

TOWN OF UNITY, MAINE

ANNUAL FINANCIAL REPORT
with Independent Auditors Report

For the Year Ending January 31, 2014

KEEL J. HOOD

Certified Public Accountant

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INDEPENDENT AUDITORS REPORT

February 10, 2014

Board of Selectmen
Town of Unity
Unity, Maine

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Town of Unity, Maine, as of and for the year ended January 31, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Unity, Maine's management. My responsibility is to express an opinion on these financial statements based on my audit.

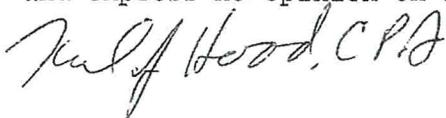
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information, of the Town of Unity, Maine as of January 31, 2014, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 7, 2014 on my consideration of the Town of Unity's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the 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.

The Town of Unity has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparison information, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



TOWN OF UNITY, MAINE
Statement of Activities
For the Year Ended January 31, 2014

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	227,624	13,729			(213,895)
Protection	138,194	6,050			(132,144)
Public works	837,774	2,229	57,688		(777,857)
Health and sanitation	154,179	69,522	311		(84,346)
Leisure services	11,479		7,864		(3,615)
Special assessments	1,265,132				(1,265,132)
Cemeteries	17,234				(17,234)
Social services	30,999		2,155		(28,844)
 Total governmental activities	 2,682,615	 91,530	 68,018	 0	 (2,523,067)

	<u>Governmental Activities</u>
Net (expense) / revenue	
General revenues:	
Property taxes	1,720,692
Excise taxes	253,976
Interest and costs on taxes	18,692
Intergovernmental:	
State revenue sharing	88,063
Homestead exemption	27,710
Tree growth	10,991
US Wildlife	76
Veterans reimbursement	1,289
BETE reimbursement	504
Miscellaneous	18,056
Unrestricted interest	311
Cable franchise fees	4,699
Restricted interest	770
Total general revenues	<u>2,145,829</u>
Change in Net Assets	(377,238)
Net Assets - beginning	6,473,812
Net Assets - ending	<u><u>6,096,574</u></u>

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

TOWN OF UNITY, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended January 31, 2014

	General Fund	Total Governmental Funds
Revenues:		
Taxes	\$ 1,985,361	\$ 1,985,361
Intergovernmental	196,339	196,339
Interest	1,081	1,081
Charges for services	91,529	91,529
Miscellaneous	23,066	23,066
Total Revenues	2,297,376	2,297,376
Expenditures:		
Current:		
General government	227,624	227,624
Protection	135,890	135,890
Public works	586,324	586,324
Health and sanitation	154,179	154,179
Leisure services	11,479	11,479
Special assessments	1,265,132	1,265,132
Cemeteries	17,234	17,234
Social services	30,999	30,999
Total Expenditures	2,428,861	2,428,861
Excess of Revenues Over (Under) Expenditures	(131,485)	(131,485)
Other Financing Sources:		
Debt issuance proceeds	250,000	250,000
Total Other Financing Sources	250,000	250,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	118,515	118,515
Net Change in fund balances	118,515	118,515
Fund Balances - beginning	501,413	501,413
Fund Balances - ending	\$ 619,928	\$ 619,928

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

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TOWN OF UNITY, MAINE
Statement of Net Assets
Fiduciary Fund
January 31, 2014

		Private Purpose <u>Trust</u> <u>Fund</u>
ASSETS		
Cash certificate of deposits	\$	6,805
Investments		118,352
Total Assets		<u>125,157</u>
NET ASSETS		
Held in Trust		125,157
Total Net Assets	\$	<u><u>125,157</u></u>

TOWN OF UNITY, MAINE
Notes to Combined Financial Statements
January 31, 2014

1. Summary of Significant Accounting Policies

The Town of Unity was incorporated in 1804 under the laws of the State of Massachusetts. The Town operates under the Board of Selectmen/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 assets and the statement of changes in net assets) 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset

1. Summary of Significant Accounting Policies, continued

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 fund:

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.

Additionally, the Town reports the following fund types:

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Private-purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

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.

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 \$5,000 (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.

2. Budgetary Accounting, continued

unexpended revenues are lapsed at the close of the year. Once adopted, the budget can only be amended by the townspeople at a special Town meeting.

