

TOWN OF ST. AGATHA, MAINE

ANNUAL FINANCIAL REPORT
with Independent Auditors Report

For the Year Ending June 30, 2014

TOWN OF ST. AGATHA, MAINE

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014

Table of Contents

	Statement
Independent Auditors Report	
Management's Discussion and Analysis	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenses and Changes in Fund Balances - Governmental Funds	4
Reconciliation of Change in Fund Balances to Statement of Activities	5
Statement of Net Position - Proprietary Fund	6
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	7
Statement of Cash Flows - Proprietary Fund	8
Notes to the Financial Statements	
	Schedule
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	1
Reports Required for Single Audit Act	

KEEL J. HOOD

Certified Public Accountant

PO Box 302 - Fairfield, Maine 04937 - (207)453-2006

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

Town Council
Town of St. Agatha, Maine
St. Agatha, Maine

I have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Town of St. Agatha, Maine as of and for the year ended June 30, 2014, which collectively comprise Town of St. Agatha, Maine's basic financial statements and have issued my report thereon dated October 7, 2014. I conducted my audits 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.

Internal Control over Financial Reporting

In planning and performing my audits, I considered Town of St. Agatha, Maine's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of St. Agatha, Maine's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Town of St. Agatha, Maine's internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of St. Agatha, Maine's financial statements are free of material misstatement, I 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 my audits, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Selectmen, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 7, 2014

KEEL J. HOOD

Certified Public Accountant

2 Burns Street - Fairfield, Maine 04937 - (207)453-2007

INDEPENDENT AUDITORS REPORT

Board of Selectmen
Town of St. Agatha
St. Agatha, Maine

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the major fund and the aggregate remaining fund information of St. Agatha, Maine, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit 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. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information and the major fund of the St. Agatha, Maine as of June 30, 2014, and the respective changes in financial position, and where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information

Management has omitted Management's Discussion & Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion of the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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. I 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtain during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 7, 2014, on my consideration of St. Agatha, Maine's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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* and should be considered in assessing the results of my audit.

TOWN OF ST. AGATHA, MAINE
Statement of Net Position
June 30, 2014

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 1,380,041	\$ 89,283	\$ 1,469,324
Receivables			
Taxes	61,878		61,878
Liens	15,111		15,111
Other governments	4,810		4,810
Accounts		20,122	20,122
Internal balances	9,156	(9,156)	0
Total Current Assets	<u>1,470,996</u>	<u>100,249</u>	<u>1,571,245</u>
Noncurrent Assets:			
Capital assets, net	1,393,772	8,993,343	10,387,115
Total Noncurrent Assets	<u>1,393,772</u>	<u>8,993,343</u>	<u>10,387,115</u>
Total Assets	<u>2,864,768</u>	<u>9,093,592</u>	<u>11,958,360</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	17,107		17,107
Accrued interest		11,458	11,458
Notes due within one year	22,042		22,042
Bonds due within one year	8,750	34,263	43,013
Total Current Liabilities	<u>47,899</u>	<u>45,721</u>	<u>93,620</u>
Noncurrent Liabilities:			
Notes due in more than one year	76,327		76,327
Bonds due in more than one year		1,530,651	1,530,651
Total Noncurrent Liabilities	<u>76,327</u>	<u>1,530,651</u>	<u>1,606,978</u>
Total Liabilities	<u>124,226</u>	<u>1,576,372</u>	<u>1,700,598</u>
NET POSITION			
Invested in capital assets, net of related debt	1,286,653	7,428,429	8,715,082
Unrestricted	1,453,889	89,691	1,543,580
Total net position	<u>\$ 2,740,542</u>	<u>\$ 7,518,120</u>	<u>\$ 10,258,662</u>

TOWN OF ST. AGATHA, MAINE
Statement of Activities
For the Year Ended June 30, 2014

