

# TOWN OF STOW

STOW, MAINE

## **FINANCIAL AUDIT REPORT**

**DECEMBER 31, 2016**

**TOWN OF STOW  
STOW, MAINE  
DECEMBER 31, 2016**

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*A Professional Association*

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## **REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

### **Independent Auditors' Report**

Board of Selectmen and Treasurer  
TOWN OF STOW  
Stow, Maine

We have audited the accompanying financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the financial statements, of the Town of Stow, Maine as of and for the year ended December 31, 2016, as listed in the table of contents, and the related notes to the financial statements.

### **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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and remaining fund information of the Town of Stow and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matter**

Management has omitted Management's Discussion and Analysis (MD&A) 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. Our opinion on the basic financial statements is not affected by this missing information.



**SMITH & ASSOCIATES, CPAs**  
**A Professional Association**

**Yarmouth, Maine**  
**March 7, 2017**

**TOWN OF STOW  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 181,217
Taxes Receivable	68,427
Tax Liens Receivable	14,733
Capital Assets, Net of Accumulated Depreciation	<u>109,203</u>
<b>Total Assets</b>	<b><u>\$ 373,580</u></b>
<b>Deferred Outflow of Resources</b>	<b><u>\$ 0</u></b>
<b>Liabilities</b>	
Accounts Payable	\$ 4,178
Prepaid Taxes	2
Short-Term Bond Payable	<u>45,144</u>
<b>Total Liabilities</b>	<b><u>\$ 49,324</u></b>
<b>Deferred Inflow of Resources</b>	<b><u>\$ 0</u></b>
<b>Net Position</b>	
<i>Net Investment in Capital Assets</i>	\$ 64,059
<i>Restricted for:</i>	
Permanent Funds, Non-Expendable	4,769
<i>Unrestricted</i>	<u>255,428</u>
<b>Total Net Position</b>	<b><u>\$ 324,256</u></b>

The Notes to the Financial Statements are an Integral Part of This Statement.

**EXHIBIT II**

**TOWN OF STOW  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General Government	\$ 77,296	\$ 4,464	\$ 0	\$ (72,832)
Public Works	124,804	0	9,576	(115,228)
Public Safety	14,017	0	0	(14,017)
Health and Sanitation	37,842	0	0	(37,842)
Welfare and Community Agencies	4,199	0	0	(4,199)
Culture and Recreation	3,650	0	915	(2,735)
Education	480,439	0	0	(480,439)
Interest Expense	3,610	0	0	(3,610)
Fixed Charges	38,761	0	0	(38,761)
Depreciation - Unallocated	<u>2,643</u>	<u>0</u>	<u>0</u>	<u>(2,643)</u>
<b>Total Primary Government</b>	<b>\$ 787,261</b>	<b>\$ 4,464</b>	<b>\$ 10,491</b>	<b>\$ (772,306)</b>
<b>General Revenues</b>				
Property and Other Taxes				\$ 685,385
Grants and Contributions not Restricted to Special Programs				43,902
Unrestricted Investment Earnings				<u>179</u>
<b>Total General Revenues</b>				<b>\$ 729,466</b>
<b>Special Item</b>				
Sale of Tree Stumpage				<u>\$ 21,065</u>
<b>Changes in Net Position</b>				<b>\$ (21,775)</b>
<b>Net Position – January 1, 2016</b>				<u>346,031</u>
<b>Net Position – December 31, 2016</b>				<u>\$ 324,256</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**EXHIBIT III**

