

# Town of Falmouth, Maine



## **Comprehensive Annual Financial Report**

*For the Fiscal Year Ending  
June 30, 2016*

**TOWN OF FALMOUTH, MAINE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2016**

**Prepared by:**

**Peter McHugh**  
**Finance Director**

**TOWN OF FALMOUTH, MAINE**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2016**

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# ***INTRODUCTORY SECTION***

# TOWN OF FALMOUTH, MAINE

December 19, 2016

To the Town Council and Citizens of the Town of Falmouth:

Maine state statutes and the Falmouth Town Charter require that the Town issue annually a financial report audited in accordance with generally accepted auditing standards. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the Town of Falmouth, Maine, for the fiscal year ended June 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Runyon Kersteen Ouellette, Certified Public Accountants, has issued an unmodified ("clean") opinion on the Town of Falmouth, Maine's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The Town is required to undergo an annual single audit in conformity with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, is included in the single audit section of this report.

## ***Profile of the Town of Falmouth***

The Town of Falmouth, incorporated in 1718, is located in the southern part of the State of Maine, in Cumberland County, directly north of the City of Portland. The Town currently occupies a land area of 32 square miles and serves a population of 11,185. Under Maine statutes, the Town is empowered to levy a property tax on both real and personal property located within its boundaries.

The Town has operated under the Council-Manager form of government since 1962. Policy-making and legislative authority is vested in a seven-member Town Council. The Town Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the Town Manager. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the Town, and for appointing the heads of the Town's departments. The Council is elected on a non-partisan basis. Council members are elected to three-year staggered terms. All Council members are elected at large.

271 FALMOUTH ROAD FALMOUTH, MAINE 04105 207.781.5253  
[www.town.falmouth.me.us](http://www.town.falmouth.me.us)

The Town of Falmouth provides a full range of services, including police, ambulance, and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities; elementary and secondary education; harbor control and emergency preparedness; municipal planning, assessing, building inspection and code enforcement; and wastewater treatment. Under the Town Charter, the Town of Falmouth's Education department is a department of the Town with an elected school board and an appointed Superintendent of Schools.

The annual budget serves as the foundation for the Town of Falmouth's financial planning and control. Each spring, all departments of the Town, including the Education department, submit requests for appropriation to the Town Manager so that a budget may be prepared. The Town Manager uses these requests as the starting point for developing a proposed budget. The Town Manager then presents this budget to the Town Council for review in April. The Town Council is required to hold a public hearing on the proposed budget before a final budget is adopted. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). (Note that Wastewater and the Vehicle Maintenance Internal Service Fund also carry a budget.)

The budget includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The Town Manager may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the Town Council. The legal level of budgetary control is the function level. Expenditures may not legally exceed budgeted appropriations at the function level without Town Council approval. Budget-to-actual comparisons are provided in this report for the general fund. This comparison is presented on page 34 as part of the basic financial statements for the governmental funds.

### ***Local Economy***

Falmouth is primarily a residential suburb of Portland, with two commercial corridors containing both retail and office developments. The Town exhibits above average wealth and housing levels with per capita growth outpacing that of the state. The Town experienced a rapid tax base growth in the late 1980's. This growth stabilized in the early 1990's and has increased again since the late 1990's. From 2015 to 2016, the Town's taxable base grew by \$39.7 million, an increase of 1.7%. The Town's current-year property tax collection rate remained at a very healthy 97.2% collected by August 31, 2016.

Several factors continue to work in the Town's favor in the current economic climate. First, residential building activity and development in Falmouth showed continued stability. 69 building permits for new construction were issued this year, including 60 permits for new single-family residential housing and 9 permits for new commercial buildings.

Finally, relative to many other municipalities, the Town has an extremely *diversified* tax base, with its largest taxpayer comprising only 2.41% of its total tax base, and its top ten taxpayers *combined* representing only 8.29% of the total tax base. The commercial tax base is well balanced, with strong retail, office and service sectors. Major companies with headquarters or divisions located within the Town include a large national computer software firm and a large regional bank back-office facility.

The Town's two retail corridors have a very high occupancy rate with a variety of specialty stores and restaurants, as well as several large retail and supermarket outlets. According to the latest available census figures, an approximate-total of 6,362 workers are employed in Falmouth. The Town also serves as a regional employment center, with over 63% of its total workforce residing in surrounding communities.



### ***Long-term Planning***

In preparing for the future, the Town identifies, on an ongoing basis, infrastructure and capital projects that are needed to meet the demand for services, while continuing to meet the rising fixed costs necessary to deliver services and programs to support the function of all operations. Among these capital investments and programs are road construction, housing and open space planning, recreational activities, equipment purchases, and building construction and renovations. These initiatives were done in accordance with the Town's comprehensive financial planning document and its ten-year Capital Improvement Plan, which is reviewed and updated annually by the Town Council.

This year's capital plan calls for a continuation of road and sidewalk improvements, Middle Road rehabilitation, an upgrade to the Underwood Road drainage system between Foreside and Glen Road, replacement of Fire Station floor drainage, a drainage pipe replacement, various Community Center building projects including the addition of a Senior Center, Public Works building roof replacement, and park lighting replacement at Huston Park.

This year's multi-year equipment replacement plan also calls for the purchase of a dump/plow truck for Public Works, three new police cruisers for the Police Department, a new digital radio system for Public Safety, replacement of Engine 4 for the Fire Department, a mini-bus for Community Programs and continued upgrades to the Town's computer network and equipment.

In addition to its multi-year capital improvement and equipment replacement plans, the Town continues to be engaged in significant long-range land use planning. In 2015-16, the Town made progress on a number of long range planning initiatives including the following:

1. Developed a plan to focus on the overall needs of senior citizens and what role the Town should have with offering and/or facilitating the delivery of services and assistance to senior citizens.
2. Completed the design, plan and obtained voter approval for implementation of the Route 100 Infrastructure project.
3. Completed recommendations to amend land use ordinances to ensure growth is encouraged in areas targeted for growth and maintain slower growth in low growth areas.
4. Completed and started implementation of a new prioritized bicycle and pedestrian infrastructure plan.
5. Began work on the upgrade of the Town's Pump Station and force main at Mill Creek which serves both East Falmouth and the Town of Cumberland.
6. Planned for the continued expansion of natural gas lines throughout the community.
7. Continued efforts to reformat and rewrite portions of the Town's land use regulations with an objective to remove inconsistencies and improve ease of use by staff and applicants.
8. Completed the Route One South Corridor infrastructure improvement project.

In 2016-17, the Town will continue to work on long range planning initiatives which are included in the Comprehensive Plan. These initiatives include the following:

1. Complete the renovation of a new senior citizen center through re-purposing of a room in the Town Community Center now occupied by Community Programs.
2. Prioritize capital improvements to ensure adequate supporting infrastructure is available to accommodate growth in growth areas.
3. Complete work on the upgrade of the Town's Pump Station and force main at Mill Creek.

4. Begin work on the implementation of the Route 100 Infrastructure project Plan.
5. Complete a Vision Plan for Route One North Professional Office Corridor.
6. Develop a multi-modal transportation plan for Route One corridor with the Town of Cumberland and Yarmouth.
7. Develop an update to the Town's highly successful Open Space Plan.

### ***Relevant Financial Policies***

Unassigned fund balance in the general fund exceeds the target balance of 16.7% (two months) of budgeted expenditures specified in the Town of Falmouth's fund balance policy. The Town also reserves \$1,000,000 over that amount for future capital expenditures. According to the policy, funds in excess of the targeted balance may, with the approval of the Falmouth Town Council, be used for such non-operating fiscal purposes as additional capital improvements or debt reduction.

### ***Major Initiatives***

In addition to significant long range planning initiatives, there are other major projects or initiatives, which will have a significant impact on the future of the Town. Some of these initiatives include but are not limited to:

1. Reconstruction and expansion of the Memorial Library.
2. Planning for the Town's 300<sup>th</sup> Anniversary.

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Falmouth, Maine, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 24th consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Credit must also be given to the Falmouth Town Council for its unfailing support for maintaining the highest standards of professionalism in the management of the Town's finances.

Sincerely,

Nathan A. Poore  
Town Manager

Peter M. McHugh  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

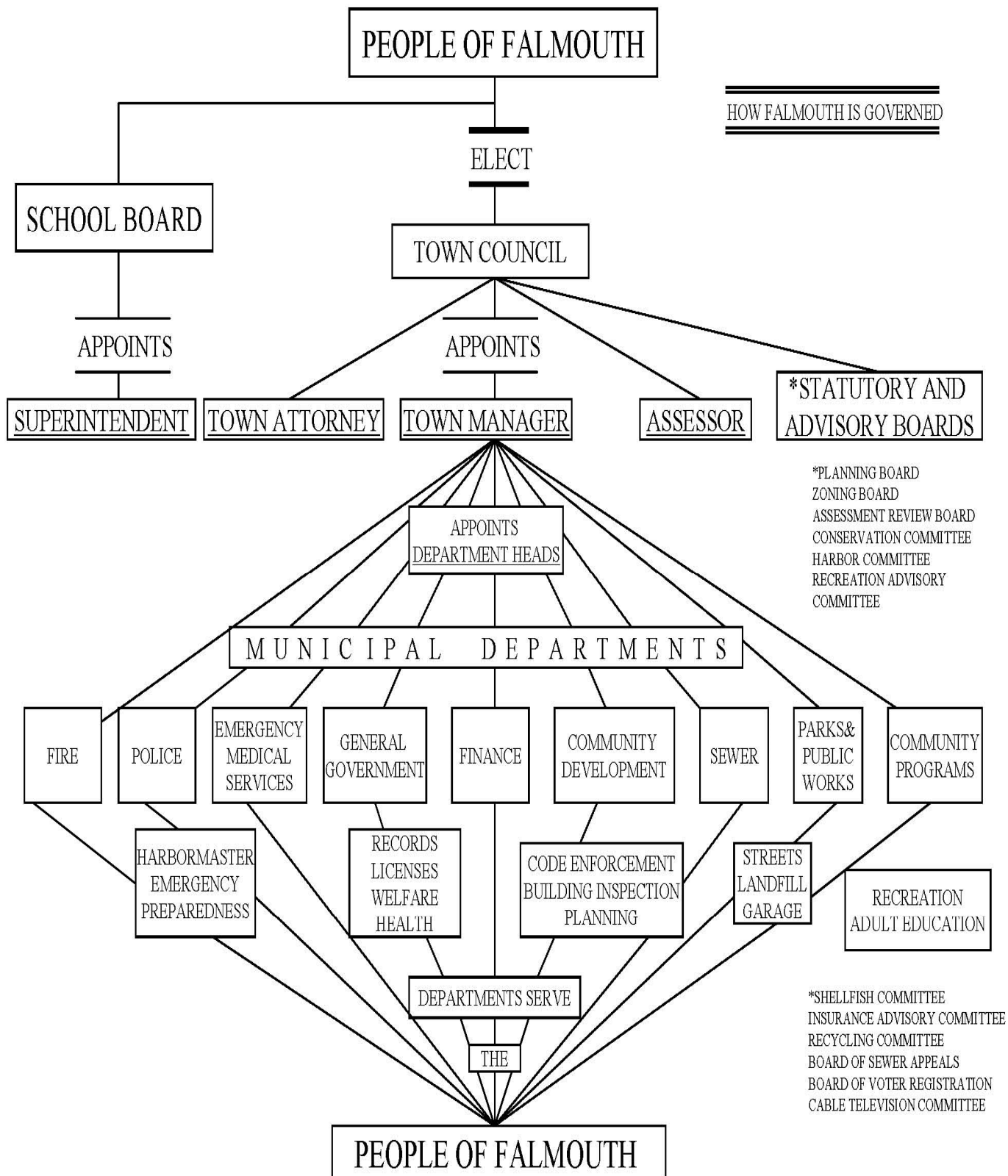
Presented to

**Town of Falmouth  
Maine**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



**TOWN OF FALMOUTH, MAINE**  
**List of Principal Officials**  
**June 30, 2016**

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<u>Title</u>	<u>Name</u>
Council Member	Karen Farber, Chair
Council Member	Caleb Hemphill, Vice Chair
Council Member	Claudia King
Council Member	Charlie McBrady
Council Member	Ned Kitchel
Council Member	Aaron Svedlowl
Council Member	Andrea Ferrante
Town Manager	Nathan Poore
Assessor	Renee Lachapelle
Code Enforcement Officer	Justin Brown
Community Programs Director	Alexis D'Ascanio
Community Development Director	Amanda Stearns
Economic Development Director	Theo Holtwijk
Finance Director	Peter McHugh
Fire Chief	Howard Rice
Information Systems Director	Jennifer Phinney
Police Chief	Edward Tolan
Public Works Director	Jay Reynolds
Town Clerk	Ellen Planer
Wastewater Treatment Superintendent	Robert Clark
School Superintendent	Geoff Bruno
School Business Manager	Dan O'Shea
School Board member	Lucy Tucker, Chair
School Board member	Cindy Han
School Board member	Dee Conroy-Vella
School Board member	Jen Libby
School Board member	Caryn Bickerstaff
School Board member	Danielle Tracy
School Board member	Josh Barrett

## ***FINANCIAL SECTION***

## Independent Auditor's Report

Town Council  
Town of Falmouth, Maine

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine as of and for the year ended June 30, 2016, 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***

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 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund 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, schedule of Town's proportionate share of the net pension liability, schedule of Town contributions, and the schedule of funding progress for the retiree healthcare plan as listed in the table of contents 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 Falmouth, Maine's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Town Council  
Town of Falmouth, Maine

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of the Town of Falmouth, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Falmouth, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remya Kristen Ouellette". The signature is written in a cursive, flowing style.

December 19, 2016  
South Portland, Maine

**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2016**

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As management of the Town of Falmouth, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Falmouth for the fiscal year ended 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town of Falmouth exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$86,691,797 (*net position*). Of this amount, \$16,706,959 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town of Falmouth's total net position increased by \$3,547,015.
- As of the close of the current fiscal year, the Town of Falmouth's governmental funds reported combined ending fund balances of \$25,489,206, a decrease of \$470,634 in comparison with the prior year. This is detailed as follows:
  - The general fund increased \$754,619. This was due to current year net transfers (\$1,642,204) to other funds. This was offset by favorable operations of \$2,344,858.
  - The capital projects fund decreased \$97,362. This was due to current year transfers in from other funds equaling \$1,501,104 offset by net capital spending of \$1,598,466.
  - The Route One South TIF District fund decreased by \$1,895,655 as spending of \$3,385,378 on the Route One Infrastructure project and \$60,856 in transfers to other funds was offset by revenues of \$1,550,579.
  - Other governmental funds, such as special revenue funds and the remaining TIFs, increased \$767,764. Revenues of \$4,501,425 consisting mostly of property taxes for the TIFs (\$1,454,894), miscellaneous revenues (\$263,231), charges for services (\$2,103,391) and intergovernmental revenues (\$679,141). Expenditures of \$3,935,617 consisting mostly of school related expenditures (\$1,961,242), Community Programs and Parks expenditures (\$754,620) and Community Development expenditures (\$775,135). The balance (\$444,620) is made up of expenditures in other departments such as Public Safety and Public Works. Excess revenues over expenditures of \$565,808 was supplemented by a \$201,956 transfer from other funds.
- At the end of the current fiscal year, the Town unassigned fund balance for the general fund was \$11,081,063 and the School Unassigned fund balance (list as restricted in the CAFR) was \$1,048,593. The total unassigned fund balance for the Town General Fund and School Department General Fund of \$12,129,656 equates to 25.9% of total general fund expenditures.
- During the fiscal year, the Town paid \$3,975,000 in principal payments on previously issued general obligation debt, refunded \$1,900,000 of previously issued bonds, and paid principle of \$324,000 on previously issued sewer revenue bond debt.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Falmouth's basic financial statements. The Town's financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Falmouth's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these items reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

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The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Falmouth that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works (highways, streets, and solid waste disposal), education, and parks and recreation. The Town has one business-type activity, its wastewater treatment operation. The government-wide financial statements can be found on pages 29-30 of this report.

**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 Falmouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 Town'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*.

The Town of Falmouth maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Route One South TIF District, and the capital project fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Falmouth adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 31-34 of this report.

**Proprietary funds.** The Town of Falmouth maintains two different types of proprietary funds. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Falmouth uses the enterprise fund to account for its wastewater treatment operations. The *internal service fund* is an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses the internal service fund to account for the maintenance of its motor vehicle fleet. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 35-37 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Falmouth's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 38 of this report.

**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 fund financial statements. The notes to the financial statements can be found on pages 39-62 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements can be found on pages 69-79 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Falmouth, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$86,691,797 at the close of the most recent fiscal year.

<b>Town of Falmouth's Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>Restated 2015</b>	<b>2016</b>	<b>Restated 2015</b>	<b>2016</b>	<b>Restated 2015</b>
Current and other assets	\$ 29,661,588	\$30,876,212	\$ 3,517,259	\$ 3,486,661	\$33,178,847	\$34,362,873
Capital assets	100,224,611	99,518,944	16,283,464	16,287,512	116,508,075	115,806,456
Total assets	129,886,199	130,395,156	19,800,723	19,774,173	149,686,922	150,169,329
Deferred Outflow of Resources	1,370,400	1,105,305	-	-	1,370,400	1,105,305
Non-current liabilities outstanding	56,292,162	54,515,929	3,708,672	4,017,381	60,000,834	58,533,310
Other liabilities	3,644,744	8,373,103	290,265	125,441	3,935,009	8,498,544
Total liabilities	59,936,906	62,889,032	3,998,937	4,142,822	63,935,843	67,031,854
Deferred Inflows of Resources	429,682	1,097,999	-	-	429,682	1,097,999
Net investment in capital assets	50,126,899	45,863,640	12,719,464	12,399,512	62,846,363	58,263,152
Restricted	7,183,760	8,172,054	-	-	7,183,760	8,172,054
Unrestricted	13,579,352	13,477,736	3,082,322	3,231,840	16,661,674	16,709,576
Total net position	\$ 70,890,011	\$67,513,430	\$15,801,786	\$15,631,352	\$86,691,797	\$83,144,782

**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

By far, the largest portion of the Town of Falmouth's net position (72%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Falmouth net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$16,706,959) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Falmouth is able to report positive balances in all three categories of net position, investment in capital assets and unrestricted assets, both for the government as a whole, as well as for its separate business-type activities.

Further information on deferred outflows of resources and inflows of resources, can be found in the Notes to Basic Financial Statements on page 60.