Statement 2

Function/Programs	Program Revenues				Net (Expense) Revenues
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	
Governmental activities:	\$				
General government	175,401	14,285			(161,116)
Public safety	53,994	2,415			(51,579)
Public works	350,085	17,886	29,876		(302,323)
Health and sanitation	122,368		126,882		4,514
Leisure services	209,925	34,009			(175,916)
Social services	15,114		1,712		(13,402)
Special assessments	501,848				(501,848)
Debt service	25,162				(25,162)
Capital outlay	700				(700)
Total governmental activities	1,454,597	68,595	158,470	0	(1,227,532)
Business type activities:					
Sewer	231,867	168,100		1,017,024	953,257
Total business type activities	231,867	168,100	0	1,017,024	953,257
Total	1,686,464	236,695	158,470	1,017,024	(274,275)

Changes in Net position:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net (expense) / revenue	(1,227,532)	953,257	(274,275)
General revenues:			
General property taxation			
Property taxes	914,701		914,701
Excise taxes	259,243		259,243
Interest and costs on taxes	10,344		10,344
Intergovernmental			
State revenue sharing	33,673		33,673
Homestead exemption	19,240		19,240
Snowmobile grant	26,765		26,765
Tree growth	734		734
Veterans exemption	532		532
BETE	21,039		21,039
Interest			
Interest income	764	2,156	2,920
Miscellaneous			
Miscellaneous	4,069		4,069
Transfer in out	(15,827)		
Total general revenues	1,275,277	2,156	1,293,260
Change in Net position	47,745	955,413	1,003,158
Net position - beginning	2,692,797	6,562,707	9,255,504
Net position - ending	2,740,542	7,518,120	10,258,662

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF ST. AGATHA, MAINE
Balance Sheet
Governmental Funds
June 30, 2014

Statement 3

ASSETS	General Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 1,380,041	\$	\$ 1,380,041
Receivables			
Taxes	61,878		61,878
Liens	15,111		15,111
Other governments	4,810		4,810
Due from other funds	50,849	(41,693)	9,156
Total Assets	<u>1,512,689</u>	<u>(41,693)</u>	<u>1,470,996</u>
LIABILITIES			
Accounts payable	17,107		17,107
Deferred property taxes			0
Total Liabilities	<u>17,107</u>	<u>0</u>	<u>17,107</u>
UNEARNED REVENUE			
Unearned property taxes	65,000		65,000
Total Liabilities and Unearned Revenue	<u>82,107</u>	<u>0</u>	<u>82,107</u>
FUND BALANCES			
Fund Balances			
Committed for Capital purchases	542,833		542,833
Assigned revenues	1,730		1,730
Unassigned	886,019	(41,693)	844,326
Total Fund Equity	<u>1,430,582</u>	<u>(41,693)</u>	<u>1,388,889</u>
Total Liabilities and Fund Equity	<u>\$ 1,512,689</u>	<u>\$ (41,693)</u>	<u>\$</u>

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.

1,393,772

Other long-term assets are not available to pay for current-periods expenditures and therefore are deferred in the funds.

65,000

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.

 Notes payable

(98,369)

 Bonds payable

(8,750)

Net position of governmental activities

\$ 2,740,542

TOWN OF ST. AGATHA, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 1,165,288	\$	\$ 1,165,288
Intergovernmental	133,572	126,882	260,454
Interest	764		764
Charges for services	68,594		68,594
Miscellaneous	3,719	350	4,069
Total Revenues	<u>1,371,937</u>	<u>127,232</u>	<u>1,499,169</u>
Expenditures:			
Current:			
General government	173,330		173,330
Public safety	45,398		45,398
Public works	238,074		238,074
Health and sanitation	98,751	23,617	122,368
Leisure services	55,757	146,854	202,611
Social services	15,114		15,114
Special assessments	517,674		517,674
Unclassified			0
Debt service	38,950		38,950
Capital outlay	700		700
Total Expenditures	<u>1,183,748</u>	<u>170,471</u>	<u>1,354,219</u>
Excess of Revenues Over			
(Under) Expenditures	<u>188,189</u>	<u>(43,239)</u>	<u>144,950</u>
Excess of Revenues Over (Under)			
Expenditures and Other Financing			
Sources (Uses)	188,189	(43,239)	144,950
Fund Balances - beginning	1,242,393	1,546	1,243,939
Fund Balances - ending	<u>\$ 1,430,582</u>	<u>\$ (41,693)</u>	<u>\$ 1,388,889</u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF ST. AGATHA, 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, 2014