**TOWN OF STOW  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	General Fund	Capital Projects Sand/Salt Shed	Other Governmental Funds	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 176,948	\$ 0	\$ 4,269	\$ 181,217
Taxes Receivable	68,427	0	0	68,427
Tax Liens Receivable	14,733	0	0	14,733
Due From Other Funds	<u>0</u>	<u>21,377</u>	<u>12,400</u>	<u>33,777</u>
<b>Total Assets</b>	<b>\$ 260,108</b>	<b>\$ 21,377</b>	<b>\$ 16,669</b>	<b>\$ 298,154</b>
<b>Deferred Outflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 260,108</u></b>	<b><u>\$ 21,377</u></b>	<b><u>\$ 16,669</u></b>	<b><u>\$ 298,154</u></b>
<b>Liabilities</b>				
Accounts Payable	\$ 4,174	\$ 0	\$ 0	\$ 4,174
Notes Payable	0	45,144	0	45,144
Due To Other Funds	<u>33,777</u>	<u>0</u>	<u>0</u>	<u>33,777</u>
<b>Total Liabilities</b>	<b><u>\$ 37,951</u></b>	<b><u>\$ 45,144</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 83,095</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>\$ 72,052</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 72,052</u></b>
<b>Fund Balance</b>				
<i>Reserved, Reported In:</i>				
<i>Nonspendable</i>				
Permanent Funds – Non-Expendable	\$ 0	\$ 0	\$ 4,769	\$ 4,769
<i>Restricted</i>				
<i>Committed</i>				
Capital Projects	0	0	5,187	5,187
<i>Unreserved, Reported In:</i>				
<i>Assigned</i>				
Special Revenue Funds	0	0	6,713	6,713
General Fund, Designated	35,231	0	0	35,231
<i>Unassigned</i>				
Capital Projects	0	(23,767)	0	(23,767)
General Fund	<u>114,874</u>	<u>0</u>	<u>0</u>	<u>114,874</u>
<b>Total Fund Balance</b>	<b><u>\$ 150,105</u></b>	<b><u>\$ (23,767)</u></b>	<b><u>\$ 16,669</u></b>	<b><u>\$ 143,007</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b><u>\$ 260,108</u></b>	<b><u>\$ 21,377</u></b>	<b><u>\$ 16,669</u></b>	<b><u>\$ 298,154</u></b>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF STOW  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

<b>Total Fund Balance – Total Governmental Funds</b>	\$ 143,007
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Capital Assets Used in Governmental Activities are Not Current Financial Resources and Therefore are Not Reported in the Governmental Funds Balance Sheet.	109,202
Unavailable Property Tax Revenues are Not Available to Pay for Current Period Expenditures and, Therefore, are Deferred Inflows of Resources.	52,500
Deferred Intergovernmental Revenues Reported in the Governmental Funds Meet the Criteria for Revenues Under Accrual Accounting.	<u>19,547</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 324,256</u></b>

The Notes to the Financial Statements are an Integral Part of This Statement.



**EXHIBIT V**

**TOWN OF STOW**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Capital Project Sand/Salt Shed	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 685,385	\$ 0	\$ 0	\$ 685,385
Intergovernmental	53,479	0	0	53,479
Licenses, Permits and Fees	1,882	0	0	1,882
Investment Income	179	0	0	179
Miscellaneous	<u>2,582</u>	<u>0</u>	<u>916</u>	<u>3,498</u>
<b>Total Revenues</b>	<u>\$ 743,507</u>	<u>\$ 0</u>	<u>\$ 916</u>	<u>\$ 744,423</u>
<b>Expenditures</b>				
<i>Current</i>				
General Government	\$ 77,296	\$ 0	\$ 0	\$ 77,296
Public Works	116,464	5,976	2,364	124,804
Public Safety	14,017	0	0	14,017
Health and Sanitation	37,842	0	0	37,842
Welfare and Community Agencies	2,495	0	1,704	4,199
Culture and Recreation	1,650	0	2,000	3,650
Education	480,439	0	0	480,439
Debt Service	3,610	0	0	3,610
Fixed Charges	38,761	0	0	38,761
<i>Capital Outlay</i>	<u>0</u>	<u>43,856</u>	<u>0</u>	<u>43,856</u>
<b>Total Expenditures</b>	<u>\$ 772,574</u>	<u>\$ 49,832</u>	<u>\$ 6,068</u>	<u>\$ 828,474</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	\$ (29,067)	\$ (49,832)	\$ (5,152)	\$ (84,051)
<b>Special Items</b>				
Sale of Tree Stumpage	<u>0</u>	<u>21,065</u>	<u>0</u>	<u>21,065</u>
<b>Net Change in Fund Balance</b>	\$ (29,067)	\$ (28,767)	\$ (5,152)	\$ (62,986)
<b>Fund Balance – January 1, 2016</b>	<u>179,172</u>	<u>5,000</u>	<u>21,821</u>	<u>205,993</u>
<b>Fund Balance – December 31, 2016</b>	<u>\$ 150,105</u>	<u>\$ (23,767)</u>	<u>\$ 16,669</u>	<u>\$ 143,007</u>