	Town of Falmouth's Changes in Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015*	2016	2015*	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,489,340	\$ 3,234,359	\$ 1,767,660	\$ 1,750,443	\$ 5,257,000	\$ 4,984,802
Operating grants and contributions	11,872,141	12,357,354	340,647	380,737	12,212,788	12,738,091
Capital grants and contributions	1,237,845	241,118	-	132,600	1,237,845	373,718
General revenues:						
Property taxes	34,630,748	32,854,038	-	-	34,630,748	32,854,038
Excise taxes	3,138,658	3,040,917	-	-	3,138,658	3,040,917
Cable TV franchise taxes	211,124	210,467	-	-	211,124	210,467
Grants not restricted to specific programs	886,641	776,762	-	-	886,641	776,762
Other	387,013	182,380	14,933	6,100	401,946	188,480
<b>Total revenues</b>	<b>55,853,510</b>	<b>52,897,395</b>	<b>2,123,240</b>	<b>2,269,880</b>	<b>57,976,750</b>	<b>55,167,275</b>
<b>Expenses:</b>						
General government	4,575,776	3,683,548	-	-	4,575,776	3,683,548
Financial management	1,204,538	1,049,103	-	-	1,204,538	1,049,103
Public safety	4,533,160	4,419,078	-	-	4,533,160	4,419,078
Public works	3,209,514	2,957,355	-	-	3,209,514	2,957,355
Community programs & parks	1,329,529	1,270,322	-	-	1,329,529	1,270,322
Community development	1,279,967	2,069,053	-	-	1,279,967	2,069,053
Education	34,427,522	32,903,013	-	-	34,427,522	32,903,013
Central garage	254,384	239,277	-	-	254,384	239,277
Interest on long-term debt	1,662,539	1,768,827	-	-	1,662,539	1,768,827
Wastewater treatment	-	-	1,952,806	2,051,999	1,952,806	2,051,999
<b>Total expenses</b>	<b>52,476,929</b>	<b>50,359,576</b>	<b>1,952,806</b>	<b>2,051,999</b>	<b>54,429,735</b>	<b>52,411,575</b>
<b>Increase in net position</b>	<b>3,376,581</b>	<b>2,537,819</b>	<b>170,434</b>	<b>217,881</b>	<b>3,547,015</b>	<b>2,755,700</b>
<b>Net position--July 1, restated</b>	<b>67,513,430</b>	<b>64,723,221</b>	<b>15,631,352</b>	<b>14,968,290</b>	<b>83,144,782</b>	<b>79,691,511</b>
<b>Net position--June 30</b>	<b>\$70,890,011</b>	<b>\$67,261,040</b>	<b>\$15,801,786</b>	<b>\$15,186,171</b>	<b>\$86,691,797</b>	<b>\$82,447,211</b>

\*The 2015 column was not restated to reflect prior period adjustments that were recorded during the June 30, 2016 audit.

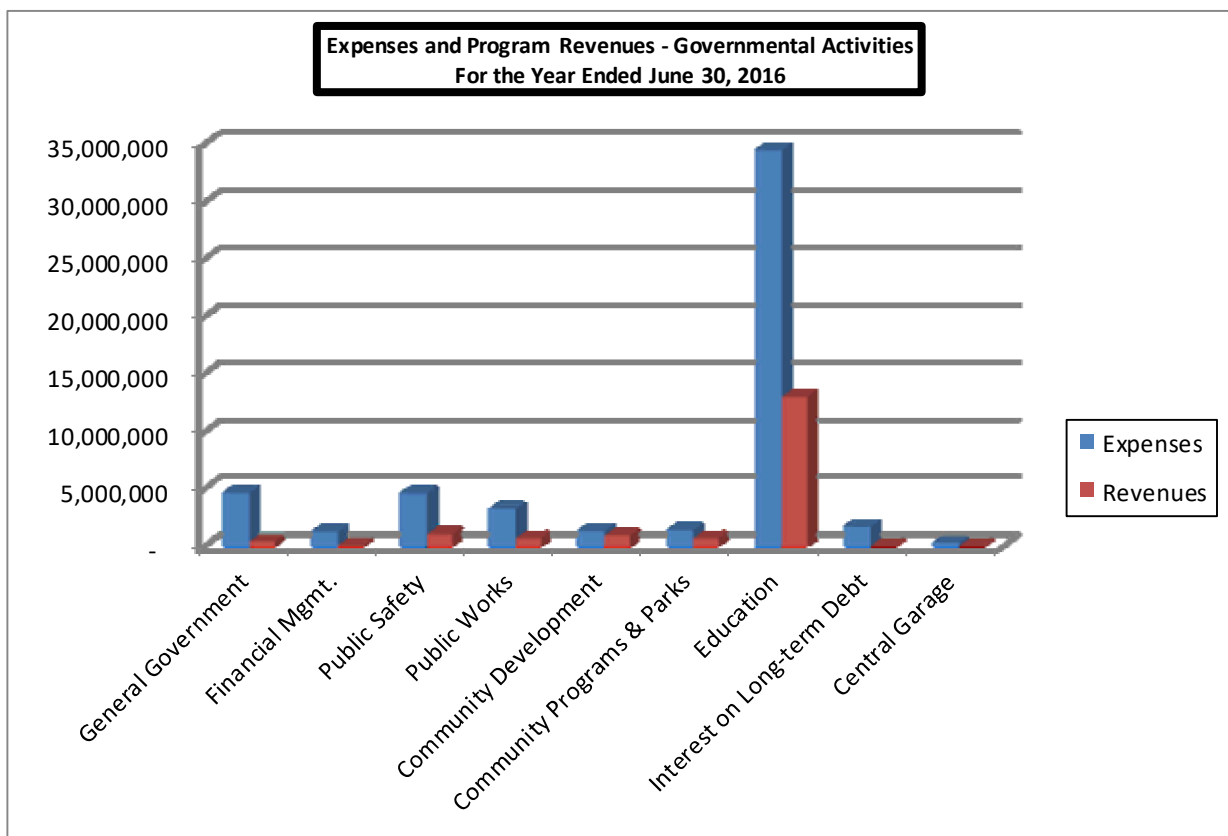
**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

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The Town of Falmouth's net position increased by \$3,547,015, or 4.3%, during the current fiscal year. Total governmental activities revenue increased by \$3,376,581 or 4.2% over the prior year primarily due to increased capital grants and contributions of \$996,727, an increase in taxes of \$1,874,451, an increase in charges for services of \$254,801 and an increase in Grants not restricted to specific programs of \$109,879.

Total expenses increased \$2,017,353 or 4.0% from the prior year. The increase was driven by increases in school operating expenses (\$1,524,509), an increase in General Government of \$892,228, an increase in Public Works (\$252,159), an increase in Financial Management expenses (\$155,435) and an increase in Public Safety expense (\$114,082) offset by a decreases in Community Development (\$789,086), Interest on Long-term Debt (\$106,288) and Wastewater expense (\$99,193).

**Governmental activities.** Governmental activities increased the Town of Falmouth's net position by \$3,376,581 thereby accounting for substantially all (95%) of the total growth in the Town's net position. The following charts illustrate total expenses and revenues by program and revenues by source for all governmental activities. Key elements of this increase are as follows:

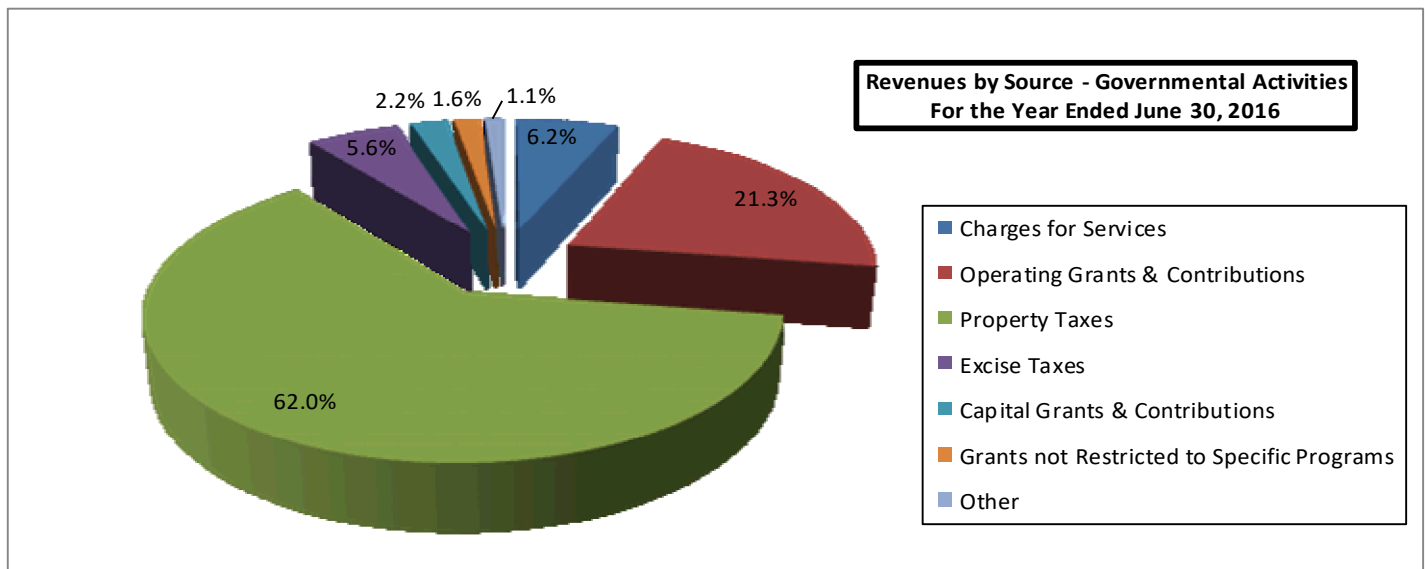


- Property tax revenues increased by \$1,776,710 or 5.4% during the year. The tax rate increased from 14.10 mils to 14.63 mils in 2016 or 3.76%. This with a 1.7% increase in total property valuation, and strong tax collection efforts, reflected in the Town's continued high tax collection rate of 97.2% collected by August 31, 2016 resulted in the increase.
- Excise taxes increased \$97,741 or 3.2% from the prior year as new car sales and leases continue to see strong growth.

**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

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- Operating grants and contributions decreased \$485,213 mostly due to decreases in amounts received for the Route One South Infrastructure project.
- General Government line item expenses increased by \$892,228 or 24.2%. This is primarily due to a reduction of pension investment earnings projections (\$897,347).
- Public Safety overall expenses increased \$114,082 primarily due to increased employee costs partially offset by lower special detail expenses.
- Public Works increased by \$252,159 due to increased depreciation primarily from Route One Infrastructure improvements placed in service (\$279,956) offset by reduced operating expenses from a milder than normal winter.
- Community Development expenses decreased \$789,086 primarily due to reductions in net capital spending (\$660,204) and reduced Route One South Infrastructure spending (\$203,110) offset by an increase in TIF expenditures (primarily Ocean View/Natural gas) of \$67,080 and an increase in operating expenses of \$8,672.
- Financial Management expenses increased \$155,435 primarily due to increased operating expenses (\$86,427) and the net issuance cost of the Public Safety Bond refinancing (\$51,966). For further information on the bond refinancing, please see the Notes to Basic Financial Statements on page 49.
- Education line-item expenses increased by \$1,524,509 in 2016 compared to 2015 primarily due to an increase in school operating expense (\$1,299,689) and increases in food service and depreciation.



**Business-type activities.** The Town's one business-type activity, its wastewater treatment operation, increased the Town of Falmouth's net position by \$170,434. Key elements of this year's activity are as follows:

- Charges for Services increased by \$17,217 from the prior year.
- Operating Grants and Contributions decreased \$40,090.
- Investment earnings increased \$8,833.
- Expenses decreased by \$99,193 or 4.8%.

**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Financial Analysis of the Government's Funds**

As noted earlier, the Town of Falmouth uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town of Falmouth's governmental funds reported combined ending fund balances of \$25,489,206, a decrease of \$470,634 from the prior year. This decrease is due to spending the remaining Route 1 Infrastructure project funds (\$1,899,664) and excess expenditures over revenue in the capital project fund offset by excess revenues over expenditures and fund transfers in the general fund (\$754,619) and excess revenues and fund transfers over expenditures in other government funds (\$767,764). Approximately 43.5% of this total amount (\$11,081,063) constitutes *unassigned fund balance in the general fund*, which is available for spending at the Town's discretion.

The remainder of the fund balance is as follows: *special revenue funds* (\$1,136,193), which are committed for a specified purpose; *capital project funds* which are committed to capital projects (\$4,425,236); and *restricted or nonspendable* (\$8,922,401) to indicate that it is not available for new spending. These amounts are not available for new spending because they have already been classified to account for inventory, unemployment compensation reserves, or projects which have to be completed due to restrictions set by entities at the State or Federal level or other municipal governments outside of the town.

The general fund is the chief operating fund of the Town of Falmouth. At the end of the current fiscal year, the fund balance of the general fund was \$12,426,988 (\$1,345,925 of which has been designated by management, the Town Council, or an outside government as assigned, committed, restricted, or nonspendable). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.7% of total general fund expenditures, while total fund balance represents 26.5% of that same amount.

The fund balance of the Town of Falmouth's general fund increased by \$754,619 during the current fiscal year. Major factors in this year's fund balance activity are as follows:

- General fund property tax revenues increased by \$1,372,240 (4.4%) during the year. This increase reflects both a 1.7% increase in total property valuation, an increase of 3.76% in the mil rate (from 14.10 to 14.63 mils), as well as strong tax collection efforts, reflected in the Town's continued high tax collection rate of 97.2% collected by August 31, 2016.
- Intergovernmental revenue increased by \$265,601 from the prior year, due to increased state payments to the Schools, increased other School receipts and a \$28,399 increase in state revenue sharing.
- A \$97,741 increase in excise taxes, a \$16,730 decrease in charges for services, a \$53,544 increase in license, fees and permits, a \$118,883 increase in investment earnings, and a \$79,523 increase in miscellaneous revenue.
- Net other financing uses of \$1,590,239.
- Total General Fund expenditures increased by \$1,184,142 or 2.6%.

The capital project fund decreased by \$97,362 due to capital fund appropriations from the general fund (\$1,501,104) and revenues of \$667,924 offset by capital spending of \$2,266,390.



**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

The Route One South TIF District decreased by \$1,895,655 as a result of tax revenue of \$957,550, intergovernmental revenue of \$569,921 and miscellaneous revenues of \$23,108 offset by capital spending of \$2,458,585 and debt service payments of \$808,613.

The combined fund balance of the other (non-major) governmental funds increased by \$767,764 due to revenues of \$4,501,425 (including \$1,454,984 in taxes) offset by expenditures of \$3,935,617.

**Proprietary funds.** The Town of Falmouth's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Town's wastewater treatment fund amounted to \$3,127,607, and net position of the fleet maintenance internal service fund amounted to \$16,077. The total increase in net position for the wastewater treatment fund was \$170,434. The total increase in inventories for the internal service fund was \$12,414.

**General Fund Budgetary Highlights**

For the current fiscal year, all revenue line-items (with the exception of licenses, permits and fees and charges for services) exceeded budgetary projections and all expenditure line-items were within budgetary limits. Revenues exceeded budget by \$758,669 and expenditures were \$401,408 lower than budget. Other financing uses were \$405,458 higher than budget due to supplemental appropriations.

The Town's written fund balance policy, which authorizes funds in excess of the Town's required minimum unassigned fund balance of two months (or 16.7%) of operating expenditures to be appropriated for "one-time" capital or non-operating uses. The Town also reserves \$1,000,000 in addition to that amount for future capital expenditures.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Falmouth's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$116,508,075 (net of accumulated depreciation), an increase of \$701,619. This investment in capital assets includes land, buildings and system, land improvements, machinery and equipment, and infrastructure. The total increase in the Town of Falmouth's investment in capital assets for the current fiscal year was 0.6% (a 0.7% increase for governmental activities and a 0.02% decrease for business-type activities).

Town of Falmouth's Capital Assets (net of depreciation)							
Governmental Activities				Business-type Activities		Totals	
	2016	Restated 2015		2016	Restated 2015	2016	Restated 2015
Land	\$ 8,015,991	\$ 7,656,419	\$	350,600	\$ 350,600	\$ 8,366,591	\$ 8,007,019
Construction-in-progress	833,350	15,137,027		926,496	341,609	1,759,846	15,478,636
Buildings & improvements	56,814,714	54,471,656		6,473,251	6,671,285	63,287,965	61,142,941
Improvements other than buildings	627,414	698,280		-	-	627,414	698,280
Machinery and equipment	3,977,949	3,861,344		2,088,066	2,240,705	6,066,015	6,102,049
Infrastructure	29,955,193	17,694,218		6,445,051	6,683,313	36,400,244	24,377,531
Total	\$100,224,611	\$ 99,518,944	\$	16,283,464	\$ 16,287,512	\$ 116,508,075	\$115,806,456

**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

Major capital asset events during the current fiscal year included the following:

- A variety of street construction projects throughout the Town were undertaken, including the resurfacing of Mountain Road and Route One median islands between Brown and Hammond streets and the completion of the Route One South infrastructure project. Other projects included park lighting upgrades at Huston Park and Route One culvert replacements. In addition, Wastewater started work on a major project this year - the Mill Creek Pump Station and Force Main upgrade project (see page 48 of the notes to the basic financial statements).
- Major equipment additions include a plow/dump truck for Public Works, two heavy-duty trucks for the Fire Department, two new police cruisers, new computer hardware, and telemetry and other equipment for Wastewater.

Additional information on the Town of Falmouth's capital assets can be found in the notes to the basic financial statements on pages 47-48 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Falmouth had total bonded debt outstanding of \$54,429,000. Of this amount, \$50,865,000 consists of general obligation debt backed by the full faith and credit of the Town. It should be noted that the State of Maine has been funding school debt payments for the entire \$5,070,000 2011 High School Construction Refunding Bond and 84% of the \$30,175,000 2011 Elementary School Construction Bond (\$25,419,916). The State contribution toward debt service totaled \$3,507,242 in 2016. The remaining \$3,564,000, of the Town's debt consists of sewer revenue bonds secured solely by sewer user fees.

All Governmental activities long-term debt service requirements are paid by either the General Fund, or the Route One South TIF District fund.

<b>Town of Falmouth's Outstanding Debt</b>						
<b>General Obligation and Revenue Bonds</b>						
	<b>Governmental activities</b>		<b>Business-type debt</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General obligation						
bonds	\$50,865,000	\$54,840,000	\$ -	\$ -	\$50,865,000	\$ 54,840,000
Revenue bonds	-	-	3,564,000	3,888,000	3,564,000	3,888,000
<b>Total</b>	<b>\$50,865,000</b>	<b>\$54,840,000</b>	<b>\$3,564,000</b>	<b>\$3,888,000</b>	<b>\$54,429,000</b>	<b>\$ 58,728,000</b>

During the fiscal year, the Town paid \$3,975,000 in principal payments on previously issued general obligation debt, refunded \$1,900,000 of previously issued bonds, and paid principle of \$324,000 on previously issued sewer revenue bond debt.

During the fiscal year, The Town of Falmouth maintained its "AAA" credit rating from Standard & Poor's and maintained its "Aa1" rating from Moody's Investors Service.

State statutes limit the amount of total debt (for all municipal purposes) that a municipality may issue up to 15% of its total state assessed valuation. The current debt limitation for the Town of Falmouth is \$337,965,000. The Town's actual total outstanding debt of \$54,429,000 (for all municipal purposes) is significantly below the authorized state limit. Additional information on the Town of Falmouth's long-term debt can be found in the notes to the basic financial statements on pages 49-52 of this report.

