

Audited Financial Statements and
Other Financial Information

Town of Naples, Maine

June 30, 2015



Proven Expertise and Integrity

TOWN OF NAPLES, MAINE

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JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Naples
Naples, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Naples, as of and for the year ended June 30, 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.

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 issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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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, each major fund, and the aggregate remaining fund information of the Town of Naples as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Naples's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

R.H.R. Smith & Company

Buxton, Maine
February 29, 2016

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

(UNAUDITED)

The following management's discussion and analysis of the Town of Naples financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the above mentioned financial statements have one column for the one type of town activity. The type of activity presented for the Town of Naples is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, education, health and sanitation, recreation and culture and other unclassified.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Naples, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Naples can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Naples presents four columns in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the General Fund, Highways and Bridges, and the Chaplin Trust. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of Naples. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Fiduciary Fund Financial Statements.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position increased by \$363,599 from \$9,583,888 to \$9,947,487.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased to a balance of \$4,291,379 at the end of this year.

Table 1
Town of Naples, Maine
Net Position
June 30,

	<u>2015</u>	<u>2014</u>
Assets:		
Current Assets	\$ 5,312,759	\$ 4,705,391
Capital Assets	6,763,803	7,414,302
Total Assets	<u>12,076,562</u>	<u>12,119,693</u>
Liabilities:		
Current Liabilities	589,027	547,155
Long-term Debt Outstanding	1,518,956	1,970,396
Total Liabilities	<u>2,107,983</u>	<u>2,517,551</u>
Deferred Inflows of Resources:		
Prepaid Taxes	21,092	18,254
Total Deferred Inflows of Resources	<u>21,092</u>	<u>18,254</u>
Net Position:		
Net Investment in Capital Assets	4,832,986	5,038,708
Restricted	823,122	720,127
Unrestricted	4,291,379	3,825,053
Total Net Position	<u>\$ 9,947,487</u>	<u>\$ 9,583,888</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 5.03%, while total expenses increased by 1.38%. The increase in revenues is largely due to taxes. The biggest increase in expenses was in general government and education.

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

	<u>2015</u>	<u>2014</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 160,999	\$ 163,148
Operating grants and contributions	42,744	46,608
<i>General Revenues:</i>		
Taxes	10,760,330	10,244,532
Grants and contributions not restricted to specific programs	260,907	244,059
Miscellaneous	358,895	331,066
Total Revenues	<u>11,583,875</u>	<u>11,029,413</u>
Expenses		
General government	784,455	708,598
Public safety	887,204	875,503
Health and sanitation	261,570	291,884
Recreation and culture	101,389	99,656
Education	7,382,588	7,264,404
Public works	949,086	973,004
County tax	451,381	443,174
Unclassified	200,094	162,736
Unallocated depreciation (Note 4)	98,648	98,724
Capital outlay	70,077	76,709
Debt service interest	33,784	72,772
Total Expenses	<u>11,220,276</u>	<u>11,067,164</u>
Change in Net Position	363,599	(37,751)
Net Position - July 1	<u>9,583,888</u>	<u>9,621,639</u>
Net Position - June 30	<u>\$ 9,947,487</u>	<u>\$ 9,583,888</u>

Financial Analysis of the Town's Fund Statements

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

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

	2015	2014
Major Funds:		
General Fund:		
Committed	\$ 129,863	\$ 270,180
Unassigned	2,125,030	1,756,543
Subtotal General Fund	2,254,893	2,026,723
Highways and Bridges:		
Committed	598,560	287,943
Chaplin Trust:		
Restricted	334,005	324,604
Total Major Funds	\$ 3,187,458	\$ 2,639,270
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 463,760	\$ 370,204
Assigned	5,088	1,608
Capital Projects Funds:		
Committed	744,353	666,832
Permanent Funds:		
Restricted	25,357	25,319
Total Nonmajor Funds	\$ 1,238,558	\$ 1,063,963

The general fund total fund balance increased by \$228,170 from the prior fiscal year. Highways and bridges increased by \$310,617, and the Chaplin trust increased by \$9,401. The non-major fund balances increased by \$174,595 from the prior fiscal year.

Budgetary Highlights

There was a significant difference between the original and final budget for the general fund. The difference was the use of committed fund balances.

The general fund actual revenues were over budget by \$217,095, with most of the increase due to property and excise taxes.

The general fund actual expenditures were under budget by \$740,780. All expenditure categories were under budget with the exception of general government, unclassified, and debt service interest.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the net book value of capital assets recorded by the Town decreased by \$650,499 from the prior year. This is the result of current year additions of \$236,434 less current year depreciation of \$886,933.

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

	<u>2015</u>	<u>2014</u>
Land & Buildings	\$ 3,492,415	\$ 3,415,684
Equipment & Vehicles	757,339	999,369
Works of Art & Historical Treasures	122,821	122,821
Infrastructure	<u>2,391,228</u>	<u>2,876,428</u>
Total	<u>\$ 6,763,803</u>	<u>\$ 7,414,302</u>

Debt

At June 30, 2015, the Town had \$1,930,817 in bonds payable outstanding versus \$2,375,594 last fiscal year, a decrease of 18.72%. Other obligations include accrued vacation and sick time. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient unassigned fund balance to sustain governmental operations for a period of two to three months, while also maintaining reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Treasurer at P.O. Box 1757, Naples, Maine 04055-1757.