The Notes to the Financial Statements are an Integral Part of This Statement

**TOWN OF STOW  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Net Change In Fund Balance – Total Governmental Funds** \$ (62,986)

**Amounts Reported for Governmental Activities in the  
Statement of Net Position are Different Because:**

Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets is Allocated over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount of Capital Assets Recorded in the Current Period. 43,856

Depreciation Expense on Capital Assets is Reported in the Government-Wide Statement of Activities and Changes in Net Assets, But They Do Not Require the Use of Current Financial Resources. Therefore, Depreciation Expense is Not Reported as Expenditure in Governmental Funds. (2,645)

Some Property Tax will not be Collected for Several Months After the Town’s Fiscal Year End; They are not Considered Current Financial Resources in the Governmental Funds. This Amount is the Net Effect of the Differences. 0

The Change in Deferred Intergovernmental Revenues for the Period in the Governmental Funds Compared to the Full Accrual Treatment in the Statement of Activities. 0

**Change in Net Position of Governmental Activities** \$ (21,775)

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF STOW  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 612,042	\$ 612,042	\$ 685,385	\$ 73,343
Intergovernmental	40,596	40,596	53,479	12,883
Licenses, Permits and Fees	0	0	1,882	1,882
Investment Income	0	0	179	179
Miscellaneous	<u>0</u>	<u>0</u>	<u>2,582</u>	<u>2,582</u>
<b>Total Revenues</b>	<b><u>\$ 652,638</u></b>	<b><u>\$ 652,638</u></b>	<b><u>\$ 743,507</u></b>	<b><u>\$ 90,869</u></b>
<b>Expenditures</b>				
<i>Current</i>				
General Government	\$ 74,000	\$ 74,000	\$ 77,296	\$ (3,296)
Public Works	123,750	123,750	116,464	7,286
Public Safety	14,017	14,017	14,017	0
Health and Sanitation	38,000	38,000	37,842	158
Welfare and Community Agencies	4,495	4,495	2,495	2,000
Culture and Recreation	1,650	1,650	1,650	0
Education	480,439	480,439	480,439	0
Debt Service	3,610	3,610	3,610	0
Fixed Charges	<u>61,811</u>	<u>61,811</u>	<u>38,761</u>	<u>23,050</u>
<b>Total Expenditures</b>	<b><u>\$ 801,772</u></b>	<b><u>\$ 801,772</u></b>	<b><u>\$ 772,574</u></b>	<b><u>\$ 29,198</u></b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b><u>\$ (149,134)</u></b>	<b><u>\$ (149,134)</u></b>	<b><u>\$ (29,067)</u></b>	<b><u>\$ 120,067</u></b>
<b>Net Change in Fund Balance</b>	<b>\$ (149,134)</b>	<b>\$ (149,134)</b>	<b>\$ (29,067)</b>	<b>\$ 120,067</b>
<b>Fund Balance – January 1, 2016</b>	<b><u>179,172</u></b>	<b><u>179,172</u></b>	<b><u>179,172</u></b>	<b><u>0</u></b>
<b>Fund Balance – December 31, 2016</b>	<b><u>\$ 30,038</u></b>	<b><u>\$ 30,038</u></b>	<b><u>\$ 150,105</u></b>	<b><u>\$ 120,067</u></b>

The Notes to the Financial Statements are an Integral Part of This Statement

**TOWN OF STOW**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. – General Statement**

The Town of Stow, Maine was incorporated in 1833 under the laws of the State of Maine and currently operates under a Selectmen-Town Meeting Form of Government.

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations. Management of the Town has elected to omit the MD&A as indicated in the Independent Auditors’ Report.
- Financial statements prepared using full accrual accounting for all of the Town’s activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

**B. – Financial Reporting Entity**

The Town's combined financial statements include the accounts of all Town of Stow operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The Town holds the corporate powers of the organization.
- The Town appoints a voting majority of the organization's board.
- The Town is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Town.

**TOWN OF STOW**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. – Financial Reporting Entity (Continued)**

- There is fiscal dependency by the organization on the Town.