**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Economic Factors and Next Year's Budgets and Rates**

- The Town of Falmouth's property tax base continues to remain stable, paced by a stable building and real estate construction market. Falmouth's taxable valuation base grew by 1.7% in fiscal year 2015-16. A total of 69 building permits for new construction were issued in 2015-16, including 60 permits for new single-family residential housing and 9 permits for new commercial buildings.
- Certain economic areas are showing increased strength. For example, the automobile market's continued strength has led to a strong increase in automobile excise collections. This amount increased 3.2% to \$3,138,658 in Year 2015-16 from \$3,040,917 in the prior year.
- The Town makes a continual effort to ensure that its property tax base is assessed at 100% of market value. A revaluation of commercial and residential properties was conducted in 2009. These revaluations ensure that the Town is fairly and equitably assessing its properties and is utilizing its full property tax base.
- Despite a statewide decline in elementary and secondary school enrollment, the Town's school enrollment figures remain stable. These enrollment figures ensure that the Town will continue to receive its fair share of state educational aid, which is distributed to municipalities under a formula, which places great weight on student enrollment.
- The major concern for future budget planning continues to be the uncertainty regarding state aid to education and state municipal revenue sharing, combined with the potential loss of federal grant money. This uncertainty will require constant monitoring by Town staff of the upcoming state legislative session.
- The Town continues to monitor the situation regarding the continued depressed interest rates. Unlike many non-profit institutions, the Town has a strict "no risk of principal" policy regarding its investments. Therefore, the Town experienced no loss of principal in its investments during the continuation of low rates. The Town has seen an improvement in investment earnings over 2015 of 226.2% through an increase in the allocation of funds to FDIC-insured CDs and government securities in the Town's investment portfolio.
- The Town has seen the costs of employee health insurance increase significantly in 2016 with increases ranging from 10.2%-11.4% depending on the plan. To help offset these increases, the Town offers employees an incentive to take the more cost-effective PPO plan by giving them a share of the cost savings. In addition, the Town has replaced its POS plan with no deductible to a plan with a \$200 single/\$400 family deductible.

Where applicable, the factors above were considered in preparing the Town of Falmouth's budget for the 2016 fiscal year. The primary budgetary objective was to provide basic and referendum approved Town services to its citizens while attempting to keep the property tax rate low. The positive trends noted above helped offset an increase of 4.4% in School, partially from building construction related debt, and 5.8% County requirements from property taxes and result in a 3.76% increase in the property tax rate in fiscal year 2015-16. The tax rate increased to \$14.63 per thousand of valuation.

Affecting the future development for the Town:

- The private expansion of natural gas lines throughout the Town is on going. Installation of the distribution system could represent a significant investment in Falmouth and two other towns. The entire project is expected to take between five and ten years.

**TOWN OF FALMOUTH, MAINE**  
**Management's Discussion and Analysis, Continued**

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- The Town plans on completion of its \$6.2 million Mill Creek pump station upgrade and force main replacement by the end of FY 2017. This pump station serves both the Town of Falmouth and the Town of Cumberland with Falmouth's share of the project cost being 56.3% or \$3.3 million. The Town plans to fund up to \$2.3 million through a loan from the Portland Water District. Portland Water District obtained an SRF loan to finance both the Falmouth and Cumberland funding requirements for this project. Falmouth plans to fund the remaining \$1 million of its share of project cost from its unrestricted Wastewater Enterprise fund.
- The Town has begun the renovation of a portion of the newly renovated Town Community Center to create a Senior Center for the Town and plans on completing the project sometime in the last half of FY 2017.
- Private development is anticipated in the Route 1 commercial district following the completion of the Town's \$12M infrastructure investment in Route 1.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Falmouth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Falmouth, Maine, 271 Falmouth Road, Falmouth, Maine 04105.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF FALMOUTH, MAINE**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 465,329	-	465,329
Investments	26,993,629	3,142,270	30,135,899
Receivables:			
Taxes receivable	1,270,118	-	1,270,118
Accounts receivable	214,762	359,893	574,655
Due from other governments	278,599	10,345	288,944
Notes receivable	283,500	-	283,500
Inventories	136,148	-	136,148
Prepaid items	13,832	4,751	18,583
Tax-acquired property	5,671	-	5,671
Capital assets not being depreciated	8,849,341	1,277,096	10,126,437
Capital assets net of accumulated depreciation	91,375,270	15,006,368	106,381,638
Total assets	129,886,199	19,800,723	149,686,922
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	1,370,400	-	1,370,400
Total deferred outflows of resources	1,370,400	-	1,370,400
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	639,470	223,866	863,336
Accrued payroll	2,757,106	21,473	2,778,579
Accrued interest	235,090	44,926	280,016
Taxes paid in advance	13,078	-	13,078
Noncurrent liabilities:			
Due within one year	4,388,293	369,285	4,757,578
Due in more than one year	51,903,869	3,339,387	55,243,256
Total liabilities	59,936,906	3,998,937	63,935,843
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	429,682	-	429,682
Total deferred inflows of resources	429,682	-	429,682
<b>NET POSITION</b>			
Net investment in capital assets	50,126,899	12,719,464	62,846,363
Restricted for:			
Tax Incremental Financing	5,729,907	-	5,729,907
Perpetual care, nonexpendable	9,640	-	9,640
Education	1,281,619	-	1,281,619
Grants and restricted programs	162,594	-	162,594
Unrestricted	13,579,352	3,082,322	16,661,674
Total net position	\$ 70,890,011	15,801,786	86,691,797

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

**TOWN OF FALMOUTH, MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

					Net (expense) revenue and changes		
					in net position		
					Primary Government		
Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,575,776	354,297	15,862	-	(4,205,617)	-	(4,205,617)
Financial management	1,204,538	53,247	-	-	(1,151,291)	-	(1,151,291)
Public safety	4,533,160	662,920	50,410	284,987	(3,534,843)	-	(3,534,843)
Public works	3,209,514	500,059	-	143,464	(2,565,991)	-	(2,565,991)
Community development	1,279,967	62,507	23,108	809,394	(384,958)	-	(384,958)
Community programs and parks	1,329,529	644,853	2,495	-	(682,181)	-	(682,181)
Education	34,427,522	1,209,994	11,780,266	-	(21,437,262)	-	(21,437,262)
Interest on long-term debt	1,662,539	-	-	-	(1,662,539)	-	(1,662,539)
Central garage	254,384	1,463	-	-	(252,921)	-	(252,921)
Total governmental activities	52,476,929	3,489,340	11,872,141	1,237,845	(35,877,603)	-	(35,877,603)
Business-type activities:							
Wastewater treatment	1,952,806	1,767,660	340,647	-	-	155,501	155,501
Total business-type activities	1,952,806	1,767,660	340,647	-	-	155,501	155,501
Total primary government	\$ 54,429,735	5,257,000	12,212,788	1,237,845	(35,877,603)	155,501	(35,722,102)
General revenues:							
Property taxes					\$ 34,630,748	-	34,630,748
Excise taxes					3,138,658	-	3,138,658
Cable TV franchise taxes					211,124	-	211,124
Grants not restricted to specific programs:							
State revenue sharing					482,431	-	482,431
Homestead exemption					379,490	-	379,490
Other governmental revenues					24,720	-	24,720
Unrestricted investment earnings					211,542	14,933	226,475
Miscellaneous revenues					175,471	-	175,471
Total general revenues					39,254,184	14,933	39,269,117
Change in net position					3,376,581	170,434	3,547,015
Net position - beginning, as restated					67,513,430	15,631,352	83,144,782
Net position - ending					\$ 70,890,011	15,801,786	86,691,797

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

**TOWN OF FALMOUTH, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Capital Project Fund	Route One South TIF District	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 406,114	-	-	59,215	465,329
Investments	13,943,610	5,890,956	1,302,181	5,856,882	26,993,629
Receivables:					
Taxes	1,021,579	-	-	-	1,021,579
Liens	248,539	-	-	-	248,539
Accounts	155,356	-	-	59,406	214,762
Due from other governments	55,111	1,332	-	222,156	278,599
Notes receivable	283,500	-	-	-	283,500
Due from other funds	310,285	-	-	-	310,285
Inventories	-	-	-	20,097	20,097
Prepaid items	13,832	-	-	-	13,832
Tax-acquired property	5,671	-	-	-	5,671
<b>Total assets</b>	<b>\$ 16,443,597</b>	<b>5,892,288</b>	<b>1,302,181</b>	<b>6,217,756</b>	<b>29,855,822</b>
<b>LIABILITIES</b>					
Accounts payable	535,314	28,983	-	70,016	634,313
Accrued payroll	2,721,566	-	-	26,551	2,748,117
Taxes paid in advance	13,078	-	-	-	13,078
Due to other funds	-	-	-	224,457	224,457
<b>Total liabilities</b>	<b>3,269,958</b>	<b>28,983</b>	<b>-</b>	<b>321,024</b>	<b>3,619,965</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - property taxes	610,980	-	-	-	610,980
Unavailable revenues - other	135,671	-	-	-	135,671
<b>Total deferred inflows of resources</b>	<b>746,651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>746,651</b>
<b>FUND BALANCES</b>					
Nonspendable	297,332	-	-	20,097	317,429
Restricted	1,048,593	1,441,309	1,302,181	4,812,889	8,604,972
Committed	-	4,425,236	-	1,136,193	5,561,429
Unassigned	11,081,063	(3,240)	-	(72,447)	11,005,376
<b>Total fund balances</b>	<b>12,426,988</b>	<b>5,863,305</b>	<b>1,302,181</b>	<b>5,896,732</b>	<b>25,489,206</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 16,443,597</b>	<b>5,892,288</b>	<b>1,302,181</b>	<b>6,217,756</b>	

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.	100,224,611
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	746,651
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	16,077
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(1,246,420)
Accrued interest	(235,090)
Other postemployment benefits	(733,095)
Landfill postclosure care liability	(80,000)
Net pension liability with related deferred outflows and inflows of resources	(1,752,908)
Capital leases	(190,759)
Bonds payable, including unamortized premiums	(51,348,262)

<b>Net position of governmental activities</b>	<b>\$ 70,890,011</b>
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*The notes to the financial statements are an integral part of this statement.*



**TOWN OF FALMOUTH, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	General	Capital Project Fund	Route One South TIF District	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 32,260,303	-	957,550	1,454,984	34,672,837
Excise	3,138,658	-	-	-	3,138,658
Licenses, permits and fees	501,876	-	-	-	501,876
Intergovernmental	11,803,238	465,259	569,921	679,141	13,517,559
Charges for services	1,014,382	-	-	2,103,391	3,117,773
Fines and forfeitures	56,607	-	-	-	56,607
Investment earnings	210,864	-	-	678	211,542
Miscellaneous	165,531	202,665	23,108	263,231	654,535
Total revenues	49,151,459	667,924	1,550,579	4,501,425	55,871,387
<b>EXPENDITURES</b>					
Current:					
General government	1,185,947	-	-	74,258	1,260,205
Financial management	1,135,530	-	-	-	1,135,530
Public safety	3,907,675	-	-	31,597	3,939,272
Public works	1,874,420	-	-	329,548	2,203,968
Community development	557,500	-	118,180	775,135	1,450,815
Community programs and parks	372,818	-	-	754,620	1,127,438
Education	30,730,509	-	-	1,108,901	31,839,410
Non-departmental	718,205	-	-	9,217	727,422
County tax	1,456,279	-	-	-	1,456,279
Food service	-	-	-	852,341	852,341
Debt service:					
Principal	3,385,000	-	590,000	-	3,975,000
Interest	1,482,718	-	218,613	-	1,701,331
Capital outlay:					
Capital improvements	-	2,266,390	2,458,585	-	4,724,975
Total expenditures	46,806,601	2,266,390	3,385,378	3,935,617	56,393,986
Excess (deficiency) of revenues over (under) expenditures	2,344,858	(1,598,466)	(1,834,799)	565,808	(522,599)
Other financing sources (uses):					
Refunding bonds issued	1,900,000	-	-	-	1,900,000
Payment to refunding bonds escrow	(1,969,008)	-	-	-	(1,969,008)
Premium on issuance of debt, net of discounts	120,973	-	-	-	120,973
Transfers in	593,187	1,501,104	5,381	201,956	2,301,628
Transfers out	(2,235,391)	-	(66,237)	-	(2,301,628)
Total other financing sources (uses)	(1,590,239)	1,501,104	(60,856)	201,956	51,965
Net change in fund balances	754,619	(97,362)	(1,895,655)	767,764	(470,634)
Fund balances - beginning	11,672,369	5,960,667	3,197,836	5,128,968	25,959,840
Fund balances - ending	\$ 12,426,988	5,863,305	1,302,181	5,896,732	25,489,206

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

**TOWN OF FALMOUTH, 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, 2016**

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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Net change in fund balances - total governmental funds (from Statement 4)	\$	(470,634)
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays (\$4,894,185) exceeded depreciation expense (\$4,082,980).

811,205

In the statement of activities, only the loss on disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital asset sold.

(105,538)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unavailable revenues.

(19,340)

Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet - increase in accrued compensated absences (\$299,886), other post employment benefits liability (\$55,803), and net pension liabilities with related deferred outflows and inflows of (\$442,096), and the decrease in accrued interest (\$4,237).

(793,548)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which principal repayments (\$5,940,854) and amortization of bond premium (\$34,555), exceed issuance of bonds (\$1,900,000) and issuance of bond premium (\$120,973).

3,954,436

<b>Change in net position of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>3,376,581</b>
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*The notes to the financial statements are an integral part of this statement.*

**TOWN OF FALMOUTH, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted amounts		Actual amounts	Variance with final budget positive (negative)	
	Original	Final			
REVENUES					
Taxes:					
Property	\$	32,239,671	32,239,671	32,260,303	20,632
Excise		2,895,780	2,895,780	3,138,658	242,878
Licenses, permits and fees		519,759	519,759	501,876	(17,883)
Intergovernmental		9,211,117	9,361,117	9,662,460	301,343
Charges for services		1,034,359	1,034,359	1,014,382	(19,977)
Fines and forfeitures		50,184	50,184	56,607	6,423
Investment earnings		78,000	78,000	210,864	132,864
Miscellaneous		73,142	73,142	165,531	92,389
Total revenues		46,102,012	46,252,012	47,010,681	758,669
EXPENDITURES					
Current:					
General government		1,212,211	1,212,211	1,185,947	26,264
Financial management		1,097,568	1,100,033	1,083,565	16,468
Public safety		3,940,625	3,940,625	3,907,675	32,950
Public works		1,938,320	1,938,320	1,874,420	63,900
Community development		560,436	560,436	557,500	2,936
Community programs and parks		508,619	403,363	372,818	30,545
Education		28,589,731	28,589,731	28,589,731	-
Non-departmental		829,389	852,180	718,205	133,975
County tax		1,456,279	1,456,279	1,456,279	-
Debt service:					
Principal		3,385,000	3,385,000	3,385,000	-
Interest		1,497,088	1,497,088	1,482,718	14,370
Total expenditures		45,015,266	44,935,266	44,613,858	321,408
Excess of revenues over expenditures		1,086,746	1,316,746	2,396,823	1,080,077
Other financing sources (uses):					
Transfers in		-	-	593,187	593,187
Transfers out		(1,236,746)	(1,637,604)	(2,235,391)	(597,787)
Budgeted use of surplus		150,000	320,858	-	(320,858)
Total other financing sources (uses)		(1,086,746)	(1,316,746)	(1,642,204)	(325,458)
Net change in fund balance		-	-	754,619	754,619
Fund balance - beginning				11,672,369	
Fund balance - ending	\$			12,426,988	

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

**TOWN OF FALMOUTH, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business-type Activities - Enterprise Fund Wastewater	Governmental Activities Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Investments	\$ 3,142,270	-
Accounts receivable	359,893	-
Due from other governments	10,345	-
Inventories	-	116,051
Prepaid expenses	4,751	-
<b>Total current assets</b>	<b>3,517,259</b>	<b>116,051</b>
Noncurrent assets:		
Capital assets, not being depreciated:		
Land	350,600	-
Construction in progress	926,496	-
Capital assets, being depreciated:		
Buildings and improvements	11,499,819	-
Machinery and equipment	4,238,976	-
Infrastructure	11,917,316	-
Less accumulated depreciation	(12,649,743)	-
<b>Total capital assets (net of accumulated depreciation)</b>	<b>16,283,464</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>16,283,464</b>	<b>-</b>
<b>Total assets</b>	<b>19,800,723</b>	<b>116,051</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	223,866	5,157
Accrued payroll	21,473	8,989
Due to other funds	-	85,828
Accrued interest	44,926	-
Current portion of noncurrent liabilities	369,285	-
<b>Total current liabilities</b>	<b>659,550</b>	<b>99,974</b>
Noncurrent liabilities:		
Compensated absences	99,387	-
Revenue bonds payable - noncurrent	3,240,000	-
<b>Total noncurrent liabilities</b>	<b>3,339,387</b>	<b>-</b>
<b>Total liabilities</b>	<b>3,998,937</b>	<b>99,974</b>
<b>NET POSITION</b>		
Net investment in capital assets	12,719,464	-
Unrestricted	3,082,322	16,077
<b>Total net position</b>	<b>\$ 15,801,786</b>	<b>16,077</b>

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

**TOWN OF FALMOUTH, MAINE**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Business-type Activities - Enterprise Fund Wastewater</b>	<b>Governmental Activities Internal Service Fund</b>
Operating revenues:		
User fees	\$ 1,664,443	254,384
Connection charges	61,181	-
Intergovernmental	340,647	-
Miscellaneous	42,036	-
Total operating revenues	2,108,307	254,384
Operating expenses:		
Personnel services	648,194	238,297
Contract services	240,395	10,870
Supplies and materials	90,380	5,217
Repairs and maintenance	163,660	-
Depreciation	720,426	-
Total operating expenses	1,863,055	254,384
Operating income (loss)	245,252	-
Nonoperating income (expenses):		
Investment earnings	14,933	-
Interest expense	(89,751)	-
Total nonoperating expenses	(74,818)	-
Change in net position	170,434	-
Total net position - beginning, as restated	15,631,352	16,077
<b>Total net position - ending</b>	<b>\$ 15,801,786</b>	<b>16,077</b>

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

**TOWN OF FALMOUTH, MAINE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Business-type Activities- Enterprise Fund Wastewater</b>	<b>Governmental Activities- Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 2,087,605	254,384
Payments to suppliers	(339,368)	(26,492)
Payments to employees	(627,897)	(229,308)
Net cash provided by (used in) operating activities	1,120,340	(1,416)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(716,378)	-
Repayment of revenue bonds	(324,000)	-
Interest paid on bonds	(89,751)	-
Net cash used in capital and related financing activities	(1,130,129)	-
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Increase in interfund loans	-	1,416
Net cash provided by non-capital financing activities	-	1,416
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	14,933	-
Purchase of investments	(5,144)	-
Net cash provided by investing activities	9,789	-
Net increase in cash	-	-
Cash, July 1	-	-
<b>Cash, June 30</b>	<b>\$ -</b>	<b>-</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	\$ 245,252	-
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	720,426	-
(Increase) decrease in accounts receivable	(303,571)	-
(Increase) decrease in due from other governments	282,869	-
(Increase) decrease in inventories	-	(12,414)
(Increase) decrease in prepaid expenses	(4,751)	-
Increase (decrease) in accounts payable	159,818	2,009
Increase (decrease) in accrued payroll	5,006	8,989
Increase (decrease) in compensated absences payable	15,291	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,120,340</b>	<b>(1,416)</b>

**TOWN OF FALMOUTH, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

		<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$	268,130
Investments		430,187
<b>Total assets</b>		<b>698,317</b>
<b>LIABILITIES</b>		
Accounts payable		15,370
Held for student activities		261,171
Held for performance guarantees		421,776
<b>Total liabilities</b>	<b>\$</b>	<b>698,317</b>

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

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The Town of Falmouth, Maine was incorporated in 1718 and operates under a Council-Manager form of Government. The Town of Falmouth's Department of Education is a department of the Town with an elected school board and an appointed Superintendent of Schools.