STATEMENT A

TOWN OF NAPLES, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,358,866
Investments	755,831
Accounts receivable (net of allowance for uncollectibles):	
Taxes	693,937
Liens	306,396
Other	82,801
Due from other governments	114,928
Total current assets	<u>5,312,759</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	1,221,611
Buildings and equipment, net of accumulated depreciation	5,542,192
Total noncurrent assets	<u>6,763,803</u>
TOTAL ASSETS	<u><u>\$ 12,076,562</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 117,589
Accrued payroll	18,008
Due to other governments	3,998
Current portion of long-term obligations	449,432
Total current liabilities	<u>589,027</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	1,481,385
Accrued compensated absences	37,571
Total noncurrent liabilities	<u>1,518,956</u>
TOTAL LIABILITIES	<u>2,107,983</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	21,092
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>21,092</u>
NET POSITION	
Net investment in capital assets	4,832,986
Restricted	823,122
Unrestricted	4,291,379
TOTAL NET POSITION	<u>9,947,487</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 12,076,562</u></u>

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

TOWN OF NAPLES, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:					
General government	\$ 784,455	\$ 160,999	\$ -	\$ -	\$ (623,456)
Public safety	887,204	-	-	-	(887,204)
Health and sanitation	261,570	-	-	-	(261,570)
Recreation and culture	101,389	-	-	-	(101,389)
Education	7,382,588	-	-	-	(7,382,588)
Public works	949,086	-	42,744	-	(906,342)
County tax	451,381	-	-	-	(451,381)
Unclassified	200,094	-	-	-	(200,094)
Unallocated depreciation (Note 4) *	98,648	-	-	-	(98,648)
Capital outlay	70,077	-	-	-	(70,077)
Debt service interest	33,784	-	-	-	(33,784)
Total government	<u>\$ 11,220,276</u>	<u>\$ 160,999</u>	<u>\$ 42,744</u>	<u>\$ -</u>	<u>(11,016,533)</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)
TOWN OF NAPLES, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(11,016,533)</u>
General revenues:	
Taxes:	
Property taxes	10,015,868
Excise taxes	744,462
Grants and contributions not restricted to specific programs	260,907
Miscellaneous	<u>358,895</u>
Total general revenues	<u>11,380,132</u>
Change in net position	363,599
NET POSITION - JULY 1	<u>9,583,888</u>
NET POSITION - JUNE 30	<u><u>\$ 9,947,487</u></u>

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

STATEMENT C

TOWN OF NAPLES, MAINE

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Highways & Bridges	Chaplin Trust	Other Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,034,006	\$ -	\$ 299,503	\$ 25,357	\$ 3,358,866
Investments	755,831	-	-	-	755,831
Accounts receivable (net of allowance for uncollectibles):					
Taxes	693,937	-	-	-	693,937
Liens	306,396	-	-	-	306,396
Other	82,801	-	-	-	82,801
Due from other governments	114,928	-	-	-	114,928
Due from other funds	-	598,560	34,502	1,213,201	1,846,263
TOTAL ASSETS	\$ 4,987,899	\$ 598,560	\$ 334,005	\$ 1,238,558	\$ 7,159,022
LIABILITIES					
Accounts payable	\$ 117,589	\$ -	\$ -	\$ -	\$ 117,589
Accrued payroll	18,008	-	-	-	18,008
Due to other governments	3,998	-	-	-	3,998
Due to other funds	1,846,263	-	-	-	1,846,263
TOTAL LIABILITIES	1,985,858	-	-	-	1,985,858
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	21,092	-	-	-	21,092
Deferred tax revenues	726,056	-	-	-	726,056
TOTAL DEFERRED INFLOWS OF RESOURCES	747,148	-	-	-	747,148
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	334,005	489,117	823,122
Committed	129,863	598,560	-	744,353	1,472,776
Assigned	-	-	-	5,088	5,088
Unassigned	2,125,030	-	-	-	2,125,030
TOTAL FUND BALANCES	2,254,893	598,560	334,005	1,238,558	4,426,016
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,987,899	\$ 598,560	\$ 334,005	\$ 1,238,558	\$ 7,159,022

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

TOWN OF NAPLES, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 4,426,016
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	6,763,803
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	726,056
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(1,930,817)
Accrued compensated absences	<u>(37,571)</u>
Net position of governmental activities	<u><u>\$ 9,947,487</u></u>

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

TOWN OF NAPLES, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Highways & Bridges	Chaplin Trust	Other Governmental Funds	Totals Governmental Funds
REVENUES					
Taxes:					
Property taxes	\$ 10,171,368	\$ -	\$ -	\$ -	\$ 10,171,368
Excise taxes	744,462	-	-	-	744,462
Permits and fees	160,999	-	-	-	160,999
Intergovernmental revenues	303,651	-	-	-	303,651
Miscellaneous revenues	331,461	617	9,718	17,099	358,895
TOTAL REVENUES	11,711,941	617	9,718	17,099	11,739,375
EXPENDITURES					
Current:					
General government	732,871	-	-	-	732,871
Public safety	647,231	-	-	-	647,231
Health and sanitation	256,766	-	-	-	256,766
Recreation and culture	92,634	-	-	-	92,634
Education	7,382,588	-	-	-	7,382,588
Public works	463,879	-	-	-	463,879
County tax	451,381	-	-	-	451,381
Unclassified	199,777	-	317	-	200,094
Debt service:					
Principal	282,596	-	-	-	282,596
Interest	33,784	-	-	-	33,784
Capital outlay	230,459	-	-	242,309	472,768
TOTAL EXPENDITURES	10,773,966	-	317	242,309	11,016,592
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	937,975	617	9,401	(225,210)	722,783
OTHER FINANCING SOURCES (USES)					
Transfers in	5,000	310,000	-	404,805	719,805
Transfers (out)	(714,805)	-	-	(5,000)	(719,805)
TOTAL OTHER FINANCING SOURCES (USES)	(709,805)	310,000	-	399,805	-
NET CHANGE IN FUND BALANCES	228,170	310,617	9,401	174,595	722,783
FUND BALANCES - JULY 1	2,026,723	287,943	324,604	1,063,963	3,703,233
FUND BALANCES - JUNE 30	\$ 2,254,893	\$ 598,560	\$ 334,005	\$ 1,238,558	\$ 4,426,016

