated as of July 1, 2015. The restatement was made to correct capital asset balances by a reduction of \$244,897.

The beginning fund balance in the general fund as of July 1, 2015 has been restated. Long-term accrued compensated absences were incorrectly recorded in the general fund in the previous year in the amount of \$39,033. The beginning fund balance has been restated by \$39,033.

During the current year, it was determined that certain cemetery activity for the prior year was incorrectly recorded as expenditures in the General Fund. To correct this error, the beginning fund balance of the General Fund of \$1,707,216, as originally reported, has been decreased by \$12,777. In addition, beginning net position for governmental activities of \$9,170,949, as originally reported, has also been decreased by \$12,777.

Upon further review of expenditures in the Backyard Farms Capture and Retain TIF fund, it was determined that an interfund receivable and payable between the TIF and general fund were incorrectly recorded in the previous year. To correct this error, the beginning fund balance of the General Fund of \$1,707,216, as originally reported, has been decreased by \$211,101.

## Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund

TOWN OF MADISON, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 1,522,371	\$ 1,522,371	\$ 1,522,371	\$ -
Resources (Inflows):				
Taxes:				
Property taxes	7,396,410	7,396,410	7,470,242	73,832
Excise taxes	649,500	664,800	771,809	107,009
Intergovernmental revenues:				
State revenue sharing	248,950	248,950	267,068	18,118
Homestead exemption	108,401	108,401	108,401	-
Local road assistance	59,876	59,876	59,876	-
BETE reimbursement	460,495	460,495	460,555	60
Other	36,700	33,500	42,611	9,111
Charges for services	102,350	100,724	91,748	(8,976)
Interest income	6,500	15,566	4,252	(11,314)
Miscellaneous revenues	48,500	76,100	142,394	66,294
Transfers from other funds	277,800	277,800	277,800	-
Amounts Available for Appropriation	<u>10,917,853</u>	<u>10,964,993</u>	<u>11,219,127</u>	<u>254,134</u>
Charges to Appropriations (Outflows):				
Current:				
General government	619,670	619,670	563,566	56,104
Public safety	903,443	937,443	928,147	9,296
Public works	853,110	873,110	820,922	52,188
Parks and recreation	74,318	74,318	72,520	1,798
Cemeteries	22,000	35,066	31,079	3,987
Community and social agencies	196,515	198,015	194,251	3,764
Education	4,972,897	4,972,897	4,972,897	-
County tax	1,140,205	1,140,205	1,140,205	-
Unclassified	90,388	90,388	19,711	70,677
Capital outlay	-	353,173	107,916	245,257
Transfers to other funds	859,510	859,510	859,510	-
Total Charges to Appropriations	<u>9,732,056</u>	<u>10,153,795</u>	<u>9,710,724</u>	<u>443,071</u>
Budgetary Fund Balance, June 30	<u>\$ 1,185,797</u>	<u>\$ 811,198</u>	<u>\$ 1,508,403</u>	<u>\$ 697,205</u>
Utilization of assigned fund balance	\$ -	\$ 353,173	\$ -	\$ (353,173)
Utilization of unassigned fund balance	336,574	358,000	-	(358,000)
	<u>\$ 336,574</u>	<u>\$ 711,173</u>	<u>\$ -</u>	<u>\$ (711,173)</u>

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

## Other Supplementary Information

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

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

## TOWN OF MADISON, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Taxes:				
Property taxes	\$ 7,396,410	\$ 7,396,410	\$ 7,470,242	\$ 73,832
Motor vehicle excise	645,000	660,000	766,194	106,194
Boat excise	4,500	4,800	5,615	815
Intergovernmental revenues:				
State revenue sharing	248,950	248,950	267,068	18,118
Homestead exemption	108,401	108,401	108,401	-
Tree growth reimbursement	20,000	18,500	15,315	(3,185)
Veterans' exemption	4,000	4,000	8,126	4,126
Local road assistance	59,876	59,876	59,876	-
BETE reimbursement	460,495	460,495	460,555	60
Other state/federal funds	12,700	11,000	19,170	8,170
Charges for services:				
Town clerk fees/licenses	24,150	24,800	26,253	1,453
Code enforcement/permit fees	5,350	5,350	7,203	1,853
Public safety	2,500	2,500	2,187	(313)
Public works income	44,500	42,224	36,731	(5,493)
Parks and recreation	4,100	4,100	(969)	(5,069)
Cemeteries	6,000	6,000	9,267	3,267
Library	9,250	9,250	9,574	324
Town owned property	6,500	6,500	1,502	(4,998)
Investment income:				
Regular investment income	6,500	15,566	4,252	(11,314)
Other revenues:				
Fees/interest on taxes	38,500	40,500	44,535	4,035
Foreclosure sale	-	-	61,434	61,434
Cable t.v. franchise	-	-	20,037	20,037
Misc. other	10,000	35,600	16,388	(19,212)
Transfers from other funds	277,800	277,800	277,800	-
Amounts Available for Appropriation	<u>\$ 9,395,482</u>	<u>\$ 9,442,622</u>	<u>\$ 9,696,756</u>	<u>\$ 254,134</u>