The accounting policies of the Town of Falmouth conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The following is a summary of the more significant of such policies:

**A. Reporting Entity**

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

**B. Government-wide and Fund Financial Statements**

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

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

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



**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 proprietary fund and 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 revenue 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 certain compensated absences and claims and judgments, are recorded only when the payment is due. 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. "On-behalf" payments are recognized as revenue and expenditures upon payment or earlier if the susceptible to accrual criteria are met.

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

The Town reports the following major governmental funds:

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

The *capital project fund* accounts for the Town's capital projects. It accounts for all active construction projects and other capital outlay purchases for the Town and the School Department.

The *Route One South Tax Increment Financing (TIF) District*, a special revenue fund, is used to account for the Route One South TIF program, including the captured taxes and expenditures of the development district.

The Town reports the following major proprietary fund:

The *wastewater fund* accounts for the operation of the wastewater treatment system in Falmouth. All users of the system pay quarterly fees, based upon the amount and type of usage, to support the expenses of the fund.

Additionally, the Town reports the following fund types:

*Fiduciary funds* account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund type:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity. The Town's agency funds consist of student activity funds and performance guarantees.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

The *internal service fund* accounts for fleet maintenance services provided to other departments of the Town, on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's wastewater fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The Town also recognizes fees intended to recover the cost of connecting new customers to the system as operating revenues. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance**

**1. Deposits and investments**

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits.

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury, certificates of deposit, repurchase agreements, corporate securities, financial institutions stock and other stock investments. The Town has an investment policy that allows for investment in obligations of the U.S. government, its agencies and instrumentalities; insured or fully collateralized certificates of deposit of banks and savings and loan associations; repurchase agreements collateralized by Letters of Credit from such institutions such as Federal Home Loan Bank or the Federal Reserve Bank; and money market mutual funds whose portfolios consist entirely of U.S. Government securities.

Funds may also be invested in longer maturities, prime bankers' acceptances and secured commercial paper with an AAA rating according to the Standard & Poor's rating scale upon adoption of a motion of authorization by the majority of the governing body at a regular or special public meeting. Investments are reported at fair value.

**2. Interfund receivables and payables**

All outstanding balances between funds are reported as "Due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance, Continued**

**3. *Inventory***

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**4. *Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town generally defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance 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. Interest incurred during the construction phase of capital assets of business-type activities, if material to the basic financial statements, is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town are depreciated generally using the straight-line method over the following estimated useful lives: Improvements other than buildings - 10 to 20 year; Buildings and improvements - 10 to 20 years; Machinery and equipment - 5 to 10 years; and Infrastructure - 20 to 50 years.

**5. *Compensated absences***

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, because of employee resignations and retirements.

**6. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance, Continued**

**7. Fund balance**

Governmental fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the governmental funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the Town imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town Council has responsibility for committing fund balance, by Council Order duly adopted prior to the end of the fiscal year. Once adopted, the limitation imposed by the Order remains in place until a similar action is taken (the adoption of another Order) to remove or revise the limitation.

Assigned amounts are approved by Council Order, as with committed items, but can be adopted after the end of the fiscal year. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget.

Should there be multiple sources of funding available for a particular purpose, it is the Town’s policy to expend restricted resources first, and then use unrestricted sources in the order of committed, then assigned, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**8. Deferred outflows and inflows of resources**

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds report two types of deferred inflows of resources, unavailable revenue from property taxes and unavailable revenues from ambulance service fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the City’s contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance, Continued**

They include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

**9. Use of estimates**

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**A. Budgetary Information**

A budget is adopted for the General Fund only, and is adopted on a basis consistent with generally accepted accounting principles (except for on behalf payments to the Maine Public Employees Retirement System). Each spring, all departments of the Town, including the School Department, submit requests for appropriation to the Town Manager so that a budget may be prepared. The budgets include information on the past year, current year estimates and requested appropriations for the next fiscal year. In April, the proposed budget is presented to the Town Council for review. The Town Council holds public hearings before a final budget is adopted in May. All unexpended appropriations lapse at year end unless specific approval is granted to carry forward such amounts. Department level total expenditures should not exceed appropriations.

The appropriated budget is prepared by fund, function, and department. The Town Manager may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the Town Council. The legal level of control (level at which expenditures may not exceed budget without Town Council approval) is the function level. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. There was \$320,858 in supplemental appropriations authorized in fiscal year 2015-16 as demonstrated by the original and final budgeted amounts shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED**

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During the year ended June 30, 2016, the Town budgeted to utilize \$320,858 of prior year fund balance as a budgeted use of surplus.

**B. Excess of Expenditures over Appropriations**

None of the departments exceeded their budget authority for fiscal year 2016.

**C. Deficit Fund Balances**

At June 30, 2016, the following funds had deficit fund balances:

Compost bins	\$ 1,384	Indoor track	1
Title I NCLB disadvantage	50	Boys lacrosse	2,654
Title IIA improving teacher quality	328	Softball	470
PTO mini grants	1,069	Girls lacrosse	11,290
Dickenson family grant	154	Boys tennis	383
FEF grants	3,235	FEF greenhouse	25,696
Lacrosse boosters	17,291	High school summer academy	673
Football boosters	78	MS summer academy	447
Nordic ski boosters	104	FES summer academy	3,218
JV hockey boosters	1,917	Other school capital	3,240
Baseball boosters	621	Swimming	418
Gils hockey	966		

These deficits will be funded by future grant revenue, charges for services, or transfers.

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**III. DETAILED NOTES ON ALL FUNDS**

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**A. Deposits and Investments**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2016, the Town had the following investments:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Level 1 input</u>
Repurchase agreement	\$ 15,765,271	N/A	N/A
Money market	51,200	N/A	N/A
Mutual funds	56,618	N/A	yes
Certificates of deposit	8,644,945	2.565	N/A
Federal Farm Credit	5,357,463	1.364	yes
Federal National Mortgage Association	690,589	4.000	yes

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**A. Deposits and Investments, Continued**

*Custodial credit risk- deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2016, 100% of the Town's bank balance of \$1,436,237 was covered by FDIC insurance, fully insured, or collateralized. The Town does not have a deposit policy for custodial credit risk.

*Credit risk* – Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The Town does have a formal investment policy that implicitly addresses credit rate risk.

*Interest rate risk* – The Town does have a formal investment policy that implicitly addresses investment rate risk.

**B. Property Tax**

Property taxes for the current year were committed on August 25, 2015, based on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. The Town's total taxable assessed value of \$2,368,571,800 represented 105.1% of the State-equalized valuation for the Town of \$2,253,100,000.

The laws in the state of Maine permit the Town 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 \$58,007 for the year ended June 30, 2016. The variance between actual property tax revenues and budgeted property tax revenues represents overlay plus supplemental taxes less abatements.

Under Maine law, 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 the tax liens and associated costs remained unpaid.

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

The following summarizes the 2016 and 2015 levies:

	<u>2016</u>	<u>2015</u>
Assessed value	\$ 2,368,571,800	2,328,863,100
Tax rate (per \$1,000)	14.63	14.10
Commitment	34,652,205	32,836,970
Supplemental taxes assessed	-	-
Total levy	34,652,205	32,836,970
Less:		
Abatements	(33,526)	(1,493)
Collections	(33,632,327)	(31,871,132)
<b>Receivable at end of year</b>	<b>\$ 986,352</b>	<b>964,345</b>
Due date(s)	½ November 5, 2015 ½ May 5, 2016	½ November 6, 2014 ½ May 7, 2015

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**B. Property Tax, Continued**

Interest rate on delinquent taxes	7.0%	7.0%
Collection rate	97.2%	97.1%

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Restated Balance June 30, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2016</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,656,419	444,572	85,000	8,015,991
Construction in progress	15,137,027	807,421	15,111,098	833,350
<u>Total capital assets not being depreciated</u>	<u>22,793,446</u>	<u>1,251,993</u>	<u>15,196,098</u>	<u>8,849,341</u>
Capital assets being depreciated:				
Improvements other than buildings	1,758,423	27,731	-	1,786,154
Buildings and improvements	73,580,007	4,549,562	-	78,129,569
Machinery and equipment	12,182,833	1,076,762	457,835	12,801,760
Infrastructure	28,186,149	13,099,235	-	41,285,384
<u>Total capital assets being depreciated</u>	<u>115,707,412</u>	<u>18,753,290</u>	<u>457,835</u>	<u>134,002,867</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,060,143	98,597	-	1,158,740
Buildings and improvements	19,108,351	2,206,504	-	21,314,855
Machinery and equipment	8,321,489	939,619	437,297	8,823,811
Infrastructure	10,491,931	838,260	-	11,330,191
<u>Total accumulated depreciation</u>	<u>38,981,914</u>	<u>4,082,980</u>	<u>437,297</u>	<u>42,627,597</u>
<u>Total capital assets being depreciated, net</u>	<u>76,765,498</u>	<u>14,670,310</u>	<u>20,538</u>	<u>91,375,270</u>
<b><u>Governmental activities capital assets, net</u></b>	<b><u>\$ 99,518,944</u></b>	<b><u>15,922,303</u></b>	<b><u>15,216,636</u></b>	<b><u>100,224,611</u></b>

**Business-type activities:**

Capital assets not being depreciated:				
Land	\$ 350,600	-	-	350,600
Construction in progress	341,609	584,887	-	926,496
<u>Total capital assets not being depreciated</u>	<u>692,209</u>	<u>584,887</u>	<u>-</u>	<u>1,277,096</u>
Capital assets being depreciated:				
Building and improvements	11,464,421	35,398	-	11,499,819
Machinery and equipment	4,142,883	96,093	-	4,238,976
Infrastructure, sewer	11,917,316	-	-	11,917,316
<u>Total capital assets being depreciated</u>	<u>27,524,620</u>	<u>131,491</u>	<u>-</u>	<u>27,656,111</u>



**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

**C. Capital Assets, Continued**

	Restated Balance June 30, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2016</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 4,793,136	233,432	-	5,026,568
Machinery and equipment	1,902,178	248,732	-	2,150,910
Infrastructure, sewer	5,234,003	238,262	-	5,472,265
Total accumulated depreciation	11,929,317	720,426	-	12,649,743
 Total capital assets being depreciated, net	 15,595,303	 (588,935)	 -	 15,006,368
 <b>Business-type activities capital assets, net</b>	 <b>\$ 16,287,512</b>	 <b>(4,048)</b>	 <b>-</b>	 <b>16,283,464</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 243,273
Public safety	564,918
Public works, including depreciation of general infrastructure assets	1,113,565
Community programs and parks	205,438
Education	1,955,786
Total depreciation expense – governmental activities	4,082,980

Business-type activities:

Wastewater	720,426
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<b>Total depreciation expense</b>	<b>\$ 4,803,406</b>
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**D. Construction Commitment**

The Town has active construction commitments as of June 30, 2016 for the reconstruction of the Town's Mill Creek Pump Station. At year-end, the Town's commitments for these projects are as follows:

	Contract <u>Total</u>	Percentage <u>Complete</u>	Billed <u>to Date</u>	Remaining Balance <u>Remaining</u>
Mill Creek Pump Station:				
Construction contract	\$ 2,788,900	6.19%	172,882	2,616,018
Engineering contract	173,300	0.44%	762	172,538

Bonds will be issued in fiscal year 2017 to finance this project.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**E. Interfund Receivables, Payables, Transfers**

Interfund loans are the result of having a centralized cash account shared by multiple funds. Individual interfund loans receivable and payable balances at June 30, 2016 were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in (out)</u>
General fund	\$ 310,285	-	(1,642,204)
Capital project fund	-	-	1,501,104
Route one south TIF district	-	-	(60,856)
Town special revenue	-	-	201,956
School special revenue	-	142,663	-
Leola West scholarship	-	1,000	-
Elmer Holding high school gift	-	80,794	-
Internal service	-	85,828	-
<b>Totals</b>	<b>\$ 310,285</b>	<b>310,285</b>	<b>-</b>

**F. Long-term Debt**

**Advance refunding**

The Town issued \$1,900,000 in general obligation bonds with an interest rate 3.0%. The proceeds were used to advance refund \$1,900,000 of outstanding 2007 general obligation bonds which had interest rates ranging from 4.0% to 4.25%. The net proceeds of \$1,969,008 (including a net premium of \$120,973 and after payment of \$51,965 in issuance costs) were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2007 general obligation bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The Town advance refunded the 2007 general obligation bonds to reduce its total debt service payments over 10 years by \$140,171 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$130,170.

**Bonds payable**

*General Obligation Bonds.* The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities only. There is no outstanding business-type activities general obligation debt. The original amount of general obligation bonds issued is \$69,250,000. In addition to the amounts listed below, the Town also has \$2 million in authorized but unissued debt relating to the open space land acquisition bond approved by Falmouth voters in a November 2007 referendum.

All governmental activities long-term debt service requirements are paid by either the General Fund or the Route One South TIF District special revenue fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds are issued as serial bonds, generally with equal amounts of principal maturing each year.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

**F. Long-term Debt, Continued**

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance</u>
2009 High School Construction Refunding	2009	2019	4.88%-5.50%	\$ 800,000
2011 High School Construction Refunding	2011	2021	2.00%-4.00%	5,070,000
Public Safety Building Improvements	2007	2017	4.00%-4.25%	200,000
Elementary School Construction	2011	2032	2.00%-4.25%	30,175,000
2013 GOB – Middle School Improvements	2013	2033	2.00%-4.25%	4,500,000
2014 GOB – Route 1 South Development	2015	2030	2.00%-3.50%	8,220,000
2015 GOB – Public Safety Building Refunding	2016	2027	3.00%	1,900,000

**Total bonds payable** **\$ 50,865,000**

The annual debt service requirements to amortize general obligation bonds payable are as follows:

	<u>Governmental activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,975,000	2,268,994	6,243,994
2018	3,985,000	2,084,725	6,069,725
2019	3,980,000	1,972,900	5,952,900
2020	3,975,000	1,859,475	5,834,475
2021	3,775,000	1,749,125	5,524,125
2022-2026	15,360,000	7,233,781	22,593,781
2027-2031	13,180,000	4,153,645	17,333,645
2032-2034	2,635,000	86,306	2,721,306
<b><u>Totals</u></b>	<b><u>\$ 50,865,000</u></b>	<b><u>21,408,951</u></b>	<b><u>72,273,951</u></b>

In accordance with 30-A MRSA, Section 5701, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its State assessed valuation. At June 30, 2016, the Town's outstanding debt did not exceed these limits.

*Revenue Bonds.* The Town also issued revenue bonds in 2007 to provide funding for the construction of the wastewater treatment plant upgrade. These bonds will be repaid through dedicated sewer user fees. At the date of issue, the Town pledged roughly \$8,147,635 in future sewer user fees. Revenues for principle and interest payments will remain pledged through fiscal year 2027. During fiscal year 2016, the Town pledged \$413,751 of sewer user fees, which represented 100% of the principle and interest payments for the year:

<u>Purpose</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance</u>
Wastewater treatment plant upgrade	2007	2027	1.88%	\$ 3,564,000

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

**F. Long-term Debt, Continued**

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 324,000	83,355	407,355
2018	324,000	76,960	400,960
2019	324,000	70,564	394,564
2020	324,000	64,168	388,168
2021	324,000	57,772	381,772
2022-2026	1,620,000	192,926	1,812,926
2027	324,000	19,398	343,398
<b>Totals</b>	<b>\$ 3,564,000</b>	<b>565,143</b>	<b>4,129,143</b>

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Restated Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 54,840,000	1,900,000	5,875,000	50,865,000	3,975,000
Premiums on bonds issued	396,844	120,973	34,555	483,262	34,554
Total bonds payable	55,236,844	2,020,973	5,909,555	51,348,262	4,009,554
Capital leases	256,613	-	65,854	190,759	60,847
Accrued compensated absences	946,534	626,112	326,226	1,246,420	317,892
Other post-employment benefits	677,292	97,207	41,404	733,095	-
Net pension liability	1,318,118	1,375,508	-	2,693,626	-
Landfill post-closure care costs	80,000	-	-	80,000	-
Governmental activity long-term liabilities	58,515,401	4,119,800	6,343,039	56,292,162	4,388,293
<b>Business-type activities:</b>					
Compensated absences	129,381	74,352	59,061	144,672	45,285
Revenue bonds payable	3,888,000	-	324,000	3,564,000	324,000
Business-type activity long-term liabilities	4,017,381	74,352	383,061	3,708,672	369,285
<b>Total long-term governmental and business-type activities</b>	<b>\$ 62,532,782</b>	<b>4,194,152</b>	<b>6,726,100</b>	<b>60,000,834</b>	<b>4,757,578</b>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

**Capital lease agreements** - The Town has entered into lease agreements as lessee for financing the acquisition of school busses. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**F. Long-term Debt, Continued**

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2016.

	Governmental Activities
2017	\$ 67,072
2018	46,264
2019	46,264
2020	46,264
Total minimum lease payments	205,864
Less: amount representing interest	(15,105)
<b>Present value of future minimum lease payments</b>	<b>\$ 190,759</b>

Amounts capitalized under capital leases are \$323,405 for governmental activities. Accumulated depreciation for the capital leases that have been capitalized is \$115,335.

**Landfill post-closure costs** - Under state law, Maine communities had until December 31, 1994 to close existing landfills under a Maine Department of Environmental Protection (DEP) approved plan. In 1990, the Town closed its Woods Road Landfill in accordance with a plan approved by the Maine DEP. All closure costs were paid in full at the time of the closure. The Town is also required to perform certain monitoring tests at the site for thirty years after closure. The Town reports these post-closure costs as operating expenditures in each period as the monitoring tests are performed. The \$80,000 reported as landfill postclosure care liability at June 30, 2016 represents the estimated remaining cost of the monitoring tests at the site for thirty years after closure. This amount may change due to changes in technology, inflation or deflation, or applicable laws and regulations. Because these remaining costs will be paid from future resources, the liability has been reported as a long-term liability in the government-wide financial statements.

**Jointly governed organization** - The Town of Falmouth participates in a jointly governed organization, which is not part of the Town's reporting entity.

ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected balance sheet information for ecomaine for the year ended June 30, 2016 includes total assets of \$62,510,802, total liabilities of \$18,994,187 and unrestricted net position of \$14,477,555. The liabilities include an accrual for landfill closure and postclosure care amounting to \$16,746,994. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**F. Long-term Debt, Continued**

**Overlapping debt**

Cumberland County – The Town is subject to an annual assessment of its proportional share of Cumberland County’s expenses, including debt repayment, as determined by the percentage of the Town’s State Valuation to the County’s state valuation. At June 30, 2016, the Town’s share is \$1,973,066 (5.52%) of Cumberland County’s outstanding debt of \$35,735,000.

Portland Water District (Water Fund Debt) – The Town is subject to assessments allocated on pro-rata, to each member based upon 100% of its respective equalized State Valuation. On this basis, at June 30, 2016, the Town was contingently responsible for approximately 8.34%, or \$3,952,433, of the PWD’s Water Fund Debt of \$47,391,288.

Portland Water District (Wastewater Fund Debt) – The Town is responsible for the entire debt service required to finance wastewater debt accumulated for projects that directly benefit the Town’s wastewater system. All Town users of the wastewater system pay monthly fees, based upon water volume, to support expenditures from the Sewer Fund. At June 30, 2016, the Town was responsible for \$4,000,000 of its portion of PWD’s Wastewater Fund Debt (or 9.94% of PWD’s \$40,247,101 total Wastewater Fund Debt).

