

TOWN OF UNITY, MAINE

ANNUAL FINANCIAL REPORT
with Independent Auditors Report

For the Year Ending January 31, 2015

KEEL J. HOOD

Certified Public Accountant

2 Burns Street - Fairfield, Maine 04937 - (207)453-2006

INDEPENDENT AUDITORS REPORT

Board of Selectmen
Town of Unity
Unity, Maine

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the major fund of Town of Unity, Maine, as of and for the year ended January 31, 2015, 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 major fund of the Town of Unity, Maine as of January 31, 2015 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.

Statement 1

TOWN OF UNITY, MAINE
Statement of Net Position
January 31, 2015

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash	\$ 432,689
Investments	10,475
Receivables:	
Taxes	221,002
Liens	55,919
Tax acquired property	377
Total Current Assets	<u>720,462</u>
Noncurrent Assets:	
Capital assets net	5,794,866
Total Assets	<u>6,515,328</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	8,628
Notes payable, current portion	24,682
Total Current Liabilities	<u>33,310</u>
Noncurrent Liabilities:	
Notes payable, noncurrent portion	749,014
Total Liabilities	<u>782,324</u>
NET POSITION	
Invested in capital assets, net of related debt	5,021,170
Unrestricted	711,834
Total net position \$	<u><u>5,733,004</u></u>

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

TOWN OF UNITY, MAINE
Balance Sheet
Governmental Funds
January 31, 2015

ASSETS	General <u>Fund</u>	Total Governmental <u>Funds</u>
Cash	\$ 432,689	\$ 432,689
Investments	10,475	10,475
Receivables		
Taxes	221,002	221,002
Liens	55,919	55,919
Tax aquired property	377	377
Total Assets	<u>720,462</u>	<u>720,462</u>
LIABILITIES		
Accounts payable	8,628	8,628
Total Liabilities	<u>8,628</u>	<u>8,628</u>
UNEARNED REVENUE		
Unearned property taxes	230,000	214,000
Total Liabilites and Unearned Revenue	<u>238,628</u>	<u>222,628</u>
FUND BALANCES		
Fund Balances		
Restricted for town office construction	10,010	10,010
Assigned revenues	28,038	28,038
Assigned expenditures	181,884	181,884
Unassigned	261,902	261,902
Total Fund Equity	<u>481,834</u>	<u>481,834</u>
Total Liabilities and Fund Equity	<u>\$ 720,462</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.	5,794,866
Other long-term assets are not available to pay for current-periods expenditures and therefore are deferred in the funds.	230,000
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(773,696)
Net position of governmental activities	<u>\$ 5,733,004</u>

TOWN OF UNITY, MAINE
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances
 Of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended January 31, 2015

Net change in fund balances - total governmental funds \$ (138,093)

Amounts reported for governmental activities in the
 Statement of Activities are different because:

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

Depreciation expense	(495,992)
Capital asset purchases capitalized	193,167

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

Capital bond obligation principal payments	61,348
--	--------

Debt issuance proceeds are a source of income in the
 governmental funds, but the issuance increases long-term
 liabilities in the Statement of Net Position

Capital bond issuance proceeds	
--------------------------------	--

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	16,000
-------------------------------	--------

Change in Net position of Governmental Activities	\$ <u><u>(363,570)</u></u>
---	----------------------------

Statement 7

TOWN OF UNITY, MAINE
Statement of Changes in Fiduciary Net Position
For the Year Ended January 31, 2015

		Private Purpose <u>Trust Fund</u>
Additions:		
Investment income	\$	7,079
Donations		573
Total Additions		7,652
Deductions:		
Administration		1,875
Cemteries		6,226
Scholarships		1,028
Total Deductions		9,129
Change in Net position		(1,477)
Net position - beginning of year		125,157
Net position - end of year	\$	123,680

1. Summary of Significant Accounting Policies, continued

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 provider 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.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are

1. Summary of Significant Accounting Policies, continued

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

Reserved fund balance indicates that a portion of the fund balance is legally or otherwise segregated for a specific future use, and is indicated by the title of each reserve listed in the balance sheet. Unreserved-designated fund balances indicate amounts which either are required to be carried forward by law or contractual agreement, or which the Town has voted to carry forward.

G. Use of Estimates

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. Unassigned is the remaining amount which is available for general use.

2. Budgetary Accounting

A budget is formally adopted for the General Fund, only, through the passage of a Town warrant, and is prepared on a basis consistent with generally accepted accounting principles.

In the General Fund, the level of control (level at which expenditures may not exceed budget and applied revenues) is the accounts within each department. Unexpended appropriations and

5. 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:

Governmental Activities:	Balance February 1 <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance January 31 <u>2015</u>
Assets not being depreciated				
Land	\$ 140,963	\$	\$	\$ 140,963
Assets being depreciated				
Land improvements	72,688			72,688
Buildings	915,336	193,167		1,108,503
Equipment	41,350			41,350
Vehicles	526,964			526,964
Infrastructure	19,840,413			19,840,413
	<u>21,537,714</u>	<u>193,167</u>	<u>0</u>	<u>21,730,881</u>
Less accumulated depreciation				
Land improvements	12,519	1,817		14,336
Buildings	224,613	29,055		253,668
Equipment	41,350			41,350
Vehicles	271,088	24,222		295,310
Infrastructure	14,890,453	440,898		15,331,351
	<u>15,440,023</u>	<u>495,992</u>	<u>0</u>	<u>15,936,015</u>
Capital Assets, net	<u>\$ 6,097,691</u>	<u>\$ (302,825)</u>	<u>\$ 0</u>	<u>\$ 5,794,866</u>
Depreciation Expense:				
Public safety	\$ 45,113			
General government	4,829			
Public works	446,050			
	<u>\$ 495,992</u>			

6. Long-term Debt

The following is a summary of long-term debt transactions of the Town for the year ended January 31, 2015:

<u>Long-term debt payable at February 1, 2014</u>	\$ 835,044
Debt proceeds	
Debt Retired	(61,348)
Long-term debt payable at January 31, 2015	<u>\$ 773,696</u>
Interest Paid	<u>21,999</u>

Long-term debt payable at January 31, 2015 is comprised of the following:

<u>Long-term Debt Account Group</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance End of Year</u>
Firehouse refinance	1.5 to 3.7%	2032	\$ 548,696
Town office	2.25%	2023	225,000
			<u>\$ 773,696</u>

expenditure. This is usually in lieu of additional appropriations in any particular account. At January 31, 2015, the following operating account balances were carried forward:

General government	\$	23,742
Protection		1,552
Public works		65,817
Health and sanitation		14,138
General assistance		3,092
Social services		73,543

Totals \$ 181,884

11. Risk Management

The Town of Unity is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage for part of its risk management. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The Town's management estimates that the amount of actual or potential claims against the Town as of January 31, 2015, will not materially affect the financial condition of the Town.

KEEL J. HOOD

Certified Public Accountant

2 Burns Street - 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

February 10, 2015

Board of Selectmen
Town of Unity, Maine

I have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Town of Unity, Maine as of and for the year ended January 31, 2015, which collectively comprise Town of Unity, Maine's basic financial statements and have issued my report thereon dated February 10, 2015. 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 Unity, 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 Unity, Maine's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Town of Unity, 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 Unity, 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.