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

TOWN OF NAPLES, 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, 2015

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 722,783</u>
<p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset purchases capitalized	236,434
Depreciation expense	<u>(886,933)</u>
	<u>(650,499)</u>
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Taxes and liens receivable	<u>(155,500)</u>
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position</p>	
	<u>444,777</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>	
Accrued compensated absences	<u>2,038</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 363,599</u></u>

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

TOWN OF NAPLES, MAINE

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2015

	Private- purpose Trusts
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ -
Investments, at fair value	323,781
Accounts receivable	7,389
TOTAL ASSETS	<u>\$ 331,170</u>
LIABILITIES	
Accounts payable	\$ -
Deposits held for others	-
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for special purposes	331,170
TOTAL NET POSITION	<u>331,170</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 331,170</u>

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

TOWN OF NAPLES, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Private- purpose Trusts
	<u> </u>
ADDITIONS	
Contributions	\$ 17,081
Net increase (decrease) in the fair value of investments	6,502
Miscellaneous	19
Total additions	<u>23,602</u>
DEDUCTIONS	
Distributions	123,302
Miscellaneous	13,200
Total deductions	<u>136,502</u>
CHANGE IN NET POSITION	(112,900)
NET POSITION - JULY 1	<u>444,070</u>
NET POSITION - JUNE 30	<u>\$ 331,170</u>

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

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Naples was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government services, public safety, public works, health and sanitation, education, and recreation and culture.

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

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's activities are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts – net investment in capital assets; restricted net position; 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 and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

The following fund types are used by the Town:

1. Governmental Funds:

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

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements

Basis of Accounting

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

1. Accrual

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

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

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

Budget

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

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

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

Deposits and Investments

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

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

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

Interfund Receivables and Payables

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

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2015.

Capital Assets

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

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimated useful lives are as follows:

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

Long-term Obligations

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

All long-term debt to be repaid from governmental resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable and compensated absences.

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

Compensated Absences

The Town's policies regarding vacation time do permit employees to accumulate earned but unused vacation leave. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2015, the Town's liability for compensated absences is \$37,571.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balances

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

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

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

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

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

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

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows and Inflows of Resources

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

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied September 9, 2014 on the assessed value listed as of April 1, 2014, for all real and personal property located in the Town. Taxes were due on in two installments on October 20, 2014 and April 20, 2015. Interest on unpaid taxes commenced on October 21, 2014 and April 21, 2015, at 7% per annum.

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

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$351,007 for the year ended June 30, 2015.

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

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

At June 30, 2015, the Town's deposits amounting to \$3,358,866 were comprised of bank deposits of \$3,221,133. Of these bank deposits, \$750,000 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining bank deposits of \$2,471,133 were either collateralized by securities held by a financial institution in the Town's name or covered by an irrevocable standby letter of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 2,898,415
Money markets	322,717
	<u>\$ 3,221,133</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments. Of the Town's investments in bond and asset allocation funds, U. S. and international stocks and specialty funds of \$323,781, all are not exposed to custodial credit risk because those securities are registered in the Town's name and are covered by the Securities Investor Protection Corporation (SIPC) and consequently is not exposed to custodial credit risk. The remaining investment in certificates of deposit of \$755,831 is fully covered by an irrevocable standby letter of credit, and consequently is not exposed to custodial credit risk.

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2015, the Town had the following investments and maturities:

Investment Type	Fair Value	Maturity		
		<1 Year	1 - 5 Years	N/A
Certificates of Deposit	\$ 755,831	\$ 255,831	\$ 500,000	\$ -
Cash management funds	131,979	-	-	131,979
Bond funds	22,892	-	-	22,892
Asset allocation funds	47,309	-	-	47,309
Stocks - U. S.	108,846	-	-	108,846
Stocks - International	11,970	-	-	11,970
Specialty	785	-	-	785
	<u>\$ 1,079,612</u>	<u>\$ 255,831</u>	<u>\$ 500,000</u>	<u>\$ 323,781</u>

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

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

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015 consisted of the following individual fund receivables and payables:

	Receivables (Due From)	Payables (Due To)
Major funds:		
General fund	\$ -	\$ 1,846,263
Highway and bridges	598,560	-
Chaplin trust	34,502	-
Non-major funds:		
Special revenue funds	468,848	-
Capital project funds	744,353	-
	<u>\$ 1,846,263</u>	<u>\$ 1,846,263</u>

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2015:

	Balance, 7/1/14	Additions	Deletions	Balance, 6/30/15
Non-depreciated assets:				
Land	\$ 918,790	\$ 180,000	\$ -	\$ 1,098,790
Works of art & historical treasures	122,821	-	-	122,821
	<u>1,041,611</u>	<u>180,000</u>	<u>-</u>	<u>1,221,611</u>
Depreciated assets:				
Land improvements	1,248,906	-	-	1,248,906
Buildings	2,390,240	-	-	2,390,240
Building improvements	431,712	56,434	-	488,146
Equipment & vehicles	3,384,655	-	-	3,384,655
Furniture & fixtures	22,169	-	-	22,169
Infrastructure	15,125,391	-	-	15,125,391
	<u>22,603,073</u>	<u>56,434</u>	<u>-</u>	<u>22,659,507</u>
Less: accumulated depreciation	<u>(16,230,382)</u>	<u>(886,933)</u>	<u>-</u>	<u>(17,117,315)</u>
	<u>6,372,691</u>	<u>(830,499)</u>	<u>-</u>	<u>5,542,192</u>
Net capital assets	<u>\$ 7,414,302</u>	<u>\$ (650,499)</u>	<u>\$ -</u>	<u>\$ 6,763,803</u>
Current year depreciation:				
General government				\$ 49,546
Public safety				239,973
Public works				485,207
Recreation				8,755
Health and sanitation				4,804
Town-wide				98,648
Total depreciation expense				<u>\$ 886,933</u>