Net change in fund balances - total governmental funds	\$	144,950
<hr style="width: 100%;"/>		
Amounts reported for governmental activities in the Statement of Activities are different because:		

Government funds report capital outlays as expenditures.
 While governmental activities report depreciation
 expense to allocate those expenditures over the
 life of the assets:

Depreciation expense		(129,992)
Capital asset purchases capitalized		

Repayment of debt principal is an expenditure in the
 governmental funds, ut the repayment reduces long-term
 liabilities in the Statement of Net Position:

Capital lease obligation principal payments		
Capital note obligation principal payments		5,037
Capital bond obligation principal payments		8,750

Revenues in the Statement of Activities that do not
 provide current financial resources are not reported as
 Revenues in the funds:

Deferred property tax revenue		19,000
-------------------------------	--	--------

Change in Net position of Governmental Activities	\$	47,745
<hr style="width: 100%;"/>		

TOWN OF ST. AGATHA, MAINE

Statement of Net Position

Proprietary Fund

June 30, 2014

ASSETS	Enterprise Sewer	Total
Current assets:		
Cash	\$ 89,283	\$ 89,283
Receivables:		
Liens	21,022	21,022
Internal balances	(9,156)	(9,156)
Total current assets	<u>101,149</u>	<u>101,149</u>
Noncurrent assets:		
Capital assets (net)	8,993,343	8,993,343
Total Assets	<u>9,094,492</u>	<u>9,094,492</u>
LIABILITIES		
Current liabilities:		
Accrued interest	11,458	11,458
Notes payable	13,894	13,894
Bond payable due in one year	69,568	69,568
Total current liabilities	<u>94,920</u>	<u>94,920</u>
Noncurrent liabilities:		
Notes payable in more than one year	520,987	520,987
Bonds payable in more than one year	960,465	960,465
Total noncurrent liabilities	<u>1,481,452</u>	<u>1,481,452</u>
Total Liabilities	<u>1,576,372</u>	<u>1,576,372</u>
NET POSITION		
Investment in capital assets, net of related debt	7,428,429	7,428,429
Unrestricted	89,691	89,691
Total net position	<u>\$ 7,518,120</u>	<u>\$ 7,518,120</u>

TOWN OF ST. AGATHA, MAINE
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	<u>Enterprise Fund Sewer</u>	<u>Total</u>
Operating Revenues:		
Charges for services	\$ 166,025	\$ 166,025
Other income	2,075	2,075
Total Operating Revenues	<u>168,100</u>	<u>166,025</u>
Operating Expenses:		
Administration	29,654	29,654
Utilities	34,854	34,854
Professional fees	3,008	3,008
Repairs and maintenance	8,003	8,003
Testing	425	425
Depreciation	148,982	148,982
Total Operating Expenses	<u>224,926</u>	<u>224,926</u>
Operating Income (Loss)	<u>(56,826)</u>	<u>(58,901)</u>
Nonoperating Revenues (Expenses):		
Interest on charges	2,156	2,156
Interest expense	(6,941)	(6,941)
Net Nonoperating Revenues (Expenses)	<u>(4,785)</u>	<u>(4,785)</u>
Capital Contributions:		
Governmental grants	<u>1,017,024</u>	<u>1,017,024</u>
Change in net position	955,413	953,338
Net position - beginning	6,562,707	6,562,707
Net position - ending	<u>\$ 7,518,120</u>	<u>\$ 7,516,045</u>