**Total Debt, Overlapping Debt, and Contingencies**

	As of June 30, 2016		
	Direct <u>debt</u>	Overlapping <u>debt</u>	Total <u>debt</u>
<u>Governmental unit</u>			
Town of Falmouth	\$ 51,539,021	-	51,539,021
Cumberland County	-	1,973,066	1,973,066
Portland Water District	-	7,952,433	7,952,433
<b>Totals</b>	<b>\$ 51,539,021</b>	<b>9,925,499</b>	<b>61,464,520</b>

**Reimbursement for Debt Service Expenditures**

The State of Maine currently reimburses the Town for a portion of the financing costs of school building and school bus purchases. Continuation of such reimbursements is dependent upon continued appropriation by the State Legislature.

**G. Fund Balances**

The Town has a written fund balance policy which authorizes funds in excess of the Town’s required minimum unassigned fund balance of two months (or 16.7%) of operating expenditures to be appropriated for “one-time” capital or non-operating uses. The Town also reserves \$1,000,000 in addition to that amount for future capital expenditures. The Town has no formal revenue spending policy for programs with multiple revenue sources. The Town generally uses resources in the following hierarchy unless otherwise directed by Statute or Council: bond proceeds, federal and state funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**G. Fund Balances, Continued**

As of June 30, 2016, fund balance components consisted of the following:

	General Fund	Capital Project Fund	Route One South TIF	Nonmajor Governmental Funds
Nonspendable:				
Inventory	\$ -	-	-	20,097
Prepaid items	13,832	-	-	-
Notes receivable	283,500	-	-	-
<b>Total nonspendable</b>	<b>297,332</b>	<b>-</b>	<b>-</b>	<b>20,097</b>
Restricted:				
TIF districts	-	-	1,302,181	4,427,726
Capital projects	-	1,441,309	-	-
Scholarships	-	-	-	167,114
Public safety	-	-	-	90,640
Education	1,048,593	-	-	10,261
School lunch	-	-	-	107,508
Perpetual care	-	-	-	9,640
<b>Total restricted</b>	<b>1,048,593</b>	<b>1,441,309</b>	<b>1,302,181</b>	<b>4,812,889</b>
Committed:				
Capital projects	-	4,425,236	-	-
General government	-	-	-	338,443
Public safety	-	-	-	33,441
Public works	-	-	-	453,965
Community programs and parks	-	-	-	111,854
Non departmental	-	-	-	37,637
Education	-	-	-	160,853
<b>Total committed</b>	<b>-</b>	<b>4,425,236</b>	<b>-</b>	<b>1,136,193</b>
Unassigned	11,081,063	(3,240)	-	(72,447)
<b>Total fund balance</b>	<b>\$ 12,426,988</b>	<b>5,863,305</b>	<b>1,302,181</b>	<b>5,896,732</b>

**H. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**III. DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**H. Net Position, Continued**

The Town's net investment in capital assets was calculated as follows at June 30, 2016:

	Governmental activities	Business-type activities
Capital assets	\$ 142,852,208	28,933,207
Accumulated depreciation	(42,627,597)	(12,649,743)
Bonds payable	(51,348,262)	(3,564,000)
Capital leases	(190,759)	-
Unspent bond proceeds	1,441,309	-
<b>Total net investment in capital assets</b>	<b>\$ 50,126,899</b>	<b>12,719,464</b>

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**IV. OTHER INFORMATION**

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**A. 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 these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities that should be recorded at June 30, 2016. There have been no significant reductions in the commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

The School Department is exposed to various risks of loss related to tort, theft of, damage to and destruction of assets, errors, and omissions, and natural disasters for which the department either carries commercial insurance, or is self-insured. The Department participates in a public entity risk pool sponsored by Maine School Management Association (MSMA) for unemployment compensation coverage. Based on the coverage provided by this pool, as well as provided by commercial insurance purchased, the School Department is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2016.

The School Department also maintains an account for unemployment compensation, which amounted to \$56,618 at June 30, 2016 to cover any potential claim liability that might occur. As of the date of this report, there are no unpaid claims outstanding, nor is the Town aware of any potential claims that have been incurred yet remains unreported at June 30, 2016.

**B. Contingencies**

The School Department has a possible contingent liability related to the construction of the elementary school. This project was funded with State funds and a certain percentage of unspent funds need to be returned to the State after the project costs are audited. The total amount of the unspent proceeds as of June 30, 2016 is \$1,441,309. As of June 30, 2016, the State has yet to complete the project's audit and cannot provide a reasonable estimate of the amount to be returned to the State. As a reasonable estimate of the liability is not available at June 30, 2016, no liability has been recorded.



**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**IV. OTHER INFORMATION, CONTINUED**

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**C. 401(a) Retirement Plan**

The Town contributes to the ICMA-RC 401(a) Governmental Defined Contribution Plan & Trust (ICMA-RC), a defined contribution pension plan, for its full-time employees that are not part of the Maine Public Employees Retirement System. ICMA-RC also administers the plan.

Benefit terms, including contribution requirements, for ICMA are established and may be amended by the School Board. For each employee in the pension plan, the Town is required to match contributions up to 7% of an employee's compensation for the year. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2016, employee contributions totaled \$62,568 and the Town recognized pension expense of \$62,771.

Employees are immediately vested in their own as well as Town contributions and earnings on those contributions. There is no forfeiture provision for this pension plan.

**D. 457 Retirement Plan**

The Town contributes to the ICMA-RC 457 Governmental Deferred Compensation Plan & Trust (ICMA-RC), a defined contribution pension plan, for its full-time employees that are not part of the Maine Public Employees Retirement System. ICMA-RC also administers the plan.

Benefit terms, including contribution requirements, for ICMA are established and may be amended by the School Board. For each employee in the pension plan, the Town is required to match contributions up to 7% of an employee's compensation for the year. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2016, employee contributions totaled \$13,293, and the Town recognized pension expense of \$17,037.

Employees are immediately vested in their own as well as Town contributions and earnings on those contributions. There is no forfeiture provision for this pension plan.

**E. Tax Increment Financing Districts**

The Town has designated four Tax Increment Financing (TIF) Districts: the Route One North TIF District, the Route One South TIF District, the Oceanview Natural Gas TIF, and the West Falmouth Crossing TIF District. The Town has adopted a development program for each of these TIF districts under applicable State of Maine statutes. The TIFs are reported as special revenue funds for financial reporting purposes. The TIFs allow the Town to "capture" the increase in assessed value resulting from development within the districts and dedicate the increased property taxes it receives in future years generated by the "captured" assessed value to the payment of the costs of the development program.

	West Falmouth TIF	Rte. One North TIF	Rte. One South TIF	Oceanview Natural Gas TIF
Original assessed value	\$ 1,147,700	12,166,300	24,184,300	10,903,600
Captured value for year ended 6/30/16	53,833,900	26,467,800	65,451,100	19,150,400
Captured taxes	787,590	387,224	957,550	280,170
Remitted to TIF Fund	787,590	387,224	957,550	280,170

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**IV. OTHER INFORMATION, CONTINUED**

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**F. Prior Period Adjustment**

Due to the omission of capital assets and capital leases payable in previously issued financial statements, the Town has restated amounts as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Net position, as previously reported	\$ 67,261,040	15,186,171
Previously unreported capital assets	509,003	445,181
Previously unreported capital leases	(256,613)	-
<b><u>Net position, as restated</u></b>	<b><u>\$ 67,513,430</u></b>	<b><u>15,631,352</u></b>

**G. Postemployment Benefits**

The Town is a member of the Maine Municipal Employees Health Trust. The Trust is an agent-multiple employer Voluntary Employee's Beneficiary Association. Benefit provisions are established and may be amended by the Maine Municipal Employees Health Trust Board of Trustees. The Town is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. The latest OPEB liability actuarial valuation was completed by the consultants in August 2014 based on an actuarial valuation date of January 1, 2014.

**Plan Descriptions** - In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage and therefore, the Town makes no actual contributions.

**Funding Policy and Annual OPEB Cost** - GASB Statement No. 45 does not mandate the prefunding of postemployment benefits liability. The Town currently funds these benefits on a pay-as-you-go basis and expects to continue this method. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarially determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information immediately following the notes to the financial statements presents multi-year trend information about the plan, showing the actuarial value of plan assets and its change relative to the actuarial accrued liability for benefits over time.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**IV. OTHER INFORMATION, CONTINUED**

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**G. Postemployment Benefits, Continued**

**Annual OPEB cost and Net OPEB obligation** - The Town's net OPEB obligation was calculated as follows:

Net OPEB obligation, June 30, 2015		\$ 677,292
Annual OPEB cost:		
Normal cost as of beginning of year	55,368	
Amortization of the UAAL for 30 years	51,794	
Interest on Net OPEB obligation (NOO) to end of year	29,213	
NOO amortization adjustment to the ARC	<u>(39,168)</u>	
Total annual OPEB cost	97,207	
Actual contribution	<u>(41,404)</u>	
Increase in Net OPEB obligation	55,803	
Net OPEB obligation, June 30, 2016		\$ 733,095

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2016, 2015 and 2014 was as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual OPEB cost	\$ 97,207	98,294	99,468
Percent of annual OPEB cost contributed	43%	38%	34%
Net OPEB obligation at end of year	733,095	677,292	616,390

**Funding Status and Funding Progress** - As the Town has chosen to fund OPEB liabilities on a pay-as-you-go basis, the plan has no net position. As of June 30, 2016, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 931,444
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	931,444
Funded ratio	0.00%
Covered payroll (annual payroll of active employees covered by the plan)	3,590,511
UAAL as a percentage of covered payroll	25.94%

**Actuarial Methods and Assumptions** - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Measurement date - 1/1/2014  
Actuarial cost method - Projected Unit Credit  
Amortization method - Level dollar over 30 years based on an open group

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**IV. OTHER INFORMATION, CONTINUED**

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**G. Postemployment Benefits, Continued**

Actuarial assumptions:

Discount rate	4%
Payroll growth	3%
Inflation rate (implicit)	3.0 – 4.6%

Healthcare trend rates	<u>FYE</u>	<u>Pre-65</u>	<u>Post-65</u>
	2017	7.45%	8.04%
	2018	7.22%	7.75%
	2019	6.98%	7.47%
	2020	6.74%	7.18%
	2021	6.50%	6.89%

**H. Maine Public Employees Retirement System**

***General Information about the Pension Plan***

**Plan Description** - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan) and teaching-certified employees of the Town are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), cost-sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at [www.maineopers.org](http://www.maineopers.org).

**Benefits Provided** - The PLD and SET Plans provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). For SETP members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

**Contributions** - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**PLD Plan** - Employees are required to contribute 7.5% to 9.0% of their annual pay. The Town's contractually required contribution rates for the year ended June 30, 2016 were 8.9% to 11.4% of annual payroll. Contributions to the pension plan from the Town were \$388,217 for the year ended June 30, 2016.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**IV. OTHER INFORMATION, CONTINUED**

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**H. Maine Public Employees Retirement System, Continued**

**SET Plan** - Maine statute requires the State to contribute a portion of the Town's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2016, was 13.38% of annual payroll of which 3.36% of payroll was required from the Town and 10.02% was required from the State. Contributions to the pension plan from the Town were \$575,212 for the year ended June 30, 2016.

***Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions***

The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The Town's proportion of the net pension liabilities were based on projections of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

**PLD Plan** - At June 30, 2016, the Town reported a liability of \$2,594,797 for its proportionate share of the net pension liability. At June 30, 2015, the Town's proportion of the PLD Plan was 0.8133%.

**SET Plan** - At June 30, 2016, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 98,829
State's proportionate share of the net pension liability	
associated with the Town	19,059,269
<b>Total</b>	<b>\$ 19,158,098</b>

At June 30, 2015, the Town's proportion of the SET Plan was 0.0073%.

For the year ended June 30, 2016, the Town recognized pension expense of \$921,125 for the PLD Plan and \$2,199,658 for the SET Plan with revenue of \$1,715,258 for support provided by the State. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	229,175
Changes of assumptions	232,034	-
Net difference between projected and actual earnings on pension plan investments	-	200,507
Changes in proportion and differences between Town contributions and proportionate share of contributions	174,937	-
Town contributions subsequent to the measurement date	963,429	-
<b>Total</b>	<b>\$ 1,370,400</b>	<b>429,682</b>

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**IV. OTHER INFORMATION, CONTINUED**

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**H. Maine Public Employees Retirement System, Continued**

\$963,429 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2017	\$ 38,075
2018	(85,095)
2019	(181,134)
2020	205,443

**Actuarial Assumptions** - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>	<u>SET Plan</u>
Inflation	3.5%	3.5%
Salary increases, per year	3.5% to 9.5%	3.5% to 13.5%
Investment return, per annum, compounded annually	7.125%	7.125%
Cost of living benefit increases, per annum	2.55%	2.55%

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%
<b>Total</b>	<b>100%</b>	

**TOWN OF FALMOUTH, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**IV. OTHER INFORMATION, CONTINUED**

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**H. Maine Public Employees Retirement System, Continued**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.125% for the PLD Plan and 7.125% for the SET Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

**Sensitivity of the Town's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate** - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.125% for the PLD Plan and 7.125% for the SET Plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.125% for PLD Plan and 6.125% for SET Plan) or 1 percentage-point higher (8.125% for PLD Plan and 8.125% for SET Plan) than the current rate:

<u><b>PLD Plan</b></u>	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
Town's proportionate share of the net pension liability	\$ 5,169,605	\$ 2,594,797	\$ 153,721
 <u><b>SET Plan</b></u>	 1% Decrease <u>(6.125%)</u>	 Current Discount Rate <u>(7.125%)</u>	 1% Increase <u>(8.125%)</u>
Town's proportionate share of the net pension liability	\$ 173,026	\$ 98,829	\$ 37,031

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

**Payables to the Pension Plan** - None as of June 30, 2016.

**TOWN OF FALMOUTH, MAINE**  
**Required Supplementary Information**

**Schedule of Funding Progress - Retiree Healthcare Plan**

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) /c]</u>
2009	01/01/09	\$ -	\$ 980,829	\$ 980,829	0.00%	\$ 3,633,359	27.0%
2010	01/01/09	-	980,829	980,829	0.00%	3,628,561	27.0%
2011	01/01/11	-	1,121,210	1,121,210	0.00%	3,695,167	30.3%
2012	01/01/11	-	1,121,210	1,121,210	0.00%	3,800,658	29.5%
2013	01/01/11	-	1,121,210	1,121,210	0.00%	3,916,399	28.6%
2014	01/01/14	-	931,444	931,444	0.00%	4,033,891	23.1%
2015	01/01/14	-	931,444	931,444	0.00%	4,338,165	21.5%
2016	01/01/14	-	931,444	931,444	0.00%	3,590,511	25.9%



**TOWN OF FALMOUTH, MAINE**  
**Required Supplementary Information, Continued**

**Schedule of Town's Proportionate Share of the Net Pension Liability**  
**Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)**  
Last 10 Fiscal Years\*

	<u>2016**</u>	<u>2015**</u>
<b><u>PLD Plan</u></b>		
Town's proportion of the net pension liability	0.8133%	0.8283%
Town's proportionate share of the net pension liability	\$ 2,594,797	1,274,581
Town's covered-employee payroll	4,252,672	4,150,350
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	61.02%	30.71%
Plan fiduciary net position as a percentage of of the total pension liability	88.27%	94.10%
<b><u>SET Plan</u></b>		
Town's proportion of the net pension liability	0.0073%	0.0040%
Town's proportionate share of the net pension liability	98,829	43,537
State's proportionate share of the net pension liability associated with the Town	19,059,269	14,865,081
<b><u>Total</u></b>	<b><u>\$ 19,158,098</u></b>	<b><u>14,908,618</u></b>
Town's covered-employee payroll	\$ 17,118,347	16,284,832
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	0.58%	0.27%
Plan fiduciary net position as a percentage of of the total pension liability	81.18%	83.91%

\* Only two years of information available

\*\* The amounts presented for each fiscal year were determined as of the prior fiscal year.

**TOWN OF FALMOUTH, MAINE**  
**Required Supplementary Information, Continued**

**Schedule of Town Contributions**  
**Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)**  
Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>PLD Plan</u></b>			
Contractually required contribution	\$ 388,217	328,128	264,303
Contributions in relation to the contractually required contribution	(388,217)	(328,128)	(264,303)
<b><u>Contribution deficiency (excess)</u></b>	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Town's covered-employee payroll	4,252,672	4,150,350	3,881,506
Contributions as a percentage of covered-employee payroll	9.13%	7.91%	6.81%
<b><u>SET Plan</u></b>			
Contractually required contribution	\$ 575,212	431,548	409,601
Contributions in relation to the contractually required contribution	(575,212)	(431,548)	(409,601)
<b><u>Contribution deficiency (excess)</u></b>	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Town's covered-employee payroll	17,118,347	16,284,832	15,456,627
Contributions as a percentage of covered-employee payroll	3.36%	2.65%	2.65%

\* Only three years of information available.

**TOWN OF FALMOUTH, MAINE**  
**Notes to Required Supplementary Information**

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**Changes of Benefit Terms** - None

**Changes of Assumptions** - The PLD Plan changed the discount rate from 7.25% in the 2014 valuation to 7.125% in the 2015 valuation. The PLD Plan also changed the cost of living benefits increase from 3.12% in the 2014 valuation to 2.55% in the 2015 valuation.

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted or committed to expenditure for particular purposes.

**Town Special Revenue** – This fund is used to account for unbudgeted self-sustaining municipal programs.

**School Special Revenue** – This fund is used to account for various Federal and State categorical grants for special programs administered by the School Department. This fund also accounts for various other non-grant funded self-sustaining school department programs.

**School Lunch Program** – This fund is used to account for the School lunch program administered by the School Department.

## PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Perpetual Care Fund** – This fund is used for the care of designated cemetery lots.

**Leola West Scholarship Fund** – This fund is used to provide an annual scholarship to a Falmouth High School student.

**Elmer Holding High School Gift Fund** – This fund is a gift to the high school as part of an estate trust distribution. This gift can be used for any purpose desired.