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – GENERAL LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2015:

	Balance, 7/1/14	Additions	Deletions	Balance, 6/30/15	Due Within One Year
Bonds payable	\$ 2,375,594	\$ -	\$ (444,777)	\$ 1,930,817	\$ 449,432
Accrued compensated absences	39,609	-	(2,038)	37,571	-
Totals	<u>\$ 2,415,203</u>	<u>\$ -</u>	<u>\$ (446,815)</u>	<u>\$ 1,968,388</u>	<u>\$ 449,432</u>

The following is a summary of outstanding bonds payable:

\$750,000, 2010 General Obligation Bond due in annual principal installments and semi-annual interest installments through November 2029. Interest is charged at a rate from 2.06% to 5.75% per annum. Annual installments vary from \$47,539 to \$49,598.	\$ 597,550
\$166,000, 2011 General Obligation Bond due in annual principal and interest installments through August 2021. Interest is charged at a rate of 3.99% per annum. Annual installments are \$20,456.	99,600
\$175,000, 2011 General Obligation Bond due in annual principal and interest installments through August 2016. Interest is charged at a rate of 2.98% per annum. Annual installments are \$38,190.	37,088
\$705,000, 2011 General Obligation Bond due in annual principal and interest installments through March 2021. Interest is charged at a rate of 4.56% per annum. Annual installments are \$88,572.	458,579
\$500,000, 2011 General Obligation Bond due in annual principal and interest installments through July 2016. Interest is charged at a rate of 2.50% per annum. Annual installments are \$115,487.	200,000
\$220,000, 2012 General Obligation Bond due in annual principal and interest installments through April 2017. Interest is charged at a rate of 1.34% per annum. Annual installments are \$50,815.	88,000
\$750,000, 2012 General Obligation Bond (Roads) due in annual installments through July 2017. Interest is charged at a rate of 1.31% per annum. Annual principal Installments are \$150,000.	450,000
	<u>\$ 1,930,817</u>

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – GENERAL LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 449,432	\$ 53,563	\$ 502,995
2017	415,970	43,073	459,043
2018	275,825	33,476	309,301
2019	129,868	26,751	156,619
2020	134,162	21,773	155,935
2021-2025	298,127	54,489	352,616
2026-2030	227,433	18,555	245,988
	<u>\$ 1,930,817</u>	<u>\$ 251,680</u>	<u>\$ 2,182,497</u>

NOTE 6 – OVERLAPPING DEBT

The Town's proportionate share of debt of the County of Cumberland and RSU #61 has not been recorded in the financial statement of the Town of Naples. It is not required to be recorded in order for the financial statements to conform to generally accepted accounting principles. The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. As of June 30, 2015, the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
RSU #61	\$ 14,726,669	28.36%	\$ 4,176,483
Cumberland County	37,368,560	1.78%	665,160
			<u>\$ 4,841,644</u>

NOTE 7 – RESTRICTED FUND BALANCES

At June 30, 2015, the Town had the following restricted fund balances:

Chaplin Trust	\$ 334,005
Nonmajor special revenue funds (See Schedule D)	463,760
Nonmajor permanent funds (See Schedule H)	25,357
	<u>\$ 823,122</u>

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 – COMMITTED FUND BALANCES

At June 30, 2015, the Town had the following committed fund balances:

General fund:	
Day Camp	\$ 30,008
Soccer	(397)
Playground	59
Ice Skating	1,040
Lake Region Youth Football	(548)
Marine safety	2,800
Cemetery improvements	6,076
Fire pumper repair	30,000
Fuel assistance	35
Cupboard collective	1,113
Dock additions	8,374
Consultants Kents and Dredging	4,283
Plummer field renovations	2,344
Fire surveillance	20,000
Kent's Landing	9,922
TIF water capacity study	(11,400)
Roads and highways:	
Crack sealing	10,000
Ditch and shoulders	19,982
Community groups	(19)
Town maintenance:	
Kent's Landing	(1,957)
Building maintenance	(1,852)
Highways and Bridges	598,560
Nonmajor capital projects funds (See Schedule F)	744,353
	<u>\$ 1,472,776</u>

NOTE 9 – ASSIGNED FUND BALANCES

At June 30, 2015, the Town had the following assigned fund balances:

Nonmajor special revenue funds (See Schedule D)	<u>\$ 5,088</u>
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TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – 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 either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public-entity and self-insured risk pools sponsored by the Maine Municipal Association.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2015. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 11 – DEFINED CONTRIBUTION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION –
RETIREMENT CORPORATION

Plan Description

The Town offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401. The plan, available to all full-time employees, permits them to defer a portion of their salary until retirement. The deferred amount and the vested portion of the employer match are not available to the employee until retirement or death, or in case of other life events as allowed by law. The plan is administered by ICMA Retirement Corporation.

Funding Policy

Plan provisions and contribution requirements are established and may be amended by the Board of Selectmen. Under the 401 plan, the Town is required to contribute 6.5% of a participant's earnings for the plan year. For the year ended June 30, 2015, employee contributions totaled \$8,540, and the Town recognized pension expense of \$8,540.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings on Town contributions after completion of 3 years of creditable service with the Town. Nonvested Town contributions are forfeited upon termination of employment and totaled \$20,001 at June 30, 2015. Such forfeitures may be used to cover a portion of the pension plan's future administrative expenses. For the year ended June 30, 2015, forfeitures were not used to reduce the Town's pension expense.