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

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES</b>					
General government:					
Administration	\$ 537,345	\$ -	\$ 537,345	\$ 449,450	\$ 87,895
Planning board	5,858	-	5,858	5,743	115
Code enforcement	16,228	-	16,228	16,305	(77)
Boards & commissions	19,739	-	19,739	19,067	672
Elections	2,000	-	2,000	1,230	770
Assessing	38,500	-	38,500	51,886	(13,386)
Channel 11	-	-	-	19,885	(19,885)
	<u>619,670</u>	<u>-</u>	<u>619,670</u>	<u>563,566</u>	<u>56,104</u>
Public safety:					
Ambulance	72,825	-	72,825	72,825	-
Police department	481,000	30,000	511,000	508,848	2,152
Fire department	98,140	-	98,140	95,197	2,943
Fire grant	-	-	-	1,250	(1,250)
Animal control officer	9,270	-	9,270	568	8,702
Street lights	55,000	4,000	59,000	62,251	(3,251)
Hydrants	187,208	-	187,208	187,208	-
	<u>903,443</u>	<u>34,000</u>	<u>937,443</u>	<u>928,147</u>	<u>9,296</u>
Public works:					
Public areas	65,000	5,000	70,000	64,682	5,318
Waste disposal	212,000	-	212,000	198,788	13,212
General operations	551,610	-	551,610	522,282	29,328
Winter roads	1,000	-	1,000	-	1,000
Summer roads	23,500	15,000	38,500	35,170	3,330
	<u>853,110</u>	<u>20,000</u>	<u>873,110</u>	<u>820,922</u>	<u>52,188</u>

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Parks and recreation:					
Preble Avenue	16,406	-	16,406	13,148	3,258
Recreation	57,912	-	57,912	56,425	1,487
Recreation grant	-	-	-	2,947	(2,947)
	<u>74,318</u>	<u>-</u>	<u>74,318</u>	<u>72,520</u>	<u>1,798</u>
Cemeteries	<u>22,000</u>	<u>13,066</u>	<u>35,066</u>	<u>31,079</u>	<u>3,987</u>
Community and social agencies:					
Community programs	80,485	1,500	81,985	76,992	4,993
Library	102,730	-	102,730	103,976	(1,246)
Service organizations	13,300	-	13,300	13,283	17
	<u>196,515</u>	<u>1,500</u>	<u>198,015</u>	<u>194,251</u>	<u>3,764</u>
Education	<u>4,972,897</u>	<u>-</u>	<u>4,972,897</u>	<u>4,972,897</u>	<u>-</u>
County tax	<u>1,140,205</u>	<u>-</u>	<u>1,140,205</u>	<u>1,140,205</u>	<u>-</u>
Capital outlay:					
Roads	-	289,673	289,673	80,295	209,378
Administration	-	3,500	3,500	170	3,330
Police	-	55,000	55,000	26,215	28,785
Recreation	-	2,500	2,500	-	2,500
Library work	-	2,500	2,500	1,236	1,264
	<u>-</u>	<u>353,173</u>	<u>353,173</u>	<u>107,916</u>	<u>245,257</u>