**TOWN OF FALMOUTH, MAINE**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2016**

	Special Revenue Funds				Permanent Funds				Total Other Governmental Funds
	Town Special Revenue	School Special Revenue	School Lunch Program	Total	Perpetual Care	Leola West Scholarship Fund	Elmer Holding High School Gift Fund	Total	
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	13,335	-	13,335	9,640	36,240	-	45,880	59,215
Investments	5,577,157	59,835	102,382	5,739,374	-	-	117,508	117,508	5,856,882
Accounts receivable	-	59,406	-	59,406	-	-	-	-	59,406
Due from other governments	-	216,787	5,369	222,156	-	-	-	-	222,156
Inventory	-	-	20,097	20,097	-	-	-	-	20,097
<b>Total assets</b>	<b>\$ 5,577,157</b>	<b>349,363</b>	<b>127,848</b>	<b>6,054,368</b>	<b>9,640</b>	<b>36,240</b>	<b>117,508</b>	<b>163,388</b>	<b>6,217,756</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	58,284	11,489	243	70,016	-	-	-	-	70,016
Accrued payroll	26,551	-	-	26,551	-	-	-	-	26,551
Due to other funds	-	142,663	-	142,663	-	1,000	80,794	81,794	224,457
<b>Total liabilities</b>	<b>84,835</b>	<b>154,152</b>	<b>243</b>	<b>239,230</b>	<b>-</b>	<b>1,000</b>	<b>80,794</b>	<b>81,794</b>	<b>321,024</b>
Fund balances (deficit):									
Nonspendable	-	-	20,097	20,097	-	-	-	-	20,097
Restricted	4,518,366	105,421	107,508	4,731,295	9,640	35,240	36,714	81,594	4,812,889
Committed	975,340	160,853	-	1,136,193	-	-	-	-	1,136,193
Unassigned	(1,384)	(71,063)	-	(72,447)	-	-	-	-	(72,447)
<b>Total fund balances</b>	<b>5,492,322</b>	<b>195,211</b>	<b>127,605</b>	<b>5,815,138</b>	<b>9,640</b>	<b>35,240</b>	<b>36,714</b>	<b>81,594</b>	<b>5,896,732</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,577,157</b>	<b>349,363</b>	<b>127,848</b>	<b>6,054,368</b>	<b>9,640</b>	<b>36,240</b>	<b>117,508</b>	<b>163,388</b>	<b>6,217,756</b>

**TOWN OF FALMOUTH, MAINE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue Funds				Permanent Funds				Total Other Governmental Funds
	Town Special Revenue (Schedule 1)	School Special Revenue (Schedule 2)	School Lunch Program	Total	Perpetual Care	Leola West Scholarship Fund	Elmer Holding High School Gift Fund	Total	
<b>REVENUES</b>									
Taxes	\$ 1,454,984	-	-	1,454,984	-	-	-	-	1,454,984
Intergovernmental	19,047	549,491	110,603	679,141	-	-	-	-	679,141
Charges for services	1,079,571	291,119	732,701	2,103,391	-	-	-	-	2,103,391
Investment earnings	-	-	-	-	8	91	579	678	678
Miscellaneous	49,225	207,478	2,884	259,587	-	3,644	-	3,644	263,231
Total revenues	2,602,827	1,048,088	846,188	4,497,103	8	3,735	579	4,322	4,501,425
<b>EXPENDITURES</b>									
Current:									
General government	74,258	-	-	74,258	-	-	-	-	74,258
Public safety	31,597	-	-	31,597	-	-	-	-	31,597
Public works	329,548	-	-	329,548	-	-	-	-	329,548
Community development	775,135	-	-	775,135	-	-	-	-	775,135
Community programs and parks	754,620	-	-	754,620	-	-	-	-	754,620
Education	-	1,030,284	-	1,030,284	-	1,375	77,242	78,617	1,108,901
Food service	-	-	852,341	852,341	-	-	-	-	852,341
Non-departmental	9,217	-	-	9,217	-	-	-	-	9,217
Total expenditures	1,974,375	1,030,284	852,341	3,857,000	-	1,375	77,242	78,617	3,935,617
Excess (deficiency) of revenues over (under) expenditures	628,452	17,804	(6,153)	640,103	8	2,360	(76,663)	(74,295)	565,808
Other financing sources:									
Transfers in	201,956	-	-	201,956	-	-	-	-	201,956
Total other financing sources	201,956	-	-	201,956	-	-	-	-	201,956
Net change in fund balances	830,408	17,804	(6,153)	842,059	8	2,360	(76,663)	(74,295)	767,764
Fund balances - beginning	4,661,914	177,407	133,758	4,973,079	9,632	32,880	113,377	155,889	5,128,968
<b>Fund balances - ending</b>	<b>\$ 5,492,322</b>	<b>195,211</b>	<b>127,605</b>	<b>5,815,138</b>	<b>9,640</b>	<b>35,240</b>	<b>36,714</b>	<b>81,594</b>	<b>5,896,732</b>

## **SCHEDULES**

**TOWN OF FALMOUTH, MAINE**  
**Town Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

	Balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
		Inter- governmental	Other			
General Government:						
Other programs - committed						
210 Employee bottle money	\$ 3,529	-	-	-	-	3,529
211 Wellness	14,583	-	5,414	18,386	7,100	8,711
212 Veterans memorial	11,278	-	-	398	-	10,880
213 General assistance	44,451	-	-	-	-	44,451
222 Subdivision inspections	193,764	-	-	8,190	-	185,574
223 Comp plan maps	36,834	-	-	22,000	-	14,834
224 Property revaluations	20,000	-	-	-	20,000	40,000
225 Land use ordinances	18,648	-	-	24,477	35,000	29,171
226 Invasive	1,491	-	609	807	-	1,293
Total general government	344,578	-	6,023	74,258	62,100	338,443
Public safety:						
Federal/state programs - restricted						
214 Police detail	84,380	11,499	20,188	25,427	-	90,640
216 Homeland security	(7,548)	7,548	-	-	-	-
Other programs - committed						
215 Police communication	8,433	-	100	5,317	-	3,216
217 EMS scholarships	2,684	-	8,480	-	-	11,164
218 Fire EMS detail	17,319	-	2,595	853	-	19,061
Total public safety	105,268	19,047	31,363	31,597	-	124,081
Public works:						
Other programs - committed						
219 Street permits	26,756	-	10,197	13,242	-	23,711
220 Disposal bags	318,657	-	424,766	313,169	-	430,254
221 Compost bins	(148)	-	1,901	3,137	-	(1,384)
Total public works	345,265	-	436,864	329,548	-	452,581
Community development:						
Other programs - restricted						
021 Oceanview natural gas TIF	-	-	280,170	66,380	(16,143)	197,647
022 Route 1 North	2,369,370	-	387,224	92,025	71,618	2,736,187
024 West Falmouth TIF	1,317,651	-	787,590	616,730	5,381	1,493,892
Total community development	3,687,021	-	1,454,984	775,135	60,856	4,427,726
Community programs and parks:						
Other programs - committed						
228 Conservation corp.	3,595	-	1,500	292	(1,000)	3,803
229 Recreation	105,521	-	642,707	753,828	113,651	108,051
230 Adult Ed	33,651	-	-	-	(33,651)	-
231 Sustainability	-	-	500	500	-	-
Total community programs and parks	142,767	-	644,707	754,620	79,000	111,854
Non-departmental:						
Other programs - committed						
227 Parts maintenance	37,015	-	9,839	9,217	-	37,637
Total non-departmental	37,015	-	9,839	9,217	-	37,637
<b>Total Town special revenue funds</b>	<b>\$ 4,661,914</b>	<b>19,047</b>	<b>2,583,780</b>	<b>1,974,375</b>	<b>201,956</b>	<b>5,492,322</b>



**TOWN OF FALMOUTH, MAINE**  
**School Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

		Balances (deficits) beginning of year	Revenues Inter- governmental	Other	Expenditures	Balances (deficits) end of year
Federal and State Grants - Restricted:						
223	Transition grant proficiency	\$ 9,532	28,471	-	38,003	-
224	Flu clinic reimbursement fund	4,369	-	-	-	4,369
230	Title I NCLB disadvantaged	(50)	34,774	-	34,774	(50)
233	PEPG state grant	-	4,600	-	4,600	-
246	Maine care	3,777	-	-	979	2,798
247	Local entitlement	(8)	446,514	-	445,926	580
251	Preschool handicapped	-	4,640	-	4,640	-
270	Title IIA Improving teacher quality	4,635	29,992	-	34,955	(328)
Total federal and state grants - restricted		22,255	548,991	-	563,877	7,369
Other Programs - Restricted:						
720	PTO mini grants	(1,069)	-	-	-	(1,069)
721	Dickenson Family Grant	(154)	-	-	-	(154)
723	Andrea Soule Trust	18,245	-	-	2,987	15,258
781	Karen Boffa Camp Scholarship	608	-	243	310	541
783	Class of 1995 Scholarship	500	-	-	-	500
784	Clayton Thomas Scholarship	5,161	-	3,630	4,500	4,291
790	Jim Caldwell Scholarship	200	-	400	200	400
791	Blaze Scholarship	1,000	-	-	-	1,000
904	FEF grants	1,968	-	35,358	40,561	(3,235)
910	Lacrosse booster	(9,991)	-	-	7,300	(17,291)
912	Football boosters	-	-	16,723	16,801	(78)
914	JV Hockey boosters	-	-	-	1,917	(1,917)
916	Nordic ski boosters	-	-	-	104	(104)
917	Volleyball boosters	-	-	2,518	2,518	-
918	Baseball booster	(4,611)	-	6,617	2,627	(621)
919	Softball boosters	(4,075)	-	4,075	-	-
920	Girls hockey	-	-	-	966	(966)
921	Swimming	(643)	-	1,737	1,512	(418)
950	Indoor track	(1,595)	-	2,126	532	(1)
952	Cross country	-	-	2,016	2,016	-
953	Boys soccer	(2,492)	-	5,400	2,908	-
954	Girls soccer	(2,395)	-	2,395	-	-
955	Field hockey	(628)	-	6,355	5,727	-
956	Alpine skiing	(374)	-	374	-	-
957	Boys basketball	100	-	1,038	1,138	-
958	Girls basketball	(141)	-	2,290	2,149	-
959	Ice hockey	3,829	-	16,367	17,682	2,514
960	Boys lacrosse	(2,654)	-	-	-	(2,654)
961	Girls lacrosse	(11,290)	-	-	-	(11,290)
962	Softball	(2,923)	-	2,923	470	(470)
963	Boys tennis	(486)	-	103	-	(383)
964	Girls tennis	(4)	-	4	-	-
NA	Scholarships	73,765	-	13,705	14,300	73,170
Total other programs - restricted		59,851	-	126,397	129,225	57,023

**TOWN OF FALMOUTH, MAINE**  
**School Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

	Balances (deficits) beginning of year	Revenues		Expenditures	Balances (deficits) end of year
		Inter- governmental	Other		
Other Programs - Committed:					
701 USM mentor training	\$ -	-	2,625	1,613	1,012
702 Harrogate	-	-	44,862	39,646	5,216
703 FEF greenhouse	-	500	5,000	31,196	(25,696)
704 HS Sculpture Project	-	-	2,000	2,000	-
715 Lunt play and learn	10,962	-	-	-	10,962
718 Childcare	(4,737)	-	252,909	243,328	4,844
730 Athletics Capital Fund	32,545	-	6,802	2,670	36,677
735 Turf field	17,889	-	4,052	-	21,941
740 Facilities Rental Fund	(5,529)	-	9,996	-	4,467
750 Middle school playground	11,895	-	-	-	11,895
760 Laptop insurance	7,817	-	15,349	-	23,166
785 Discovery Pathway	784	-	-	-	784
787 Score for Safe Passage	123	-	-	-	123
900 HS AP testing	-	-	1,000	-	1,000
901 High School Summer Academy	(673)	-	-	-	(673)
905 Chinese exchange program	27,145	-	12,500	1,083	38,562
906 MS Summer Academy	(56)	-	940	1,331	(447)
907 FES Summer Academy	(2,864)	-	3,920	4,274	(3,218)
980 Theater boosters	-	-	10,245	10,041	204
Total other programs - committed	95,301	500	372,200	337,182	130,819
<b>Total school special revenue funds</b>	<b>\$ 177,407</b>	<b>549,491</b>	<b>498,597</b>	<b>1,030,284</b>	<b>195,211</b>

**TOWN OF FALMOUTH, MAINE**  
**Capital Project Fund**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

		Balances beginning of year	Revenues		Expenditures	Transfers in (out)	Balances end of year
			Inter- governmental	Other			
<b>Town funds:</b>							
310	Energy Efficiency	\$ 31,926	-	-	10,797	10,000	31,129
311	Food Pantry	1,189	-	-	-	-	1,189
312	Town hall office	83,215	-	-	-	5,500	88,715
313	General government renovation	22,635	-	-	60,461	103,011	65,185
314	Town hall renovation	72,408	-	-	47,397	(25,011)	-
315	General government vehicles	46,792	-	-	-	6,000	52,792
316	Rail road crossing	52,000	-	-	-	-	52,000
317	Rail road traffic signal	117,586	-	-	-	(117,586)	-
318	Computers	81,401	-	-	77,989	95,956	99,368
319	Cable TV	220,050	-	-	44,091	-	175,959
320	MUNIS Equipment	14,891	-	-	-	(14,891)	-
322	Police small equipment	6,643	1,332	-	1,968	26,903	32,910
323	Police vehicles	61,067	-	-	55,875	53,697	58,889
324	PD communications	43,996	-	-	16,295	5,000	32,701
325	Harbor equipment	71,184	224,454	47,700	327,205	27,000	43,133
326	Fire department building	167,538	-	-	102,367	65,673	130,844
327	Fire department equipment	194,871	-	11,501	115,094	232,400	323,678
328	Public works building and equipment	19,537	-	-	9,925	12,000	21,612
329	Public works heavy equipment	91,283	-	-	128,601	146,000	108,682
330	Public works streets	2,113,701	-	143,464	714,972	884,421	2,426,614
331	Hurricane road	345,827	-	-	-	(345,827)	-
332	Transfer station equipment	40,930	-	-	11,100	5,000	34,830
333	Parks land acquisition	19,414	-	-	-	(19,414)	-
334	Parks renovation	302,901	-	-	46,531	20,000	276,370
335	Parks equipment	31,601	-	-	12,936	13,000	31,665
336	River point bridge	11,281	-	-	-	-	11,281
337	Community center	86,108	-	-	-	-	86,108
338	Mason/Motz renovation	458	-	-	458	-	-
339	Community program vehicles	41,069	-	-	-	-	41,069
340	Capital trails fund	-	7,673	-	8,673	1,000	-
341	Open spaces	101,513	231,800	-	446,072	311,272	198,513
Total town capital projects		\$ 4,495,015	465,259	202,665	2,238,807	1,501,104	4,425,236

**TOWN OF FALMOUTH, MAINE**  
**Capital Project Fund**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

		Balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
			Inter- governmental	Other			
<b>School funds:</b>							
0301	Elementary school construction	\$ 1,441,309	-	-	-	-	1,441,309
0302	Middle school wood boiler	(15,943)	-	-	-	15,943	-
0400	Stadium restroom	(194,816)	-	-	1,080	195,896	-
0400	Other school capital	158,871	-	-	26,503	(135,608)	(3,240)
0402	Middle school capital	76,231	-	-	-	(76,231)	-
Total school capital projects		1,465,652	-	-	27,583	-	1,438,069
<b>Total capital projects fund</b>		<b>\$ 5,960,667</b>	<b>465,259</b>	<b>202,665</b>	<b>2,266,390</b>	<b>1,501,104</b>	<b>5,863,305</b>

**TOWN OF FALMOUTH, MAINE**  
**Combining Schedule of Fiduciary Net Position**  
**Agency Funds**  
**June 30, 2016**

	<b>Student Activity Funds</b>	<b>Performance Guarantees</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 261,171	6,959	268,130
Investments	-	430,187	430,187
<b>Total assets</b>	<b>\$ 261,171</b>	<b>437,146</b>	<b>698,317</b>
<b>LIABILITIES</b>			
Accounts payable	-	15,370	15,370
Held for student activities	261,171	-	261,171
Held for performance guarantees	-	421,776	421,776
<b>Total liabilities</b>	<b>\$ 261,171</b>	<b>437,146</b>	<b>698,317</b>

**TOWN OF FALMOUTH, MAINE**  
**Schedule of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>ASSETS</b>				
Student activity funds	\$ 262,080	592,837	593,746	261,171
Performance guarantees	438,539	110,134	111,527	437,146
<b>Total assets</b>	<b>\$ 700,619</b>	<b>702,971</b>	<b>705,273</b>	<b>698,317</b>
<b>LIABILITIES</b>				
Accounts payable	425	75,423	60,478	15,370
Funds held for student activities	262,080	592,837	593,746	261,171
Funds held for performance guarantees	438,114	34,711	51,049	421,776
<b>Total liabilities</b>	<b>\$ 700,619</b>	<b>702,971</b>	<b>705,273</b>	<b>698,317</b>

**TOWN OF FALMOUTH, MAINE**  
**Detailed Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>SCHOOL ACTIVITIES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 262,080	592,837	593,746	261,171
<b>Total assets</b>	<b>\$ 262,080</b>	<b>592,837</b>	<b>593,746</b>	<b>261,171</b>
<b>LIABILITIES</b>				
Funds held for student activities	262,080	592,837	593,746	261,171
<b>Total liabilities</b>	<b>\$ 262,080</b>	<b>592,837</b>	<b>593,746</b>	<b>261,171</b>

**PERFORMANCE GUARANTEES**

<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,958	1	-	6,959
Investments	431,581	110,133	111,527	430,187
<b>Total assets</b>	<b>\$ 438,539</b>	<b>110,134</b>	<b>111,527</b>	<b>437,146</b>
<b>LIABILITIES</b>				
Accounts payable	425	75,423	60,478	15,370
Funds held for performance guarantees	438,114	34,711	51,049	421,776
<b>Total liabilities</b>	<b>\$ 438,539</b>	<b>110,134</b>	<b>51,049</b>	<b>437,146</b>

# STATISTICAL SECTION

This part of the Town of Falmouth, Maine's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

## Contents

## Tables

### Financial Trends

1-4

*These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.*

### Revenue Capacity

*These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.*

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### Debt Capacity

*These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.*

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### Demographic and Economic Information

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.*

12-13

### Operating Information

*This schedule contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

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Table 1

**TOWN OF FALMOUTH, MAINE**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities:</b>											
Net investment in capital assets	\$	21,136,556	25,877,739	29,243,561	29,598,688	24,544,049	30,753,086	38,256,352	41,041,245	45,611,250	50,126,899
Restricted		3,784,303	9,569	81,535	804,873	9,973,196	6,781,723	6,251,719	8,483,144	8,172,054	7,183,760
Unrestricted		19,482,983	19,635,651	19,327,347	20,899,310	18,275,885	17,068,952	18,026,092	16,042,959	13,477,736	13,579,352
<b>Total governmental activities net position</b>	<b>\$</b>	<b>44,403,842</b>	<b>45,522,959</b>	<b>48,652,443</b>	<b>51,302,871</b>	<b>52,793,130</b>	<b>54,603,761</b>	<b>62,534,163</b>	<b>65,567,348</b>	<b>67,261,040</b>	<b>70,890,011</b>
<b>Business-type activities:</b>											
Net investment in capital assets	\$	8,652,332	10,688,897	11,097,823	12,375,251	12,227,194	12,088,052	12,175,806	11,938,638	11,954,332	12,719,464
Unrestricted		4,345,944	2,574,400	2,161,608	2,393,447	2,574,430	2,715,432	2,664,461	3,029,652	3,231,839	3,082,322
<b>Total business-type activities net position</b>	<b>\$</b>	<b>12,998,276</b>	<b>13,263,297</b>	<b>13,259,431</b>	<b>14,768,698</b>	<b>14,801,624</b>	<b>14,803,484</b>	<b>14,840,267</b>	<b>14,968,290</b>	<b>15,186,171</b>	<b>15,801,786</b>
<b>Primary government:</b>											
Net investment in capital assets	\$	29,788,888	36,566,636	40,341,384	41,973,939	36,771,242	42,841,138	50,432,158	52,979,883	57,565,582	62,846,363
Restricted		3,784,303	9,569	81,535	804,873	9,973,196	6,781,723	6,251,719	8,483,144	8,172,054	7,183,760
Unrestricted		23,828,927	22,210,051	21,488,955	23,292,757	20,850,316	19,784,384	20,690,553	19,072,611	16,709,575	16,661,674
<b>Total primary government net position</b>	<b>\$</b>	<b>57,402,118</b>	<b>58,786,256</b>	<b>61,911,874</b>	<b>66,071,569</b>	<b>67,594,754</b>	<b>69,407,245</b>	<b>77,374,430</b>	<b>80,535,638</b>	<b>82,447,211</b>	<b>86,691,797</b>