Based on the aforementioned criteria, the Town of Stow has no component units.

**C. – Financial Statements – Government-Wide Statements**

The Town's financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource 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 and 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. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, 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 or a business-type activity. Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc).

**D. – Financial Statements – Fund Financial Statements**

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, 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:

**Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in 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 STOW**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. – Financial Statements – Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

*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.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

*Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either 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

**E. – Measurement Focus/Basis of Accounting**

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

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets.

Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available.

**TOWN OF STOW**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. – Measurement Focus/Basis of Accounting (Continued)**

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all other Governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

**F. – Budgetary Control**

Formal budgetary accounting is employed as a management control for the general fund of the Town of Stow.

The Town of Stow'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 Town is currently preparing budgets under a net budgeting concept, which does not estimate total revenues of the Town. Budgets are not prepared annually for the special revenue funds.

During the fiscal year, the Town over-expended certain budget amounts which will be raised through taxation in the next fiscal year.

**G. – Cash and Cash Equivalents**

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests certain funds in checking, savings accounts or certificates of deposit.

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

- *Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy is to invest in only financial institutions that are insured by the F.D.I.C. or additional insurance. The Town's bank balances were covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.
- *Interest Rate Risk* – The Town does not currently have a deposit policy for interest rate risk.
- *Credit Risk* – The Town does not have a formal policy regarding credit risk. Maine statutes authorized the Town to invest in obligations of the U.S. Treasury and U.S. agencies and certain bonds.
- *Concentration of Credit Risk* – The Town does not have a policy for concentration of credit risk.

**TOWN OF STOW**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. - 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. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Land Improvements	20 Years
Buildings and Improvements	40 Years
Machinery and Equipment	4-10 Years
Vehicles	4-10 Years
Roads	40 Years

The Town of Stow has elected not to retroactively report their major general infrastructure assets.

**I. - Compensated Absences**

The Town of Stow recognizes accumulated sick and annual leave compensation during the period in which the related liability is incurred. In compliance with the Town's personnel policies there was no liability for accrued compensated absence pay at December 31, 2016.

**J. - Interfund Activity**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**K. – Equity Classifications**

**Government-Wide Statements**

Net position represents the differences between assets and liabilities. Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.



**TOWN OF STOW  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. – Equity Classifications**

**Government-Wide Statements**

- Restricted – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
  
- Unrestricted – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Statements**

Governmental fund equity is classified as fund balance. The Town’s fund balances represent: **(1) Nonspendable Fund Balance**, resources that cannot be spent because of legal or contractual provisions that require they be maintained intact. (e.g. the principal of an endowment). **(2) Restricted Purposes**, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; **(3) Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen; **(4) Assigned Purposes**, which includes balances that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. **(5) Unassigned Fund Balance**, net resources in excess of what is properly categorized in one of the four categories already described. A positive amount of unassigned fund balance will never be reported in a governmental fund other than the general fund, because GASB Statement 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund. However, funds other than the general fund could report a negative amount of unassigned fund balance should the total of nonspendable, restricted and committed fund balance exceeds the total net resources of the fund.

**L. – Deferred Outflows and Inflows of Resources**

*Deferred Outflows of Resources* - a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

*Deferred Inflows of Resources* - an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

The GASB emphasizes in GASB No. 63 that deferred inflows and deferred outflows are not assets or liabilities and therefore should be separately categorized in the financial statements.

Per Exhibit I, there were no deferred inflows of resources or deferred outflows of resources at December 31, 2016. Per Exhibit III, the deferred inflows of resources listed at December 31, 2016 for the Town of Stow amounted to \$72,052 of which \$52,500 is deferred taxes and \$19,552 is intergovernmental funds. There was no deferred outflow of resources at December 31, 2016.

**TOWN OF STOW  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. – Use of Estimates**

Preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**N. – Accounts Receivable**

No Accounts Receivable at December 31, 2016 exists. Primarily, accounts receivable would consist of miscellaneous intergovernmental receivables. In addition, there is no allowance for doubtful accounts.

**NOTE 2 – PROPERTY TAXES**

The Town is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. The Town of Stow's property tax is levied on the assessed value listed as of the prior April 1<sup>st</sup> for all taxable real and personal property located in the Town. Assessed values are periodically established by the Assessor at 100% of assumed market value.