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 – DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION –
RETIREMENT CORPORATION

Plan Description

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits the employee to defer a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Funding Policy

Under the deferred compensation plan, the Town manager may elect to participate. Participating members are required to contribute up to 10.0% of their annual covered salary and the Town is required to match up to 10.0% of the employee's contribution. The employee's contribution is tax deferred for federal and state taxes until the withdrawal date. The employee's contribution vests 100% with the employee when contributed. The Town's matching contribution vests 100% with the employee at the end of seven years of service. The Town's contributions for the plan, including employee contributions for the years ended June 30, 2015, 2014 and 2013 were: \$0, \$13,780, and \$13,000, respectively.

NOTE 13 – JOINT VENTURES

The Town is a participant with the Town of Casco in two joint ventures to operate the Lake Region Bulky Waste Facility (LRBWF) and the Casco-Naples Solid Waste Transfer Station (CNTS). On dissolution of the entities, the net assets will be shared equally by Casco and Naples. Other municipalities can obtain joint use rights on a contractual basis. Each entity is governed by the same Advisory Board consisting of: a

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 – JOINT VENTURES (CONTINUED)

member of the Board of Selectmen of each municipality; two popularly elected citizens of each municipality; and the respective Town Managers as ex-officio members. The Towns pay appropriate tipping fees for accepted waste delivered to the facilities and are financially responsible for each facilities operation. Complete financial statements for the LRBWF and CNTS are available at the office of each municipality.

NOTE 14 – EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded appropriations:

Administration (Article 2)	\$	60,421
General Assitance (Article 3)		2,504
Animal Control (Article 4)		3,983
Town Maintenance (Article 15)		12,792
Band Concerts (Article 19)		150
	\$	<u>79,850</u>

NOTE 15 – CONTINGENCIES

The Town participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The Town is currently involved in litigation regarding private well contamination. Damages requested in the well contamination complaint are \$275,000. While the outcome cannot be predicted at this time, the Town is vigorously defending this claim and settlement discussions are ongoing. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – TAX INCREMENT FINANCING DISTRICT

The Town has established two tax increment financing districts in accordance with Chapter 207 of Title 30-A of the Maine Revised Statutes as amended, to finance development programs located in the Town of Naples. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness to fund the expenditures of the development program and to finance future expansion.

Downtown & Waterfront Municipal Development and Tax Increment Financing District

The Town has established a municipal development tax increment financing district and development program to provide funds for the Town to implement the municipal investment priorities identified for the Village District and Causeway areas in the Town's comprehensive plan. The Town will capture and retain 100% of the increased assessed value from both taxable real and personal property improvements in the district and apply the revenues towards public facility and infrastructure improvements as approved by the Office of Economic and Community Development on March 31, 2008. The original captured assessed value of the property (adjusted for revised assessment) is \$16,021,300, returning \$216,470 of 2014-15 incremental tax revenues to the District. The District expires after a twenty-five-year period when all tax revenues will be returned to the general operating fund of the Town.

Route 302 Corridor Municipal Development and Tax Increment Financing District

The Town has established a municipal development tax increment financing district and development program to enhance funding for community development goals along Route 302. The Town will capture and retain 100% of the increased assessed value from both taxable real and personal property improvements in the district and apply the revenues towards infrastructure, transportation, traffic, pedestrian and landscaping improvements, including economic development and grant administration activities, as approved by the Office of Economic and Community Development on March 31, 2008. The original captured assessed value of the property (adjusted for revised assessment) is \$3,892,449, returning \$52,835 of 2014-15 incremental tax revenues to the District. The District expires after a twenty-five-year period when all tax revenues will be returned to the general operating fund of the Town.

TOWN OF NAPLES, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17 – IRREVOCABLE STANDBY LETTER OF CREDIT

At June 30, 2015, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Pittsburgh serving as collateral for its deposits held at TD, Bank, N.A. This letter of credit, which expires at the close of business on October 26, 2015, authorizes one draw only up to the amount of \$4,500,000. There were no draws for the year ended June 30, 2015.

NOTE 18 – RELATED PARTIES

The Town Manager is related to a member of the Board of Selectmen. We understand the Board of Selectmen member recused himself in any matters concerning the related party. Subsequent to year end, the related Board member left his post.

Required Supplementary Information

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

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

TOWN OF NAPLES, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,026,723	\$ 2,026,723	\$ 2,026,723	\$ -
Resources (Inflows):				
Taxes:				
Property taxes	10,021,193	10,021,193	10,171,368	150,175
Excise taxes	682,000	682,000	744,462	62,462
Intergovernmental revenues:				
State revenue sharing	133,895	133,895	140,107	6,212
State road assistance	46,608	46,608	42,744	(3,864)
Other revenues	121,450	121,450	120,800	(650)
Permits and fees	157,900	157,900	160,999	3,099
Miscellaneous:				
Interest on investments	7,000	7,000	1,605	(5,395)
Interest on taxes	52,000	52,000	60,182	8,182
Lien charges and fees	19,300	19,300	19,843	543
Other	253,500	253,500	249,831	(3,669)
Transfers from other funds	5,000	5,000	5,000	-
Amounts Available for Appropriation	13,526,569	13,526,569	13,743,664	217,095
Charges to Appropriations (Outflows):				
General government	671,400	673,110	732,871	(59,761)
Public safety	678,764	681,564	647,231	34,333
Health and sanitation	304,780	304,780	256,766	48,014
Recreation	104,150	141,120	92,634	48,486
Education	7,382,588	7,382,588	7,382,588	-
Overlay	351,007	351,007	-	351,007
Public works	511,090	534,161	463,879	70,282
County tax	451,381	451,381	451,381	-
Unclassified	164,125	194,822	199,777	(4,955)
Debt service:				
Principal	300,000	300,000	282,596	17,404
Interest	33,605	33,605	33,784	(179)
Capital improvement projects	20,500	466,608	230,459	236,149
Transfers to other funds	714,805	714,805	714,805	-
Total Charges to Appropriations	11,688,195	12,229,551	11,488,771	740,780
Budgetary Fund Balance, June 30	\$ 1,838,374	\$ 1,297,018	\$ 2,254,893	\$ 957,875
Utilization of unassigned fund balance	\$ 188,349	\$ 729,705	\$ -	\$ (729,705)
	\$ 188,349	\$ 729,705	\$ -	\$ (729,705)