Table 2

**TOWN OF FALMOUTH, MAINE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 3,083,472	2,742,510	2,580,559	3,408,826	3,289,549	3,320,569	3,182,216	3,586,007	3,683,548	4,575,776
Financial management	923,110	1,015,760	1,080,745	943,712	952,802	1,057,419	1,060,159	978,002	1,049,103	1,204,538
Public safety	3,111,729	3,740,309	3,549,819	3,598,536	3,668,031	3,922,211	3,828,094	4,093,811	4,419,078	4,533,160
Public works	4,924,194	4,352,382	4,505,857	3,929,553	4,219,050	3,298,303	3,270,196	4,236,453	2,957,355	3,209,514
Community development	482,270	552,935	579,745	545,659	1,047,470	1,035,617	619,971	578,546	2,069,053	1,279,967
Community programs and parks	1,417,651	1,270,290	1,156,579	1,028,244	1,027,630	1,219,430	948,169	1,080,035	1,270,322	1,329,529
Education	26,510,116	27,096,801	27,137,788	26,776,233	27,994,675	31,919,090	29,224,616	31,460,774	32,903,013	34,427,522
Interest on long-term debt	834,510	930,580	852,764	771,046	607,485	1,617,393	1,659,562	1,618,608	1,768,827	1,662,539
Central garage	-	-	-	-	-	-	218,903	203,205	239,277	254,384
Total governmental activities expenses	41,287,052	41,701,567	41,443,856	41,001,809	42,806,692	47,390,032	44,011,886	47,835,441	50,359,576	52,476,929
Business-type activities:										
Wastewater treatment	1,565,623	1,843,118	1,905,319	1,966,602	1,928,995	1,950,836	1,991,986	1,896,432	2,051,999	1,952,806
Total business-type activities expenses	1,565,623	1,843,118	1,905,319	1,966,602	1,928,995	1,950,836	1,991,986	1,896,432	2,051,999	1,952,806
<b>Total primary government expenses</b>	<b>\$ 42,852,675</b>	<b>43,544,685</b>	<b>43,349,175</b>	<b>42,968,411</b>	<b>44,735,687</b>	<b>49,340,868</b>	<b>46,003,872</b>	<b>49,731,873</b>	<b>52,411,575</b>	<b>54,429,735</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 340,121	297,705	298,462	201,119	189,795	219,992	234,962	351,006	388,559	354,297
Financial management	97,412	70,318	81,424	75,832	71,604	39,720	51,160	-	-	53,247
Public safety	398,477	390,416	453,270	522,406	669,934	707,946	747,310	720,216	626,114	662,920
Public works	2,121,815	2,240,649	2,392,881	2,304,273	2,533,358	2,871,751	2,615,975	495,178	510,650	500,059
Community development	228,087	172,891	158,895	132,975	81,513	103,111	-	11,252	33,042	62,507
Community programs and parks	749,874	658,946	617,505	585,783	4,007	3,066	508,819	655,725	546,224	644,853
Education	52,929	50,872	768,100	707,912	184,679	192,766	166,812	234,653	1,128,358	1,209,994
Central garage	-	-	-	-	-	-	238,896	206,343	1,412	1,463
Operating grants and activities	10,503,859	10,541,882	10,671,464	9,874,139	10,532,867	10,368,451	11,241,851	11,707,971	12,357,354	11,872,141
Capital grants and contributions	-	-	-	66,430	526,643	4,468,498	1,270,929	198,649	241,118	1,237,845
<b>Total governmental activities program revenues</b>	<b>14,492,574</b>	<b>14,423,679</b>	<b>15,442,001</b>	<b>14,470,869</b>	<b>14,794,399</b>	<b>18,975,301</b>	<b>17,076,714</b>	<b>14,580,993</b>	<b>15,832,831</b>	<b>16,599,326</b>

Table 2

**TOWN OF FALMOUTH, MAINE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Wastewater treatment	\$ 1,644,486	2,008,539	1,901,453	1,892,069	1,893,277	1,932,503	1,932,503	1,692,615	1,750,443	1,767,660
Operating grants and contributions	-	-	-	-	-	-	-	326,673	380,737	340,647
Capital grants and contributions	1,435,478	99,600	-	1,583,800	68,645	20,193	20,193	-	132,600	-
Total business-type activities program revenues	3,079,964	2,108,139	1,901,453	3,475,869	1,961,922	1,952,696	1,952,696	2,019,288	2,263,780	2,108,307
<b>Total primary government program revenues</b>	<b>\$ 17,572,538</b>	<b>16,531,818</b>	<b>17,343,454</b>	<b>17,946,738</b>	<b>16,756,321</b>	<b>20,927,997</b>	<b>19,029,410</b>	<b>16,600,281</b>	<b>18,096,611</b>	<b>18,707,633</b>
Net (expense)/revenue										
Governmental activities	\$ (26,794,478)	(27,277,888)	(26,001,855)	(26,530,940)	(28,012,292)	(28,414,731)	(28,414,731)	(33,254,448)	(34,526,745)	(35,877,603)
Business-type activities	1,514,341	265,021	(3,866)	1,509,267	32,926	1,859	1,859	122,856	211,781	155,501
<b>Total primary government net expense</b>	<b>\$ (25,280,137)</b>	<b>(27,012,867)</b>	<b>(26,005,721)</b>	<b>(25,021,673)</b>	<b>(27,979,366)</b>	<b>(28,412,872)</b>	<b>(28,412,872)</b>	<b>(33,131,592)</b>	<b>(34,314,964)</b>	<b>(35,722,102)</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 23,521,726	24,293,164	25,591,788	25,860,056	26,155,485	27,578,490	27,578,490	32,220,901	32,854,038	34,630,748
Excise taxes	2,382,454	2,399,624	2,293,503	2,317,152	2,364,465	2,384,488	2,384,488	2,911,618	3,040,917	3,138,658
Cable TV franchise fee	158,018	167,229	175,727	187,195	148,241	209,381	209,381	210,542	210,467	211,124
Unrestricted grants and contributions	957,750	904,046	821,891	694,461	646,733	674,047	674,047	796,872	776,762	886,641
Investment earnings	664,983	594,743	211,170	56,120	33,885	37,596	37,596	80,141	94,277	211,542
Miscellaneous	48,098	38,199	37,080	66,564	153,743	230,732	230,732	125,013	88,103	175,471
<b>Total governmental activities</b>	<b>27,733,029</b>	<b>28,397,005</b>	<b>29,131,159</b>	<b>29,181,548</b>	<b>29,502,551</b>	<b>31,114,734</b>	<b>31,114,734</b>	<b>36,345,087</b>	<b>37,064,564</b>	<b>39,254,184</b>
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	5,167	6,100	14,933
<b>Total business-type activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,167</b>	<b>6,100</b>	<b>14,933</b>
<b>Total primary government</b>	<b>\$ 27,733,029</b>	<b>28,397,005</b>	<b>29,131,159</b>	<b>29,181,548</b>	<b>29,502,551</b>	<b>31,114,734</b>	<b>31,114,734</b>	<b>36,350,254</b>	<b>37,070,664</b>	<b>39,269,117</b>
<b>Change in Net Position</b>										
Governmental activities	938,551	1,119,117	3,129,304	2,650,608	1,490,259	2,700,004	2,700,004	3,090,539	2,537,819	3,376,581
Business-type activities	1,514,341	265,021	(3,866)	1,509,267	32,926	1,859	1,859	128,023	217,881	170,434
<b>Total primary government</b>	<b>\$ 2,452,892</b>	<b>1,384,138</b>	<b>3,125,438</b>	<b>4,159,875</b>	<b>1,523,185</b>	<b>2,701,863</b>	<b>2,701,863</b>	<b>3,218,562</b>	<b>2,755,700</b>	<b>3,547,015</b>

Table 2-A

**TOWN OF FALMOUTH, MAINE**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(dollar amounts expressed in thousands)**

<b>Fiscal Year</b>		<b>Property Tax</b>	<b>Excise Tax</b>	<b>Total</b>
2007	\$	24,607	2,382	26,989
2008		25,406	2,400	27,806
2009		27,018	2,294	29,312
2010		27,303	2,317	29,620
2011		27,747	2,364	30,111
2012		29,198	2,384	31,582
2013		29,682	2,650	32,332
2014		32,221	2,912	35,133
2015		32,854	3,041	35,895
2016		34,631	3,139	37,769

Table 3

<b>TOWN OF FALMOUTH, MAINE</b> <b>Fund Balances of Governmental Funds</b> <b>Last Ten Fiscal Years</b> <b>(modified accrual basis of accounting)</b>										
	Fiscal Year									
	2007	2008	2009	2010	2011 (a)	2012	2013	2014	2015	2016
<b>General Fund</b>										
Nonspendable	\$ -	-	-	-	-	65,254	20,011	310,169	308,051	297,332
Restricted	58,707	65,100	64,073	56,735	592,712	577,865	27,110	969,129	785,481	1,048,593
Committed	-	-	-	-	6,693,591	5,690,995	831,198	-	-	-
Assigned	-	-	-	-	225,108	128,097	87,335	-	-	-
Unassigned	-	-	-	-	11,320,374	11,514,542	13,266,470	12,007,853	10,578,837	11,081,063
Unreserved:										
Designated	7,875,562	7,730,226	7,702,412	8,275,624	-	-	-	-	-	-
Undesignated	10,319,158	10,012,721	9,892,643	10,172,493	-	-	-	-	-	-
<b>Total general fund</b>	<b>\$ 18,253,427</b>	<b>17,808,047</b>	<b>17,659,128</b>	<b>18,504,852</b>	<b>18,831,784</b>	<b>17,976,753</b>	<b>14,232,124</b>	<b>13,287,151</b>	<b>11,672,369</b>	<b>12,426,988</b>
<b>All Other Governmental Funds</b>										
Nonspendable	\$ -	-	-	-	10,301	18,752	18,752	23,762	23,762	20,097
Restricted	-	-	-	-	10,462,258	6,933,139	6,224,010	17,274,179	8,804,120	7,556,379
Committed	-	-	-	-	-	-	4,844,418	6,815,356	5,737,486	5,561,429
Assigned	-	-	-	-	568,048	603,322	1,027,392	-	-	-
Unassigned	-	-	-	-	(1,496)	-	(94,834)	(15,653)	(277,897)	(75,687)
Reserved	17,560	17,579	19,888	19,898	-	-	-	-	-	-
Unreserved, reported in:										
Capital Projects Funds	3,774,753	-	(1,675,410)	(14,026,231)	-	-	-	-	-	-
Special revenue funds	2,323,684	2,804,738	2,782,742	3,698,774	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 6,115,997</b>	<b>2,822,317</b>	<b>1,127,220</b>	<b>(10,307,559)</b>	<b>11,039,110</b>	<b>7,555,213</b>	<b>12,019,738</b>	<b>24,097,644</b>	<b>14,287,471</b>	<b>13,062,218</b>

(a) GASB 54 was adopted in fiscal year 2011 and prior years were not restated

Table 4

**TOWN OF FALMOUTH, MAINE**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Taxes	\$ 26,989,761	27,805,682	29,311,937	29,620,325	30,111,392	31,469,323	33,704,800	35,167,105	35,954,078	37,811,495
Licenses, fees and permits	433,534	388,645	407,368	403,230	366,528	412,617	490,400	617,051	448,332	501,876
Intergovernmental	11,458,090	11,348,643	12,166,850	11,252,927	11,372,188	11,133,290	12,141,113	11,830,853	12,301,393	13,517,559
Charges for services	507,521	528,255	552,968	521,217	664,288	732,685	724,432	2,495,788	2,956,653	3,117,773
Fines and forfeitures	41,509	44,538	51,634	49,232	73,565	42,193	56,568	50,092	48,245	56,607
Interest	1,053,422	949,462	327,630	135,694	105,260	43,010	60,619	80,141	94,277	211,542
Miscellaneous	1,451,125	1,233,109	1,257,594	1,376,194	1,675,396	1,788,185	2,192,289	390,554	1,161,945	654,535
<b>Total revenues</b>	<b>41,934,962</b>	<b>42,298,334</b>	<b>44,075,981</b>	<b>43,358,819</b>	<b>44,368,618</b>	<b>45,621,303</b>	<b>49,370,221</b>	<b>50,631,584</b>	<b>52,964,923</b>	<b>55,871,387</b>
<b>Expenditures:</b>										
General government	849,636	771,415	823,859	1,045,930	1,038,658	1,061,434	1,032,042	1,065,691	1,416,430	1,260,205
Financial management	866,153	1,015,760	1,045,976	824,418	870,631	898,317	1,060,159	978,002	1,049,103	1,135,530
Public safety	2,737,127	2,823,757	2,829,745	2,846,123	3,079,808	3,198,606	3,292,596	3,540,345	3,880,849	3,939,272
Public works	1,830,622	2,182,049	1,857,416	1,727,841	1,909,968	1,818,647	2,293,304	2,379,541	2,267,942	2,203,968
Community development	479,608	546,948	660,259	620,288	610,355	604,505	619,971	578,546	1,578,173	1,450,815
Community programs and parks	1,141,772	1,147,242	1,130,563	1,005,737	1,070,767	1,098,737	927,687	1,052,917	1,107,795	1,127,438
Education	25,922,321	26,162,517	28,590,190	39,875,382	27,440,999	28,100,902	28,494,449	29,963,464	31,277,421	32,691,751
Non-departmental	712,101	822,931	834,067	865,324	983,639	975,792	736,554	765,011	992,149	727,422
County tax	992,860	1,051,052	1,141,698	1,134,475	1,153,336	1,181,421	1,208,849	1,321,522	1,376,320	1,456,279
Reserves	2,114,974	1,569,469	(1,613,503)	(12,029,076)	20,610,734	2,301,946	-	-	-	-
Capital Improvements	1,887,067	5,427,253	6,246,849	14,642,338	-	5,827,908	7,689,360	7,990,066	13,560,125	4,724,975
Debt service:										
Principal	1,388,500	1,583,500	1,583,500	1,288,500	1,288,500	1,288,500	3,140,000	3,140,000	3,980,000	3,975,000
Interest	837,901	933,502	855,217	870,874	609,000	1,603,518	1,554,806	1,488,006	1,874,932	1,701,331
<b>Total expenditures</b>	<b>41,760,642</b>	<b>46,037,395</b>	<b>45,985,836</b>	<b>54,718,154</b>	<b>60,666,396</b>	<b>49,960,233</b>	<b>52,049,777</b>	<b>54,263,111</b>	<b>64,361,239</b>	<b>56,393,986</b>
Excess (deficiency) of revenues over (under) expenditures	174,320	(3,739,061)	(1,909,855)	(11,359,335)	(16,297,778)	(4,338,930)	(2,679,556)	(3,631,527)	(11,396,316)	(522,599)
<b>Other financing sources (uses)</b>										
Transfers in	-	21,889	285,000	-	-	-	13,837,646	2,937,837	3,277,162	2,301,628
Transfers out	(380,000)	(21,889)	(285,000)	-	-	-	(13,837,646)	(2,937,837)	(3,277,162)	(2,301,628)
Bonds issued	3,900,000	-	-	-	47,050,000	-	-	14,400,000	-	1,900,000
Payment to bond refunding agent	-	-	-	-	(9,315,000)	-	-	-	-	(1,969,008)
BAN/ bond premiums	-	-	65,840	770,280	236,378	-	-	421,316	-	120,973
Sale of general capital assets	-	-	-	-	-	-	3,332,054	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,520,000</b>	<b>-</b>	<b>65,840</b>	<b>770,280</b>	<b>37,971,378</b>	<b>-</b>	<b>3,332,054</b>	<b>14,821,316</b>	<b>-</b>	<b>51,965</b>
<b>Net change in fund balances</b>	<b>\$ 3,694,320</b>	<b>(3,739,061)</b>	<b>(1,844,015)</b>	<b>(10,589,055)</b>	<b>21,673,600</b>	<b>(4,338,930)</b>	<b>652,498</b>	<b>11,189,789</b>	<b>(11,396,316)</b>	<b>(470,634)</b>
Debt service as a percentage of noncapital expenditures	6.3%	5.6%	6.2%	6.1%	5.4%	3.1%	6.8%	9.7%	11.0%	11.0%

Table 4-A

**TOWN OF FALMOUTH, MAINE**  
**General Governmental Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(dollar amounts expressed in thousands)**

<b>Fiscal Year</b>		<b>Real estate</b>	<b>Personal property</b>	<b>Excise tax</b>	<b>Total</b>
2007	\$	24,095	512	2,382	26,989
2008		24,803	604	2,399	27,806
2009		26,534	484	2,294	29,312
2010		26,839	464	2,317	29,620
2011		27,041	427	2,364	29,832
2012		27,041	424	2,384	29,849
2013		28,502	434	2,650	31,586
2014		32,221	469	2,912	35,602
2015		32,466	447	3,041	35,954
2016		34,225	447	3,139	37,811

Table 5

**TOWN OF FALMOUTH, MAINE**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

Fiscal Year Ended June 30	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (2)	Assessed Value as a Percentage of Actual Value
	Commercial Property	Residential Property						
2007	\$ 209,298	1,528,550	36,015	68,048	1,705,815	14.40	2,195,200	77.7%
2008	213,570	1,566,180	41,555	68,532	1,752,773	14.60	2,143,400	81.8%
2009	274,904	1,959,084	39,608	77,897	2,195,699 (1)	12.35 (1)	2,171,450	101.1%
2010	333,193	1,923,147	41,407	78,341	2,219,406	12.35	2,131,400	104.1%
2011	332,559	1,931,630	35,325	77,053	2,222,461	12.35	2,071,900	108.1%
2012	334,324	1,953,295	33,580	77,448	2,243,751	12.92	2,097,800	107.8%
2013	361,500	1,951,475	34,031	78,383	2,268,623	13.43	2,091,550	108.5%
2014	363,625	1,972,150	33,250	81,885	2,287,140	14.12	2,091,550	109.4%
2015	339,224	2,038,131	31,738	80,230	2,328,863	14.10	2,141,950	108.7%
2016	300,226	2,114,789	35,839	82,283	2,368,571	14.63	2,253,100	105.1%

SOURCE: Falmouth Assessor's office.

(1) A revaluation designed to bring assessed values in line with market values was conducted.

(2) Estimated actual valuation amounts are the state equalized values published by Maine Revenue Services.

Table 5A

**TOWN OF FALMOUTH, MAINE**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Direct</b>			<b>Total Tax Rate</b>
	<b>Town Rate</b>	<b>Education Rate</b>	<b>County Rate (a)</b>	
2007	3.17	10.62	0.61	14.40
2008	3.22	10.77	0.61	14.60
2009	2.95	8.85	0.55	12.35
2010	3.00	8.81	0.54	12.35
2011	3.04	8.77	0.54	12.35
2012	3.01	9.36	0.55	12.92
2013	3.01	9.86	0.56	13.43
2014	3.05	10.46	0.61	14.12
2015	3.09	10.42	0.59	14.10
2016	3.00	10.98	0.65	14.63

(a) Cumberland County assesses a county tax to the Town of Falmouth. The Town includes the county assessment in the Town's total direct tax rate. The rate shown here reflects the portion of the Town's total direct tax rate levied by the Town to pay the county tax assessment.