The assessed value for the list of April 1, 2016, upon which the levy for the year ended December 31, 2016, was based, amounted to \$53,220,573. This assessed value was 100% of the estimated market value and 115.45% of the 2016 State valuation of \$46,100,000.

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 \$24,104 for the year ended December 31, 2016.

In the fund financial statements, property taxes are recognized in compliance with NCGA Interpretation – 3, *Revenue Recognition – Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. In the government-wide financial statements, property taxes are recognized under the accrual method.

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.

**TOWN OF STOW  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 2 – PROPERTY TAXES (CONTINUED)**

The following summarizes the 2016 levy:

Assessed Value	\$53,220,573
Less Homestead Exemption	<u>(684,750)</u>
Net Assessed Value	\$52,535,823
Tax Rate	<u>11.65</u>
Commitment	\$ 612,042
Supplemental Taxes Assessed	<u>3,873</u>
Sub Total	\$ 615,915
Less:	
Abatements	(954)
Collections	<u>(546,534)</u>
Receivable at Year End	<u>\$ 68,427</u>
Collection Rate	<u>88.74%</u>

Property taxes on personal and real property accounts were due on December 1, 2016. Interest was charged at a rate of 7% on delinquent accounts after those dates.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance <u>January 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Ending Balance <u>December 31</u>
<b>Governmental Activities</b>				
<i>Capital Assets, Not Depreciated</i>				
Land	<u>\$ 19,098</u>	<u>\$ 43,856</u>	<u>\$ 0</u>	<u>\$ 62,954</u>
<i>Capital Assets, Depreciated</i>				
Building and Improvements	\$ 105,714	\$ 0	\$ 0	\$ 105,714
<i>Less: Accumulated Depreciation for</i>				
Building and Improvements	<u>56,822</u>	<u>2,643</u>	<u>0</u>	<u>59,465</u>
Total Capital Assets, Depreciated, Net	<u>\$ 48,892</u>	<u>\$ (2,643)</u>	<u>\$ 0</u>	<u>\$ 46,249</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 67,990</u>	<u>\$ 41,213</u>	<u>\$ 0</u>	<u>\$ 109,203</u>

Depreciation expense has not been charged as a direct expense.

**TOWN OF STOW**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 – INTERFUND ACTIVITY**

Interfund balances at December 31, 2016 consisted of the following:

<b>Due To</b>	
<i>Major Governmental Funds</i>	
Capital Projects – Sand/Salt Shed	\$21,377
<i>Non Major Governmental Funds</i>	
Capital Project Funds	5,187
Special Revenue Funds	6,713
Permanent Funds	<u>500</u>
<b>Total</b>	<u>\$33,777</u>
<b>Due From</b>	
General Fund	<u>\$33,777</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended December 31, 2016 consisted of the following:

<b>Transfer To</b>	
Capital Project Funds	<u>\$0</u>
<b>Transfer From</b>	
General Fund	<u>\$0</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 5 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

There have been no significant reductions in insurance coverages during the fiscal year and no significant settlements that exceeded insurance coverage.

**NOTE 6 – OVERLAPPING DEBT**

The County of Oxford had no debt outstanding at December 31, 2016.

**TOWN OF STOW  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 6 – OVERLAPPING DEBT (CONTINUED)**

The Town's proportionate share of Maine School Administrative District No. 72 debt is not reported in the Town of Stow's financial statements. As of December 31, 2016, the Town's share was 3.58% or (\$693,530) of the District's outstanding debt of \$19,363,268.

**NOTE 7 – FUND BALANCE APPROPRIATIONS**

At the annual Town meeting on March 21, 2016 the Townspeople voted appropriations of general fund balance totaling \$149,134, which is reflected as the excess of budgeted expenditures over budgeted revenues on Exhibit VII. These appropriations were for the following purposes:

General Government	\$ 5,500
Public Works - Highway	96,024
Public Works - Cemeteries	750
Public Safety	1,000
Health and Sanitation	38,000
Welfare and Community Agencies -	2,600
Culture and Recreation	1,650
Debt Service – TAN Interest	<u>3,610</u>
<b>Total</b>	<b><u>\$ 149,134</u></b>

**NOTE 8 – DESIGNATED FUND BALANCE**

Designated fund balance of the general fund at year-end consists of amounts which the Town intends to use for the following purposes:

General Government	\$ 2,460
Public Works	30,460
Health and Sanitation	<u>2,311</u>
<b>Total</b>	<b><u>\$ 35,231</u></b>

Certain of these amounts must be earmarked to conform with State Law and comply with Federal Regulations.