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

Other Supplementary Information

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

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

TOWN OF NAPLES, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government					
Administration	\$ 636,400	\$ 1,675	\$ 638,075	\$ 698,496	\$(60,421)
General assistance	10,000	35	10,035	12,539	(2,504)
Unanticipated expenses	25,000	-	25,000	21,836	3,164
	<u>671,400</u>	<u>1,710</u>	<u>673,110</u>	<u>732,871</u>	<u>(59,761)</u>
Public Safety					
Animal control	10,220	-	10,220	14,203	(3,983)
Dispatch center	24,549	-	24,549	12,274	12,275
Marine safety	9,200	2,800	12,000	10,866	1,134
Fire department	218,425	-	218,425	214,427	3,998
Rescue department	416,370	-	416,370	395,461	20,909
	<u>678,764</u>	<u>2,800</u>	<u>681,564</u>	<u>647,231</u>	<u>34,333</u>
Health & Sanitation					
Tipping fees	110,000	-	110,000	101,545	8,455
Lake Region Bulky Waste	103,500	-	103,500	79,155	24,345
Casco/Naples Transfer Station	91,280	-	91,280	76,066	15,214
	<u>304,780</u>	<u>-</u>	<u>304,780</u>	<u>256,766</u>	<u>48,014</u>
Recreation	<u>104,150</u>	<u>36,970</u>	<u>141,120</u>	<u>92,634</u>	<u>48,486</u>
Debt Service					
Principal	300,000	-	300,000	282,596	17,404
Interest	33,605	-	33,605	33,784	(179)
	<u>333,605</u>	<u>-</u>	<u>333,605</u>	<u>316,380</u>	<u>17,225</u>
Public Works					
Highways and bridges	420,600	23,071	443,671	360,597	83,074
Town maintenance	90,490	-	90,490	103,282	(12,792)
	<u>511,090</u>	<u>23,071</u>	<u>534,161</u>	<u>463,879</u>	<u>70,282</u>
Education	<u>7,382,588</u>	<u>-</u>	<u>7,382,588</u>	<u>7,382,588</u>	<u>-</u>

SCHEDULE A (CONTINUED)
TOWN OF NAPLES, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified					
American Red Cross	750	-	750	-	750
Band concerts	2,300	-	2,300	2,450	(150)
Kents Landing MILFOIL	3,400	-	3,400	-	3,400
Home Health Visiting Nurses	4,100	-	4,100	4,100	-
Family crisis	300	-	300	-	300
Fourth of July	8,000	10,965	18,965	11,372	7,593
Greater Bridgton Lakes Region	500	-	500	500	-
Historical Society	13,345	-	13,345	9,847	3,498
Lake Region Env Association	1,500	-	1,500	1,500	-
Lake Region Dev Council	16,500	-	16,500	16,500	-
Muddy River Sno-Seekers	2,500	-	2,500	2,500	-
Naples baseball/softball	3,500	-	3,500	-	3,500
Naples Main Street	5,000	-	5,000	5,000	-
Naples dog park	-	-	-	(156)	156
Naples Public Library	74,000	-	74,000	74,000	-
MILFOIL	5,000	-	5,000	5,000	-
VNA Home Health & Hospice	500	-	500	-	500
PROP	5,000	-	5,000	-	5,000
Regional transportation	1,200	-	1,200	1,200	-
Senior transportation	300	-	300	300	-
Save Sebago Cove	2,000	-	2,000	2,000	-
Lake Region football	-	2,521	2,521	3,175	(654)
Senior Congregate Meal Site	3,500	-	3,500	3,500	-
Southern Maine Agency on Aging	1,500	-	1,500	1,500	-
Southern Maine Parent Awareness	150	-	150	-	150
Tri County Mental Health	3,000	-	3,000	-	3,000
Western Maine Veteran	180	-	180	180	-
Woodfords	1,500	-	1,500	-	1,500
MPBN	100	-	100	-	100
Recreation	4,500	-	4,500	4,501	(1)
Playground	-	59	59	-	59
Ice skating facility	-	1,040	1,040	-	1,040
Ladder truck	-	-	-	21,247	(21,247)
Kent's landing purchase	-	-	-	3,153	(3,153)
Cupboard collective grant CDBG	-	1,112	1,112	-	1,112
Causeway fundraising	-	-	-	870	(870)
Bathroom remodeling	-	15,000	15,000	14,790	210
Security monitor system	-	-	-	10,748	(10,748)
	<u>164,125</u>	<u>30,697</u>	<u>194,822</u>	<u>199,777</u>	<u>(4,955)</u>
County Tax	<u>451,381</u>	<u>-</u>	<u>451,381</u>	<u>451,381</u>	<u>-</u>