Table 6

**TOWN OF FALMOUTH, MAINE**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**  
**(amounts expressed in thousands)**

<b><u>Taxpayer</u></b>	<b>2016</b>			<b>2007</b>		
	<b><u>Taxable Assessed Value</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total Taxable Assessed Value</u></b>	<b><u>Taxable Assessed Value</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total Taxable Assessed Value</u></b>
Ocean View Retirement LLC	\$ 56,134	1	2.41%	\$ 25,217	1	1.48%
ARC	27,681	2	1.19%			
Falmouth Realty Associates	27,212	3	1.17%	17,248	3	1.01%
Central Maine Power Co.	17,919	4	0.77%	7,522	10	0.44%
Princeton Falmouth LLC	16,016	5	0.69%			
Portland Country Club	11,120	6	0.48%	8,818	6	0.52%
Falmouth Plaza LLC	10,897	7	0.47%	9,231	5	0.54%
Falmouth Ventures LLC	9,238	8	0.40%			
Marr Associates, LLP	8,536	9	0.37%			
Hannaford Bros. Inc.	7,813	10	0.34%	7,990	8	0.47%
West Falmouth Development LLC				17,273	2	1.01%
John S. Marr				8,739	7	0.51%
Foreside Housing Agency				11,497	4	0.67%
Woodlands Club				7,549	9	0.44%
<b>Totals</b>	<b>\$ 192,566</b>		<b>8.29%</b>	<b>\$ 121,084</b>		<b>7.10%</b>

SOURCE: Falmouth tax office

Table 7

**TOWN OF FALMOUTH, MAINE**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

<b>Fiscal Year Ended June 30</b>		<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
			<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2007	\$	24,347	23,883	98.1%	462	24,345	100.0%
2008		25,298	24,739	97.8%	555	25,294	100.0%
2009		27,078	26,454	97.7%	620	27,074	100.0%
2010		27,369	26,699	97.6%	665	27,364	100.0%
2011		27,618	26,969	97.7%	640	27,609	100.0%
2012		29,218	28,330	97.0%	855	29,185	99.9%
2013		30,706	29,509	96.1%	1,162	30,671	99.3%
2014		32,294	31,382	97.2%	874	32,256	99.1%
2015		32,837	31,871	97.1%	816	32,687	99.5%
2016		34,619	33,632	97.2%	-	33,632	97.2%

Table 8

**TOWN OF FALMOUTH, MAINE**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Wastewater Revenue Bonds				
2007	\$ 19,998	-	127	6,480		26,605	6.8%	2,520
2008	18,414	-	76	6,156		24,646	6.2%	2,314
2009	16,831	8,000	23	5,832		30,686	7.7%	2,852
2010	15,542	28,175	-	5,508		49,225	12.0%	4,548
2011	51,989	150	-	5,184		57,323	14.0%	5,125
2012	50,700	100	-	4,860		55,660	10.4%	4,976
2013	47,560	100	-	4,536		52,196	9.8%	4,658
2014	59,241	-	-	4,212		63,453	11.4%	5,673
2015	55,237	-	-	3,888		59,125	10.6%	5,286
2016	51,348	-	191	3,564		55,103	9.9%	4,927

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Table 9

<b>TOWN OF FALMOUTH, MAINE</b> <b>Ratios of General Bonded Debt Outstanding</b> <b>Last Ten Fiscal Years</b> <b>(amounts expressed in thousands, except per capita amount)</b>			
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2007	\$ 19,998	0.91%	1,894
2008	18,414	0.86%	1,729
2009	16,831	0.78%	1,564
2010	15,542	0.73%	1,436
2011	51,989	2.51%	4,648
2012	50,700	2.42%	4,533
2013	47,560	2.27%	4,252
2014	59,241	2.83%	5,296
2015	55,237	2.58%	4,938
2016	51,348	2.28%	4,591

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

**TOWN OF FALMOUTH, MAINE**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2016**  
**(amounts expressed in thousands)**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
Overlapping debt:			
Cumberland County	\$ 35,735	5.52%	1,973
Portland Water District (Wastewater Fund)	40,247	9.94%	4,000
Portland Water District (Water Fund)	47,391	8.34%	3,952
Subtotal, overlapping debt	123,373		9,925
 Town of Falmouth direct debt	 51,348	 100.00%	 51,348
<b>Total direct and overlapping debt</b>	<b>\$ 174,721</b>		<b>61,273</b>

**Overlapping debt**

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation.

At June 30, 2016, the Town's State valuation for comparison to the County of \$2,253,100,000 was 5.52% of the County's State valuation of \$40,806,800,000. The Town's share is 5.52% or \$1,973,066 of Cumberland County's \$35,735,000 long-term debt outstanding as of June 30, 2016.

The Town is also served by the Portland Water District. At June 30, 2016, the Town's share of self-supporting bonded water debt is 8.34% or \$3,952,433 of the total debt of \$47,391,288.

The Town is also served by the Portland Water District Wastewater Fund. At June 30, 2016, the Town's share of self-supporting bonded wastewater debt 9.94% or \$4,000,000 of the total debt of \$40,247,101.

Table 11

**TOWN OF FALMOUTH, MAINE**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed value per State	\$ 1,972,000	2,195,200	2,143,400	2,171,450	2,131,400	2,071,900	2,097,800	2,091,550	2,141,950	2,253,100
Total debt limit - all purposes - 15% of assessed value	329,280	321,510	325,718	319,710	310,785	314,670	314,670	313,733	321,293	337,965
Less outstanding debt applicable to debt limit	26,478	24,570	22,663	21,050	57,173	55,560	52,096	63,032	59,125	55,103
Legal debt margin	302,802	296,940	303,055	298,660	253,612	259,110	262,574	250,701	262,168	282,862
Total outstanding debt applicable to the limit as a percentage of debt limit	8.04%	7.64%	6.96%	6.58%	18.40%	17.66%	16.56%	20.09%	18.40%	16.30%
The debt limit is restricted by State statute based on the assessed value per the State above and the percentages below.										
Municipal purposes - 7.5%										
Debt limit	\$ 164,640	160,755	162,859	159,855	155,393	157,335	157,335	156,866	160,646	168,983
Less outstanding debt applicable to debt limit	4,400	3,950	3,500	3,300	3,100	2,900	2,700	11,900	11,507	10,803
Debt margin for municipal purposes	160,240	156,805	159,359	156,555	152,293	154,435	154,635	144,966	149,139	158,180
Outstanding debt applicable to the limit as a percentage of debt limit for municipal purposes	2.67%	2.46%	2.15%	2.06%	1.99%	1.84%	1.72%	7.59%	7.16%	6.39%
School purposes - 10%										
Debt limit	219,520	214,340	217,145	213,140	207,190	209,780	209,780	209,155	214,195	225,310
Less outstanding debt applicable to debt limit	15,405	14,310	13,215	12,165	48,850	47,800	44,860	46,920	43,730	40,736
Debt margin for school purposes	204,115	200,030	203,930	200,975	158,340	161,980	164,920	162,235	170,465	184,574
Outstanding debt applicable to the limit as a percentage of debt limit for school purposes	7.02%	6.68%	6.09%	5.71%	23.58%	22.79%	21.38%	22.43%	20.42%	18.08%
Storm and sanitary sewer purposes - 7.5%										
Debt limit	164,640	160,755	162,859	159,855	155,393	157,335	157,335	156,866	160,646	168,983
Less outstanding debt applicable to debt limit	6,673	6,310	5,948	5,585	5,223	4,860	4,536	4,212	3,888	3,564
Debt margin for sewer purposes	157,967	154,445	156,911	154,270	150,170	152,475	152,799	152,654	156,758	165,419
Outstanding debt applicable to the limit as a percentage of debt limit for sewer purposes	4.05%	3.93%	3.65%	3.49%	3.36%	3.09%	2.88%	2.69%	2.42%	2.11%
Maximum total debt limit - 15%	329,280	321,510	325,718	319,710	319,710	310,785	314,670	313,733	321,293	337,965

Table 12

**TOWN OF FALMOUTH, MAINE**  
**Demographic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (000's)</b>	<b>Per Capita Income (1)</b>	<b>Median Age (1)</b>	<b>Years of Formal Schooling (1)</b>	<b>School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
2007	10,653	391,136	36,716	40.7	13.4	2,145	3.5%
2008	10,761	395,101	36,716	40.7	13.4	2,153	4.0%
2009	10,823	397,377	36,716	40.7	13.4	2,131	6.8%
2010	11,185	410,668	36,716	40.7	13.4	2,133	6.5%
2011	11,185	410,668	36,716	40.7	13.4	2,099	5.3%
2012	11,185	533,435	47,674	45.3	13.4	2,150	4.9%
2013	11,185	533,435	47,674	45.3	13.4	2,140	4.7%
2014	11,185	555,612	47,674	46.8	13.4	2,126	4.4%
2015	11,185	555,612	47,674	45.3	13.4	2,119	3.2%
2016	11,185	555,612	47,674	45.3	13.4	2,131	2.8%

Sources:

(1) U.S. Bureau of Census. 2010 latest available population, per capita income and median age figures.

(2) Maine Department of Education

(3) Maine Department of Labor.

Table 13

**TOWN OF FALMOUTH, MAINE**  
**Principal Employers**  
**Current Year and Nine Years Ago**

<u>Employer</u>	<b>2016</b>			<b>2007</b>		
	<u>Employees</u>	<u>Rank</u>	<u>Estimated Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Estimated Percentage of Total Town Employment</u>
TD Banknorth	444	1	9.02%	444	1	9.02%
Town of Falmouth	431	2	7.94%	440	2	8.11%
Tyler Technologies	375	3	3.81%	375	3	3.81%
Hannaford Bros.	200	4	4.06%	200	4	4.06%
Sedgewood Commons	150	5	3.05%	150	5	3.05%
Shaw's Supermarket	150	5	3.05%	150	5	3.05%
Falmouth-by-the-Sea	118	7	2.40%	118	7	2.40%
Skillin's Greenhouses	107	8	2.17%	107	8	2.17%
The Woodlands Club	102	9	2.07%	102	9	2.07%
Ocean View Assisted Living	77	10	1.56%	77	10	1.56%
<b>Totals</b>	<b>2,154</b>		<b>39.13%</b>	<b>2,163</b>		<b>39.30%</b>

SOURCE: Estimated based on closest approximate year with information.



Table 14

**TOWN OF FALMOUTH, MAINE**  
**Full-time Equivalent Regular Town Employees by Function (1)**  
**for the Last Eight Fiscal Years \***

	2009	2010	2011	2012	2013	2014	2015	2016
General Government	23	23	23	23	23	22	23	23
Public Safety:								
Police:								
Officers (including harbormaster)	16	16	17	18	18	18	18	18
Civilians	6	8	8	8	8	8	8	8
Fire/EMS Protection:								
Officers	2	2	2	1	1	2	3	3
Administrative	1	1	1	1	1	1	1	1
Public Works:								
Public Works	11	10	11	12	14	12	12	12
Solid Waste	2	2	2	1	1	2	2	2
Vehicle maintenance	4	3	3	3	3	3	3	3
Community Programs and Parks:								
Community Programs	4	4	4	5	5	4	4	4
Parks	3	2	2	2	2	2	2	2
Education:								
Instructional	182	178	183	181	181	202	205	205
Other	172	152	142	137	139	141	143	143
Wastewater Treatment	7	7	7	7	7	7	7	7
<b>Total</b>	<b>433</b>	<b>408</b>	<b>405</b>	<b>399</b>	<b>403</b>	<b>424</b>	<b>431</b>	<b>431</b>

Source: Town payroll office, School Department; \* records not compiled in this format before 2008.

(1) Includes only "regular" Town employees, excludes non-regular seasonal and "on-call" employees.

**TOWN OF FALMOUTH, MAINE**  
**Selected Operating Indicators and Capital Asset Statistics by Function**  
**for the Last Eight Fiscal Years \***

Date of incorporation: 1718  
Form of government: Council/Manager  
Area in square miles: 32

	2009	2010	2011	2012	2013	2014	2015	2016
General government:								
Number of motor vehicle registrations	11,124	11,342	11,273	11,933	12,802	13,119	13,486	13,384
Number of building permits issued	194	235	223	227	232	254	233	208
Number of real estate parcels	5,204	5,228	5,238	5,251	5,259	5,287	5,318	5,369
Public safety:								
Police:								
Number of stations	1	1	1	1	1	1	1	1
Number of patrol units	9	9	9	9	11	11	11	11
Number of requests for service (1)	16,245	24,630	22,823	21,959	18,383	21,782	17,480	22,233
Number of law violations:								
Physical arrests	184	114	101	108	130	154	117	129
Traffic violations	3,989	3,984	4,422	4,008	3,588	3,921	3,654	5,410
Parking violations	240	286	131	93	472	257	138	269
Number of street lights	614	614	612	612	610	614	614	617
Number of harbor moorings	1,221	1,114	1,114	1,109	1,104	1,081	1,118	1,135
Fire/EMS Protection:								
Number of stations	4	4	3	3	3	2	2	3
Number of fire apparatus	12	12	10	10	9	9	9	9
Number of Fire Dept. requests for service	551	576	539	615	582	555	733	725
Number of ambulances	2	2	3	3	3	3	3	3
Number of EMS requests for service	907	941	1,039	1,022	967	1,072	1,063	1,246
Public works:								
Miles of streets	75	75	76	76	76	77	78	79
Traffic signals	13	13	13	12	12	12	12	13
Number of vehicles and rolling equipment	54	54	56	56	42	42	43	35
Community Programs & Parks:								
Number of recreational and adult education programs	450	460	456	514	470	521	652	644
Number of program participants	7,318	7,618	6,800	6,800	7,800	8,065	9,448	9,901
Parks and open space areas	50	50	50	50	50	50	50	50
Park acreage	119	119	119	119	119	119	119	119
Skating rinks	2	2	2	2	2	1	1	1
Tennis courts	9	9	9	9	9	9	9	9
Education:								
Number of elementary schools	3	3	3	2	2	2	2	2
Number of elementary school students	1,456	1,431	1,405	1,423	1,405	1,416	1,149	1,409
Number of secondary schools	1	1	1	1	1	2	1	1
Number of secondary school students	675	702	694	727	735	710	692	685
Number of school buses, vans and rolling equipment	39	42	42	42	42	40	40	40
Wastewater Treatment:								
Miles of sanitary sewers	55	55	55	c	56	56	56	56
Number of treatment plants	1	1	1	1	1	1	1	1
Number of maintenance vehicles	6	6	6	4	4	4	4	4
Number of service connections	2,174	2,174	2,249	2,273	2,300	2,335	2,342	2,366
Daily average treatment in gallons	1,027,000	1,027,000	952,000	971,000	907,000	889,000	978,000	876,000
Maximum daily licensed capacity in gallons	1,500,000	1,500,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000

(1) Increase in Police calls for service reflects new method for logging and recording calls, as well as addition of regional dispatching responsibilities in 2010.

# ***SINGLE AUDIT SECTION***

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Town Council  
Town of Falmouth, Maine

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Falmouth, Maine's basic financial statements and have issued our report thereon dated December 19, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Falmouth, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Falmouth, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Falmouth, Maine's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S 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*, CONTINUED**

**Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the Town of Falmouth, Maine in a separate letter dated December 19, 2016.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 19, 2016  
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Town Council  
Town of Falmouth, Maine

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Falmouth, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Falmouth, Maine's major federal programs for the year ended June 30, 2016. The Town of Falmouth, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Falmouth, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Falmouth, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Falmouth, Maine's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town of Falmouth, Maine, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

### **Report on Internal Control over Compliance**

Management of the Town of Falmouth, Maine, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Falmouth, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Falmouth, Maine's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Falmouth, Maine's basic financial statements. We issued our report thereon dated December 19, 2016, which contained unmodified opinions on those financial statements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink, reading "Remya Kristen Ouellette". The signature is written in a cursive, flowing style.

December 19, 2016  
South Portland, Maine



**TOWN OF FALMOUTH, MAINE**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2016**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA number</b>	<b>Pass- through number</b>	<b>Federal Expenditures</b>	<b>CFDA/ Cluster Totals</b>	<b>Passed through to Subrecipients</b>
U.S. Department of Education,					
Passed through Maine Department of Education:					
Title IA, Disadvantaged	84.010	3107	\$ 34,774		-
Special Education Cluster:					
Special Education State Grants Individuals with Disabilities Act	84.027	3046	445,926		-
Preschool	84.173	6247	4,640		-
Total Special Education Cluster				450,566	
Title IIA, Teacher Quality	84.367	3042	34,955		-
Total U.S. Department of Education			520,295		-
U.S. Department of Agriculture,					
Direct Program:					
Community Forest and Open Space Conservation Program	10.689	N/A	231,800		-
Passed through the Maine Dept. of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	3022/3024	74,844		-
School Breakfast Program	10.553	3014	6,583		-
Food Donation Program	10.555	N/A	21,306		-
Total Child Nutrition Cluster				102,733	
Total U.S. Department of Agriculture			334,533		-
U.S. Department of Justice,					
Passed through the Maine Department of Justice:					
Byrne Justice Assistance Grant	16.738	N/A	1,332		-
Total U.S. Department of Justice			1,332		-
U.S. Department of Transportation,					
Passed through the Maine Department of Public Safety:					
OUI Grant	20.600	ID15-026	4,863		-
Speed Enforcement	20.600	PT15-013	6,636	11,499	-
Total U.S. Department of Transportation			11,499		-
U.S. Department of Homeland Security,					
Direct Program:					
Port Security Grant Program	97.056	N/A	224,454		-
Total U.S. Department of Homeland Security			224,454		-
<b>Totals</b>			<b>\$ 1,092,113</b>		<b>-</b>

*See accompanying notes to schedule of expenditures of federal awards.*

**TOWN OF FALMOUTH, MAINE**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

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**PURPOSE OF THE SCHEDULE**

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Office of Management and Budget (OMB)'s Uniform Guidance requires a schedule of expenditures of federal awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

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**SIGNIFICANT ACCOUNTING POLICIES**

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- A. Reporting Entity - The accompanying schedule includes all federal award programs of the Town of Falmouth, Maine for the fiscal year ended June 30, 2016. The reporting entity is defined in the notes to basic financial statements of the Town of Falmouth, Maine.
- B. Basis of Presentation - The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the Uniform Guidance.
  - 1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
  - 2. Major Programs - The Uniform Guidance establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the Town of Falmouth, Maine are identified in the summary of auditor's results in the schedule of findings and questioned costs.
- C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the Town's fund financial statements.
- D. The Town of Falmouth, Maine has elected not to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

**TOWN OF FALMOUTH, MAINE**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2016**

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**Section I - Summary of Auditor's Results**

**Basic Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over compliance:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over compliance:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
Identification of major programs:	

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**TOWN OF FALMOUTH, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**

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**Section II - Findings Required to be Reported Under *Government Auditing Standards***

**None**

**TOWN OF FALMOUTH, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**

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**Section III - Findings and Questioned Costs for Federal Awards**

**None**

**TOWN OF FALMOUTH, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**

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**Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards**

**None**