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified:					
Old Point	18,850	-	18,850	16,245	2,605
Playground	2,500	-	2,500	1,907	593
Rink/Volley	2,050	-	2,050	1,559	491
Overlay	66,988	-	66,988	-	66,988
	<u>90,388</u>	<u>-</u>	<u>90,388</u>	<u>19,711</u>	<u>70,677</u>
Transfers out	<u>859,510</u>	<u>-</u>	<u>859,510</u>	<u>859,510</u>	<u>-</u>
Total Expenditures	<u>\$ 9,732,056</u>	<u>\$ 421,739</u>	<u>\$ 10,153,795</u>	<u>\$ 9,710,724</u>	<u>\$ 443,071</u>

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

## TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 345,784	\$ -	\$ 345,784
Investments	150,825	302,224	453,049
Notes receivable	49,705	-	49,705
Due from other funds	58,341	-	58,341
<b>TOTAL ASSETS</b>	<u><u>\$ 604,655</u></u>	<u><u>\$ 302,224</u></u>	<u><u>\$ 906,879</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	2,311	-	2,311
<b>TOTAL LIABILITIES</b>	<u><u>2,311</u></u>	<u><u>-</u></u>	<u><u>2,311</u></u>
<b>FUND BALANCES</b>			
Nonspendable	49,705	28,046	77,751
Restricted	552,639	274,178	826,817
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<u><u>602,344</u></u>	<u><u>302,224</u></u>	<u><u>904,568</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 604,655</u></u>	<u><u>\$ 302,224</u></u>	<u><u>\$ 906,879</u></u>

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

## TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Investment income, net of unrealized gains/(losses)	\$ 2,711	\$ 18,939	\$ 21,650
Other	25,197	6,294	31,491
<b>TOTAL REVENUES</b>	<u>27,908</u>	<u>25,233</u>	<u>53,141</u>
<b>EXPENDITURES</b>			
Program expenses	697,983	10,817	708,800
<b>TOTAL EXPENDITURES</b>	<u>697,983</u>	<u>10,817</u>	<u>708,800</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(670,075)</u>	<u>14,416</u>	<u>(655,659)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	859,510	-	859,510
Transfers (out)	(277,800)	-	(277,800)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>581,710</u>	<u>-</u>	<u>581,710</u>
<b>NET CHANGE IN FUND BALANCES</b>	(88,365)	14,416	(73,949)
<b>FUND BALANCES - JULY 1, RESTATED</b>	<u>690,709</u>	<u>287,808</u>	<u>978,517</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 602,344</u>	<u>\$ 302,224</u>	<u>\$ 904,568</u>

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

## Special Revenue Funds

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

TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016

	Public Library Expendable Trust Fund	Dorothy Brown Expendable Trust Fund	Backyard Farms Capture & Retain TIF	Backyard Farms Capture & Return TIF	Revolving Loan Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,611	\$ 2,311	\$ 335,837	\$ 25	\$ -	\$ 345,784
Investments	64,896	85,929	-	-	-	150,825
Notes receivable	-	-	-	-	49,705	49,705
Due from other funds	-	-	-	-	58,341	58,341
<b>TOTAL ASSETS</b>	<u>\$ 72,507</u>	<u>\$ 88,240</u>	<u>\$ 335,837</u>	<u>\$ 25</u>	<u>\$ 108,046</u>	<u>\$ 604,655</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	2,311	-	-	-	2,311
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>2,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,311</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	49,705	49,705
Restricted	72,507	85,929	335,837	25	58,341	552,639
<b>TOTAL FUND BALANCES</b>	<u>72,507</u>	<u>85,929</u>	<u>335,837</u>	<u>25</u>	<u>108,046</u>	<u>602,344</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 72,507</u>	<u>\$ 88,240</u>	<u>\$ 335,837</u>	<u>\$ 25</u>	<u>\$ 108,046</u>	<u>\$ 604,655</u>