SCHEDULE A (CONTINUED)
TOWN OF NAPLES, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Overlay	351,007	-	351,007	-	351,007
Capital Improvement Projects					
Cemetery improvements	2,500	3,576	6,076	-	6,076
Fire pumper repairs	-	30,000	30,000	-	30,000
Fire/salt surveillance	-	20,000	20,000	-	20,000
Dock additions and repairs	-	12,672	12,672	4,298	8,374
Fire station building	-	-	-	1,108	(1,108)
Kent's landing project	-	9,922	9,922	-	9,922
Fire Suppression	-	34,221	34,221	-	34,221
Plummer Field Renovation	-	2,344	2,344	-	2,344
Consultant Kents	-	4,283	4,283	-	4,283
Paint Rescue #1	18,000	-	18,000	18,023	(23)
House purchase	-	185,000	185,000	181,896	3,104
Rec paving	-	-	-	9,319	(9,319)
Town Office paving	-	-	-	4,355	(4,355)
Water study	-	5,635	5,635	11,400	(5,765)
Causeway discretionary fund	-	-	-	60	(60)
Causeway bond II projects	-	138,455	138,455	-	138,455
	<u>20,500</u>	<u>446,108</u>	<u>466,608</u>	<u>230,459</u>	<u>236,149</u>
Transfers to Other Funds					
Special revenue funds	269,305	-	269,305	269,305	-
Capital projects funds	445,500	-	445,500	445,500	-
	<u>714,805</u>	<u>-</u>	<u>714,805</u>	<u>714,805</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 11,688,195</u></u>	<u><u>\$ 541,356</u></u>	<u><u>\$ 12,229,551</u></u>	<u><u>\$ 11,488,771</u></u>	<u><u>\$ 740,780</u></u>

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

TOWN OF NAPLES, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 25,357	\$ 25,357
Due from other funds	468,848	744,353	-	1,213,201
TOTAL ASSETS	<u>\$ 468,848</u>	<u>\$ 744,353</u>	<u>\$ 25,357</u>	<u>\$ 1,238,558</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	463,760	-	25,357	489,117
Committed	-	744,353	-	744,353
Assigned	5,088	-	-	5,088
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>468,848</u>	<u>744,353</u>	<u>25,357</u>	<u>1,238,558</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 468,848</u>	<u>\$ 744,353</u>	<u>\$ 25,357</u>	<u>\$ 1,238,558</u>

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

TOWN OF NAPLES, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Interest income	\$ -	\$ 807	\$ 38	\$ 845
Other	16,254	-	-	16,254
TOTAL REVENUES	<u>16,254</u>	<u>807</u>	<u>38</u>	<u>17,099</u>
EXPENDITURES	<u>183,523</u>	<u>58,786</u>	<u>-</u>	<u>242,309</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(167,269)</u>	<u>(57,979)</u>	<u>38</u>	<u>(225,210)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	269,305	135,500	-	404,805
Transfers (out)	(5,000)	-	-	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>264,305</u>	<u>135,500</u>	<u>-</u>	<u>399,805</u>
NET CHANGE IN FUND BALANCES	97,036	77,521	38	174,595
FUND BALANCES, JULY 1	<u>371,812</u>	<u>666,832</u>	<u>25,319</u>	<u>1,063,963</u>
FUND BALANCES, JUNE 30	<u>\$ 468,848</u>	<u>\$ 744,353</u>	<u>\$ 25,357</u>	<u>\$ 1,238,558</u>

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

Special Revenue Funds

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

TOWN OF NAPLES, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	<u>Downtown TIF</u>	<u>Route 302 TIF</u>	<u>Project Graduation</u>	<u>Totals</u>
ASSETS				
Due from other funds	\$ 169,002	\$ 294,758	\$ 5,088	\$ 468,848
TOTAL ASSETS	<u>\$ 169,002</u>	<u>\$ 294,758</u>	<u>\$ 5,088</u>	<u>\$ 468,848</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	169,002	294,758	-	463,760
Committed	-	-	-	-
Assigned	-	-	5,088	5,088
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>169,002</u>	<u>294,758</u>	<u>5,088</u>	<u>468,848</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 169,002</u>	<u>\$ 294,758</u>	<u>\$ 5,088</u>	<u>\$ 468,848</u>

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

TOWN OF NAPLES, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Downtown TIF</u>	<u>Route 302 TIF</u>	<u>Project Graduation</u>	<u>Totals</u>
REVENUES	\$ -	\$ -	\$ 16,254	\$ 16,254
EXPENDITURES	170,749	-	12,774	183,523
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(170,749)	-	3,480	(167,269)
OTHER FINANCING SOURCES (USES)				
Transfers in	216,470	52,835	-	269,305
Transfers (out)	(5,000)	-	-	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	211,470	52,835	-	264,305
NET CHANGE IN FUND BALANCES	40,721	52,835	3,480	97,036
FUND BALANCES, JULY 1	128,281	241,923	1,608	371,812
FUND BALANCES, JUNE 30	<u>\$ 169,002</u>	<u>\$ 294,758</u>	<u>\$ 5,088</u>	<u>\$ 468,848</u>

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

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF NAPLES, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015

	<u>Buildings</u>	<u>Building Improvements</u>	<u>Vehicles</u>	<u>Land Improvements</u>
ASSETS				
Due from other funds	\$ 44,765	\$ 79,144	\$ 235,813	\$ 22,364
TOTAL ASSETS	<u>\$ 44,765</u>	<u>\$ 79,144</u>	<u>\$ 235,813</u>	<u>\$ 22,364</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	44,765	79,144	235,813	22,364
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>44,765</u>	<u>79,144</u>	<u>235,813</u>	<u>22,364</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 44,765</u>	<u>\$ 79,144</u>	<u>\$ 235,813</u>	<u>\$ 22,364</u>