TOWN OF ST. AGATHA, MAINE
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

	<u>Enterprise Fund Sewer</u>	<u>Total</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 166,835	\$ 166,835
Payments to suppliers	(75,944)	(75,944)
Interfund use of services	366,963	366,963
Net Increase in Cash from Operating Activities	<u>457,854</u>	<u>457,854</u>
Cash Flows from Capital and Related Financing Activities:		
Retirement of debt	(82,270)	(82,270)
Interest expense	(7,376)	(7,376)
Acquisition of fixed assets	(1,385,079)	(1,385,079)
Net Decrease in Cash from Capital and Related Financing Activities	<u>(1,474,725)</u>	<u>(1,474,725)</u>
Cash Flows from Non capital Financing Activities:		
Governmental grants	1,017,024	1,017,024
Net Increase in Cash from Investing Activities	<u>1,017,024</u>	<u>1,017,024</u>
Net Increase (Decrease) in Cash	153	153
Cash Balance - beginning	89,130	89,130
Cash Balance - ending	<u>\$ 89,283</u>	<u>\$ 89,283</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (56,826)	\$ (56,826)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	148,982	148,982
Non utility billing	2,156	2,156
Decrease (Increase) in receivables	(3,421)	(3,421)
Increase (Decrease) in internal balances	366,963	366,963
Net Cash Provided by operating activities	<u>\$ 457,854</u>	<u>\$ 457,854</u>

TOWN OF ST. AGATHA, MAINE
Notes to Combined Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

The Town of St. Agatha was incorporated under the laws of the State of Maine. The Town operates under the Town Manager/Town Meeting form of government.

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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. **Reporting Entity**

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit is made by applying the criteria set forth in GAAP which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

B. **Government-wide Financial Statements**

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

1. Summary of Significant Accounting Policies, continued

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

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

Licenses, permits, fees, excise taxes and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Interest income and charges for services are recorded as revenues when earned, since they are measurable and available.

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

1. Summary of Significant Accounting Policies, continued

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

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

The Town reports the following major governmental funds:

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

The Other Governmental funds account for the activity of several grant projects.

Additionally, the Town reports the following fund types:

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

1. Summary of Significant Accounting Policies, continued

D. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives ranging from 3 to 50 years.

E. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, if material, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

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

F. Fund Equity

Restricted fund equity is the portion of funds donated or granted to the town and limited in use. Committed fund balance indicates that a portion of the fund balance is constrained for a specific future use, and is indicated by the title of each purpose listed in the balance sheet. Committed fund balances are voted on at Town Meetings. Assigned fund balances indicate amounts which either are intended to be carried forward by law or contractual agreement, or which the Board of Selectmen has voted to carry forward.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and

1. Summary of Significant Accounting Policies, continued

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits

The Town's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk.

At year end, the Town's carrying amount of deposits was \$1,469,324. The bank balances for all funds totaled \$1,555,302. Custodial credit risk is the risk that, in the event of a bank failure the District's deposits might not be recovered. As of June 30, 2014, all of the Town's deposits were insured or collateralized.

3. Operating Property

Operating and nonoperating property are recorded at cost or, in the case of contributed property, at the fair market value at the date of acquisition. Depreciation is computed on the straight line method based upon the estimated useful lives of the assets as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Sewer Department:				
Land and easements	1,061			1,061
Operating property	4,480,330			4,480,330
Construction in progress	4,968,937	1,385,079		6,354,016
Accumulated Depreciation	(1,693,082)		148,982	(1,842,064)
Total Sewer	<u>\$ 7,757,246</u>	<u>\$ 1,385,079</u>	<u>\$ 148,982</u>	<u>\$ 8,993,343</u>
Governmental Activities:				
Assets not being depreciated				
Land and easements	\$ 12,800			\$ 12,800
Assets being depreciated				
Buildings	267,300			267,300
Equipment	435,691			435,691
Vehicles	500,208			500,208
Infrastructure	3,347,362			3,347,362
	<u>4,563,361</u>	<u>0</u>	<u>0</u>	<u>4,563,361</u>
Less accumulated depreciation				
Buildings	156,894	5,129		162,023
Equipment	200,607	16,546		217,153
Vehicles	314,885	24,633		339,518
Infrastructure	2,367,211	83,684		2,450,895
	<u>3,039,597</u>	<u>129,992</u>	<u>0</u>	<u>3,169,589</u>
Capital Assets, net	<u>\$ 1,523,764</u>	<u>\$ (129,992)</u>	<u>\$ 0</u>	<u>\$ 1,393,772</u>
Depreciation Expense:				
General government	\$ 2,071			
Public safety	8,596			
Leisure services	7,315			
Public works	112,010			
	<u>\$ 129,992</u>			