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

## TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Public Library Expendable Trust Fund	Dorothy Brown Expendable Trust Fund	Backyard Farms Capture & Retain TIF	Backyard Farms Capture & Return TIF	Revolving Loan Fund	Total
<b>REVENUES</b>						
Investment income, net of unrealized gains/(losses)	\$ 549	\$ 950	\$ 1,190	\$ 22	\$ -	\$ 2,711
Other	22,541	-	370	-	2,286	25,197
<b>TOTAL REVENUES</b>	<u>23,090</u>	<u>950</u>	<u>1,560</u>	<u>22</u>	<u>2,286</u>	<u>27,908</u>
<b>EXPENDITURES</b>						
Program expenditures	16,043	2,311	549,444	130,185	-	697,983
<b>TOTAL EXPENDITURES</b>	<u>16,043</u>	<u>2,311</u>	<u>549,444</u>	<u>130,185</u>	<u>-</u>	<u>697,983</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>7,047</u>	<u>(1,361)</u>	<u>(547,884)</u>	<u>(130,163)</u>	<u>2,286</u>	<u>(670,075)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	451,615	407,895	-	859,510
Transfers (out)	-	-	-	(277,800)	-	(277,800)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>451,615</u>	<u>130,095</u>	<u>-</u>	<u>581,710</u>
<b>NET CHANGE IN FUND BALANCES</b>	7,047	(1,361)	(96,269)	(68)	2,286	(88,365)
<b>FUND BALANCES - JULY 1, RESTATED</b>	<u>65,460</u>	<u>87,290</u>	<u>432,106</u>	<u>93</u>	<u>105,760</u>	<u>690,709</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 72,507</u>	<u>\$ 85,929</u>	<u>\$ 335,837</u>	<u>\$ 25</u>	<u>\$ 108,046</u>	<u>\$ 602,344</u>

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

## Permanent Funds

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

## TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS  
JUNE 30, 2016

	<u>Cemetery</u>	<u>Jacobs Scholarship</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	295,113	7,111	302,224
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 295,113</u>	<u>\$ 7,111</u>	<u>\$ 302,224</u>
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	23,046	5,000	28,046
Restricted	272,067	2,111	274,178
<b>TOTAL FUND BALANCES</b>	<u>295,113</u>	<u>7,111</u>	<u>302,224</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 295,113</u>	<u>\$ 7,111</u>	<u>\$ 302,224</u>

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

## TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Cemetery</u>	<u>Jacobs Scholarship</u>	<u>Total</u>
REVENUES			
Investment income, net of unrealized gains/(losses)	\$ 18,643	\$ 296	\$ 18,939
Other	6,294	-	6,294
TOTAL REVENUES	<u>24,937</u>	<u>296</u>	<u>25,233</u>
EXPENDITURES			
Other	10,567	250	10,817
TOTAL EXPENDITURES	<u>10,567</u>	<u>250</u>	<u>10,817</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,370</u>	<u>46</u>	<u>14,416</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	14,370	46	14,416
FUND BALANCES - JULY 1	<u>280,743</u>	<u>7,065</u>	<u>287,808</u>
FUND BALANCES - JUNE 30	<u><u>\$ 295,113</u></u>	<u><u>\$ 7,111</u></u>	<u><u>\$ 302,224</u></u>

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

## General Capital Assets

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

## TOWN OF MADISON, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
General government	\$ 292,910	\$ 914,559	\$ 53,714	\$ -	\$ 1,261,183
Public safety	20,000	158,760	1,064,456	-	1,243,216
Public works	7,500	132,664	1,526,314	6,705,428	8,371,906
Recreation	655,759	9,600	-	-	665,359
Total General Capital Assets	976,169	1,215,583	2,644,484	6,705,428	11,541,664
Less: Accumulated Depreciation	-	(404,322)	(1,850,784)	(3,292,256)	(5,547,362)
Net General Capital Assets	\$ 976,169	\$ 811,261	\$ 793,700	\$ 3,413,172	\$ 5,994,302

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

## TOWN OF MADISON, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2016

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
General government	\$ 1,261,183	\$ -	\$ -	\$ 1,261,183
Public safety	1,217,001	26,215	-	1,243,216
Public works	8,291,611	80,295	-	8,371,906
Recreation	665,359	-	-	665,359
Total General Capital Assets	11,435,154	106,510	-	11,541,664
Less: Accumulated Depreciation	<u>(5,273,734)</u>	<u>(273,628)</u>	-	<u>(5,547,362)</u>
Net General Capital Assets	<u>\$ 6,161,420</u>	<u>\$ (167,118)</u>	<u>\$ -</u>	<u>\$ 5,994,302</u>

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



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Selectboard  
Town of Madison  
Madison, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Madison, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Madison, Maine's basic financial statements, and have issued our report thereon dated October 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Madison, 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 Madison, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Madison, 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.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Madison, 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*.

#### 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.

*RHR Smith & Company*

Buxton, Maine  
October 17, 2016