3. Deposits and Investments

A. Deposits

At year end, the Town's carrying amount of deposits was \$574,495. The bank balances for all funds totaled \$596,215. Custodial credit risk is the risk that, in the event of a bank failure the District's deposits might not be recovered. As of January 31, 2014, all of the Town's deposits were insured or collateralized.

B. Investment

At January 31, 2014, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Fund Type</u>	<u>Rating</u>	<u>Fair Value</u>
UBS Financial Services Inc.			
PACE Program	General Fund	N/A	\$ 10,012 8%
PACE Program	Trust Fund	N/A	114,056 89%
NStar	Trust Fund	N/A	3,248 2.53%
First Energy	Trust Fund	N/A	1,048 0.82%
			<u>\$ 128,364</u>

The Town does not have a formal investment policy. The UBS Financial Services Inc. PACE Program is managed by the town's financial institution in the Town's name. The other investments are held by the Town.

4. Property Tax

Property taxes for the year were committed on August 8, 2013, on the assessed value listed as of April 1, 2013, for all taxable real and personal property located in the Town. Payment of taxes was due at the date of commitment with interest at 7.00% on all tax bills unpaid as of November 30, 2013.

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 January 31, 2014, was based, was \$129,877,600. This assessed value was 100% 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.

The annual requirement to amortize all long-term debt outstanding as of January 31, 2014 are as follows:

Year	Principal <u>Payable</u>	Interest <u>Payable</u>
2014	61,348	21,999
2015	49,682	20,566
2016	50,246	19,444
2017	50,849	18,259
2018	51,517	17,021
2019-2023	264,975	69,164
2024-2028	159,285	41,295
2029-2033	147,143	13,320

Total \$ 835,045 \$ 221,068

In accordance with 30-A MRSA, Section 5702, as amended, no municipality shall incur debt for specified purposes in excess of 15 percent of the state valuation of such municipality. At January 31, 2014, the Town was in compliance with these regulations.

7. Assigned Revenues

The Town has set aside certain balances for accumulation until expenditure in future years. These accounts were as follows at January 31, 2014:

Sale of lots	\$	6,735
State revenue sharing		<u>20,546</u>
Total	\$	<u>27,281</u>

8. Unassigned General Fund Fund Equity

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

Balance - February 1, 2013	\$	358,005
Increase (Decrease):		
Actual over (under) budgeted revenues		43,293
Actual under (over) budgeted expenditures		(42,648)
Utilization per town vote		<u>(85,401)</u>
Net Increase (Decrease)		(84,756)
Balance - January 31, 2014	\$	<u>273,249</u>

9. Assigned Expenditures

Historically, the selectmen vote to carry certain departmental unexpended balances and/or overdrafts forward to the following year for expenditure. This is usually in lieu of additional appropriations in any particular account. At January 31, 2014, the following operating

TOWN OF UNITY, MAINE
Budget Comparison Schedule
General Fund
For the year ended January 31, 2014

	<u>Budgeted Amounts</u>			Variance with final budget positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:	\$	\$	\$	\$
Taxes	1,971,305	1,971,305	1,985,361	14,056
Intergovernmental	145,473	163,609	196,339	32,730
Interest			1,081	1,081
Charges for services	87,624	87,624	91,529	3,905
Miscellaneous	1,000	11,000	23,066	12,066
Total revenues	<u>2,205,402</u>	<u>2,233,538</u>	<u>2,297,376</u>	<u>63,838</u>
Expenditures:				
Current:				
General government	400,631	410,631	227,624	183,007
Protection	145,509	145,509	135,890	9,619
Public works	564,185	582,321	586,324	(4,003)
Health and sanitation	171,464	171,464	154,179	17,285
Leisure services	11,214	11,214	11,479	(265)
Special assessments	1,334,803	1,334,803	1,265,132	69,671
Cemeteries	22,600	22,600	17,234	5,366
Social services	27,070	27,070	30,999	(3,929)
Total expenditures	<u>2,677,476</u>	<u>2,705,612</u>	<u>2,428,861</u>	<u>276,751</u>
Excess (deficiency) of revenues over (under) expenditures	(472,074)	(472,074)	(131,485)	340,589
Other Financing Sources:				0
Transfer in (out)	250,000	250,000	250,000	0
Debt issued as part of refinancing				0
Total Other Financing Sources	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(222,074)	(222,074)	118,515	340,589
Fund Balance - beginning of year	501,413	501,413	501,413	0
Fund Balance - ending of year	<u>\$ 279,339</u>	<u>\$ 279,339</u>	<u>\$ 619,928</u>	<u>\$ 340,589</u>