**NOTE 9 – GOVERNMENTAL FUND BALANCES**

The Town of Stow has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments.

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

**TOWN OF STOW  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 9 – GOVERNMENTAL FUND BALANCES (CONTINUED)**

The General Fund unassigned fund balance total of \$114,874 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

As per Exhibit III, a summary of the nature and purpose of these reserves by fund type at December 31, 2016 follows.

<i>Nonspendable</i>	
<b>Permanent Funds</b>	
Cemetery Trust Funds	<u>\$ 4,769</u>
<i>Committed</i>	
<i>Major Fund</i>	
<b>Capital Projects</b>	
Tar Reserve	<u>\$ 5,187</u>
<i>Assigned</i>	
<b>Special Revenues</b>	
Fuel for Neighbors	\$ 3,744
Elderly Tax Relief Fund	2,766
Friends of Lovell Recreation	<u>203</u>
<b>Total</b>	<u>\$ 6,713</u>
<i>Assigned</i>	
<b>General Fund</b>	
Designated	<u>\$ 35,231</u>
<i>Unassigned</i>	
<b>Major Capital Projects</b>	
Sand/Salt Shed	\$ (23,767)
<b>General Fund</b>	<u>114,874</u>
<b>Total</b>	<u>\$ 91,107</u>

**NOTE 10 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. - Budgetary Accounting**

The Town of Stow utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established by the Board of Selectmen must be approved at the Annual Town Meeting.

**TOWN OF STOW  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 10 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. - Excess of Expenditures over Appropriations**

For the year ended December 31, 2016, expenditures did not exceed appropriations. Exhibit VII shows the following overdraft:

General Government	\$ (3,296)
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The carryforwards from the Designated General Fund will be applied to the overdrafts in 2017.

**C. - Deficit Balances**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end.

At December 31, 2016, the Sand/Salt Shed Capital Project Fund has a deficit balance of \$23,761.

**NOTE 11 – TEMPORARY BORROWING**

Since proceeds from interim loans are not considered permanent funding sources, the Town has a deficit fund balance in the Capital Projects Fund. This deficit will be funded through long-term borrowing.

On June 13, 2016, the Town of Stow received a Tax Anticipation Note of \$160,000 at the interest rate of 3.0% from TD Bank. The Town paid this note in full on December 12, 2016 with interest of \$2,685 and legal fees of \$925. At the Annual Town Meeting dated March 19, 2016, Article No. 12 authorized interest to be appropriated from fund balance.

The interim note below was issued by Maine Municipal Bond Bank for the sand/salt shed land. Currently, the Town has an additional \$194,723 available to them through this note; the proceeds of which will be used to build the sand/salt shed. The interim note will mature on or before the first business day after the date on which the Town executes permanent financing to repay the note dated September 2, 2016 or 12 months from the date of the note, whichever is sooner.

<u>Type/Date</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Beginning Balance January 1</u>	<u>Issued Total</u>	<u>Retirement Total</u>	<u>Ending Balance December 31</u>
Interim Loan						
September 2, 2016	Sand/Salt Shed Land	1.00%	\$ 0	\$ 45,144	\$ 0	\$ 45,144
Tax Anticipation Note June 13, 2016	Municipal Purposes	3.00%	0	180,000	(180,000)	0
Bond Anticipation Note June 30, 2016	Sand/Salt Shed Land	1.43%	<u>0</u>	<u>40,000</u>	<u>(40,000)</u>	<u>0</u>
<b>Total</b>			<u>\$ 0</u>	<u>\$ 265,144</u>	<u>\$ (220,000)</u>	<u>\$ 45,144</u>

**TOWN OF STOW  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 12 – DATE OF MANAGEMENT’S REVIEW**

Management has evaluated subsequent events through March 7, 2017, the date on which the financial statements were available to be issued.