TOWN OF NAPLES, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Infrastructure Unclassified</u>	<u>Totals</u>
ASSETS				
Due from other funds	\$ 13,178	\$ 235,005	\$ 114,084	\$ 744,353
TOTAL ASSETS	<u>\$ 13,178</u>	<u>\$ 235,005</u>	<u>\$ 114,084</u>	<u>\$ 744,353</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	13,178	235,005	114,084	744,353
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>13,178</u>	<u>235,005</u>	<u>114,084</u>	<u>744,353</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,178</u>	<u>\$ 235,005</u>	<u>\$ 114,084</u>	<u>\$ 744,353</u>

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

TOWN OF NAPLES, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Buildings</u>	<u>Building Improvements</u>	<u>Vehicles</u>	<u>Land Improvements</u>
REVENUES				
Interest income	\$ 46	\$ 113	\$ 243	\$ 26
Other	-	-	-	-
TOTAL REVENUES	<u>46</u>	<u>113</u>	<u>243</u>	<u>26</u>
EXPENDITURES	<u>-</u>	<u>41,644</u>	<u>-</u>	<u>4,175</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>46</u>	<u>(41,531)</u>	<u>243</u>	<u>(4,149)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	42,000	61,000	10,000
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>42,000</u>	<u>61,000</u>	<u>10,000</u>
NET CHANGE IN FUND BALANCES	46	469	61,243	5,851
FUND BALANCES, JULY 1	<u>44,719</u>	<u>78,675</u>	<u>174,570</u>	<u>16,513</u>
FUND BALANCES, JUNE 30	<u>\$ 44,765</u>	<u>\$ 79,144</u>	<u>\$ 235,813</u>	<u>\$ 22,364</u>

TOWN OF NAPLES, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Infrastructure Unclassified</u>	<u>Totals</u>
REVENUES				
Interest income	\$ 13	\$ 242	\$ 124	\$ 807
TOTAL REVENUES	<u>13</u>	<u>242</u>	<u>124</u>	<u>807</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>12,967</u>	<u>58,786</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>13</u>	<u>242</u>	<u>(12,843)</u>	<u>(57,979)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000	-	19,500	135,500
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,000</u>	<u>-</u>	<u>19,500</u>	<u>135,500</u>
NET CHANGE IN FUND BALANCES	3,013	242	6,657	77,521
FUND BALANCES, JULY 1	<u>10,165</u>	<u>234,763</u>	<u>107,427</u>	<u>666,832</u>
FUND BALANCES, JUNE 30	<u>\$ 13,178</u>	<u>\$ 235,005</u>	<u>\$ 114,084</u>	<u>\$ 744,353</u>

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

Permanent Funds

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

1. Cemetery Perpetual Care – Transactions involving the perpetual care of the public cemetery.

TOWN OF NAPLES, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS
 JUNE 30, 2015

	Cemetery Perpetual Care	Totals
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 25,357	\$ 25,357
TOTAL ASSETS	<u>\$ 25,357</u>	<u>\$ 25,357</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	25,357	25,357
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>25,357</u>	<u>25,357</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,357</u>	<u>\$ 25,357</u>

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

TOWN OF NAPLES, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Cemetery Perpetual Care	Totals
	<u> </u>	<u> </u>
REVENUE		
Interest income	\$ 38	\$ 38
TOTAL REVENUES	<u> 38</u>	<u> 38</u>
EXPENDITURES	<u> -</u>	<u> -</u>
NET CHANGE IN FUND BALANCES	38	38
FUND BALANCES, JULY 1	<u> 25,319</u>	<u> 25,319</u>
FUND BALANCES, JUNE 30	<u> \$ 25,357</u>	<u> \$ 25,357</u>

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

General Capital Assets

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

TOWN OF NAPLES, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2015

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
General government	\$ 17,789	\$ 1,009,602	\$ 130,294	\$ -	\$ 1,157,685
Public safety	67,602	492,335	3,217,285	-	3,777,222
Public works	-	-	-	15,125,391	15,125,391
Recreation	-	215,453	45,195	-	260,648
Health and sanitation	-	120,100	-	-	120,100
Town-wide	<u>1,136,220</u>	<u>2,289,802</u>	<u>14,050</u>	<u>-</u>	<u>3,440,072</u>
Total General Capital Assets	1,221,611	4,127,292	3,406,824	15,125,391	23,881,118
Less: Accumulated Depreciation	<u>-</u>	<u>(1,733,667)</u>	<u>(2,649,485)</u>	<u>(12,734,163)</u>	<u>(17,117,315)</u>
Net General Capital Assets	<u><u>\$ 1,221,611</u></u>	<u><u>\$ 2,393,625</u></u>	<u><u>\$ 757,339</u></u>	<u><u>\$ 2,391,228</u></u>	<u><u>\$ 6,763,803</u></u>

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

TOWN OF NAPLES, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2015

	General Capital Assets 7/1/14	Additions	Deletions	General Capital Assets 6/30/15
General government	\$ 1,110,755	\$ 46,930	\$ -	\$ 1,157,685
Public safety	3,767,718	9,504	-	3,777,222
Public works	15,125,391	-	-	15,125,391
Recreation	260,648	-	-	260,648
Health and sanitation	120,100	-	-	120,100
Town-wide	<u>3,260,072</u>	<u>180,000</u>	<u>-</u>	<u>3,440,072</u>
Total General Capital Assets	23,644,684	236,434	-	23,881,118
Less: Accumulated Depreciation	<u>(16,230,382)</u>	<u>(886,933)</u>	<u>-</u>	<u>(17,117,315)</u>
Net General Capital Assets	<u>\$ 7,414,302</u>	<u>\$ (650,499)</u>	<u>\$ -</u>	<u>\$ 6,763,803</u>

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