4. Property Tax

Property taxes for the year were committed on July 20, 2013, on the assessed value listed as of April 1, 2013, for all taxable real and

4. Property Tax, continued

personal property located in the Town. Payment of taxes was due in equal installments on October 31, 2013 and April 30, 2014 with interest at 7% on all tax bills unpaid as of that date. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value. The assessed value for the list of April 1, 2013 upon which the levy for the year ended June 30, 2014, was based, was \$48,742,919. This assessed value was 80% of the estimated market value.

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.

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

5. Long-term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2014:

	Proprietary Fund Type Enterprise Fund	General Long-term Debt
Long-term debt payable at July 1, 2013	\$ 1,647,184	\$ 120,906
Debt Retired	(82,270)	(13,787)
Debt issued		
Long-term debt payable at June 30, 2014	\$ 1,564,914	\$ 107,119
Interest Paid	\$ 10,414	\$ 7,987

Long-term debt payable at June 30, 2014 is comprised of the following:

	Interest rate	Final maturity date	Balance end of year
<u>General Long-term Debt</u>			
2011 Municipal note	5.3%	2020	\$ 39,160
2006 Municipal note	5.17%	2014	8,750
2012 Municipal note	2.99%	2017	59,209
			\$ 107,119
<u>Enterprise Fund</u>			
<u>Sewer</u>			
Maine Municipal Bond Bank	1.0%	2029	591,307
Maine Municipal Bond Bank	4.5%	2026	84,500
Maine Municipal Bond Bank	2.02%	2027	222,230
Maine Municipal Bond Bank	1.86%	2022	131,996
Rural Development	1.88%	2041	534,881
			\$ 1,564,914

5. Long-term Debt, continued

The annual requirement to amortize all long-term debt outstanding as of June 30, 2014 are as follows:

<u>Year</u>	<u>Enterprise Fund</u>		<u>General Long-term Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 83,462	\$ 26,367	\$ 30,792	\$ 4,287
2015	84,674	24,873	45,672	2,992
2016	85,907	23,359	14,919	908
2017	87,162	21,825	17,903	459
2018	88,437	20,249		
2019-2023	445,788	77,156		
2024-2028	378,803	41,098		
2029-2033	145,429	21,708		
2034-2037	115,934	11,226		
2038-2042	49,318	1,390		
Total	\$ 1,564,914	\$ 269,251	\$ 109,286	\$ 8,646

6. Committed

The Town has set aside certain balances for accumulation until expenditure in future years. These accounts were as follows at June 30, 2014:

Economic develop	\$
Payloader reserve	53,995
LRA Reserve	176,353
Community development reserve	35,327
Capital equipment	5,740
Fitness Center	15,934
Community	10,600
Revaluation reserve	69,330
Public works truck	6,049
Econ development reserve	16,874
Ambulance building	38,282
Lawn mower	5,707
Grader	10,321
Sidewalk reserve	17,197
Pickup reserve	60,759
Recreation equipment	20,365
Total	\$ 542,833

7. Unassigned General Fund Fund Equity

The unassigned General Fund fund equity reflected a change for the current year as follows:

Balance - July 1, 2013	\$ 821,996
Increase (Decrease):	
Actual over budgeted revenues	43,210
Actual over budgeted expenditures	47,176
Budgeted utilization	(26,363)
Net Increase (Decrease)	64,023
Balance - June 30, 2014	\$ 886,019

5. Long-term Debt, continued

8. Assigned Revenues and Expenditures

The portion of the General Fund fund equity which has been designated for subsequent year's revenues represents amounts received during the current accounting period that are to be budgeted as revenues in the subsequent year. Historically, the townspeople vote to carry certain departmental unexpended balances forward to the following year for expenditure. This is usually in lieu of additional appropriations in any particular accounts. These accounts, were as follows at June 30, 2014:

<u>Subsequent Years</u>	<u>Revenues</u>
Lake shore permits	\$ 31
Dog shelter	705
Summer Festival	994
Total	<u>\$ 1,730</u>

9. Joint Venture - Northern Aroostook Regional Airport Authority

The Northern Aroostook Regional Airport is owned jointly by its eight member towns. The Town of St. Agatha, Maine owns 8% of the facility. Ownership is based on a formula using population and state valuation figures at the time of inception. Ownership percentage will not always be the same over the life of the joint venture. The Facility is administered by an eight member executive committee each town appoints 1 voting member to serve. No summary is available from the Authority's annual financial report, prepared on the accrual basis for the fiscal year ended December 31, 2014.

TOWN OF ST. AGATHA, MAINE
Budget Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final budget positive (negative)
	<u>Original</u>	<u>Final</u>		
Revenues:	\$	\$	\$	\$
Taxes	1,128,744	1,128,744	1,165,288	36,544
Intergovernmental	76,963	103,729	133,572	29,843
Charges for services	50,174	53,949	68,594	14,645
Interest			764	764
Miscellaneous	750	750	3,719	2,969
Total revenues	<u>1,256,631</u>	<u>1,287,172</u>	<u>1,371,937</u>	<u>84,765</u>
Expenditures:				
Current:				
General government	182,564	182,564	173,330	9,234
Public safety	40,757	40,757	45,398	(4,641)
Public works	238,086	238,086	238,074	12
Health and sanitation	106,720	106,720	98,751	7,969
Leisure services	26,249	56,789	55,757	1,032
Social services	15,114	15,114	15,114	0
Special assessments	525,032	525,032	517,674	7,358
Debt service	38,972	38,972	38,950	22
Capital outlay	109,500	109,500	700	108,800
Total expenditures	<u>1,282,994</u>	<u>1,313,534</u>	<u>1,183,748</u>	<u>129,786</u>
Excess (deficiency) of revenues over (under) expenditures	(26,363)	(26,362)	188,189	214,551
Excess (deficiency) of revenues over under other financing uses	(26,363)	(26,362)	188,189	214,551
Fund Balance - beginning	1,242,393	1,242,393	1,242,393	0
Fund Balance - ending	<u>\$ 1,216,030</u>	<u>\$ 1,216,031</u>	<u>\$ 1,430,582</u>	<u>\$ 214,551</u>

Town of St. Agatha
P.O. Box 110
St. Agatha, ME 04772

Keel J Hood, CPA
PO Box 302
Fairfield ME 04937

This representation letter is provided in connection with your audit(s) of the financial statements of Town of St. Agatha, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the year, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

I confirm, to the best of my knowledge and belief, as of October 7, 2014 the following representations made to you during your audit.

1. I have fulfilled my responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. I acknowledge my responsibility for 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.
4. I acknowledge my responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions I used in making accounting estimates are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements, if any, is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Town of St. Agatha is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. I have provided you with:
 - a. Access to all information, of which I am aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
 - b. Additional information that you have requested from me for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of Town of St. Agatha or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. I have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
15. I have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
16. I have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. I have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. I have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government --specific

19. I have made available to you all financial records and related data.
20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. I have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. The Town of St. Agatha has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
23. I am responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to me, including tax or debt limits and debt contracts; and I have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that I believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
24. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any

related debt covenants whose affects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

25. As part of your audit, you assisted with the preparation of the financial statements and related notes. I have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. I have reviewed, approved, and accepted responsibility for those financial statements and related notes.
26. Town of St. Agatha has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. Town of St. Agatha has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
28. I have followed all applicable laws and regulations in adopting, approving, and amending budgets.
29. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
30. The financial statements properly classify all funds and activities.
31. All funds that meet the quantitative criteria in GAABS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statements users.
32. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
33. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
35. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.
36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
37. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
38. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
39. I have appropriately disclosed Town of St. Agatha's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
40. I acknowledge my responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
41. With respect to federal award programs:
 - a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 310.b. The methods of measurement or presentation

of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to OMB circular A-133, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.

- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133
- w. We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signature: Christy Lewis Signature: _____
Title: Town Manager Title: _____