

FELCH & COMPANY, LLC

Certified Public Accountants

TOWN OF PORTAGE LAKE, MAINE

as of

DECEMBER 31, 2015

Financial Statements

TOWN OF PORTAGE LAKE, MAINE

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FELCH & COMPANY, LLC

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectpersons of the
Town of Portage Lake, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Portage Lake, Maine as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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.

To the Board of Selectpersons of the
Town of Portage Lake, Maine

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Portage Lake, Maine, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information on Pages I through IV and Schedules 1 and 2, be present 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 Portage Lake's basic financial statements. Schedules 3 and 4 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 (Schedule 5) is presented for purposes of additional analysis as required by the Maine Department of Education, and is also not a required part of the basic financial statement.

These schedules 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Selectpersons of the
Town of Portage Lake, Maine

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016 on our consideration of the Town of Portage Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Portage Lake's internal control over financial reporting and compliance.

Felch & Company LLC

Caribou, Maine
February 18, 2016

Town of Portage Lake, Maine

Management's Discussion and Analysis For the Year Ended December 31, 2015

UNAUDITED

In accordance with generally accepted accounting principles, the management of the Town of Portage Lake presents the following narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2015. This narrative should be used in conjunction with the accompanying basic financial statements. This discussion and analysis includes comparative data from the current and the prior year.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Portage Lake exceeded its liabilities at the close of the most recent fiscal year by \$2,388,656. Of this amount, \$1,494,674 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- The Town's total net position increased by \$339,081.
- At the close of the current fiscal year, the Town of Portage Lake's governmental funds reported a combined ending fund balance of \$1,450,414. Operations increased the fund balance by \$134,603.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of 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.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Town'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, liabilities, and deferred inflows and outflows of resources with the difference between these classifications 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.

The *Statement of Activities* presents information showing how the Town's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods (e.g. uncollected taxes). Both the Statement of Net Position and the Statement of Activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the Town reports only the general operations of the Town. Currently, the Town has no business-type activities or component units.

Town of Portage Lake, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds -- not the Town as a whole. Some funds are required to be established by state law and by debt covenants. However, the Town establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Town has a general fund and a special revenue fund.

The governmental funds use the modified accrual basis of accounting which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

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 immediately following the basic financial statements.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

The Town's net position is \$2,388,656, which includes a net position of \$90,616 from the school department since the school department is part of the Town. The largest portion of the Town's net position consists of cash and short-term investments, (\$1,325,913 in cash accounts and \$107,225 invested in short-term certificates of deposit) and capital assets (\$1,154,908, net). The Town uses these assets to provide service to citizens. The following is a summary of net position of the Town:

	NET POSITION	
	2015	2014
Current assets	\$1,527,884	\$1,411,654
Capital assets, net of depreciation	<u>1,154,908</u>	<u>662,146</u>
Total Assets	<u>2,682,792</u>	<u>2,073,800</u>
Current liabilities	119,138	20,843
Long-term liabilities	<u>174,998</u>	<u>3,382</u>
Total Liabilities	<u>294,136</u>	<u>24,225</u>
Net Position:		
Net investment in capital assets	863,242	662,146
Restricted	30,740	25,718
Unrestricted	<u>1,494,674</u>	<u>1,361,711</u>
Total Net Position	<u>\$2,388,656</u>	<u>\$2,049,575</u>

Unrestricted net position increased from the normal operations of the Town.

Town of Portage Lake, Maine
Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

Governmental Activities

Net position from operations provided by governmental activities was \$339,081. This is a change from an increase of \$281,889 in 2014 provided by operations. General revenues decreased by approximately \$3,000 from 2014.

Employee benefits and insurances were allocated directly to the department that incurred them in 2015.

The following is a summary of the governmental activity for the years ended December 31, 2015 and December 31, 2014.

CHANGE IN NET POSITION

	<u>2015</u>	<u>2014</u>
<u>REVENUES:</u>		
General Revenues:		
Property taxes	\$ 983,160	\$1,025,474
Federal and state aid not restricted	28,635	25,465
Miscellaneous revenues	<u>269,599</u>	<u>233,184</u>
Total General Revenues	<u>1,281,394</u>	<u>1,284,123</u>
Program Revenues:		
Capital and operating grants	319,071	343,152
Charges for services	<u>6,804</u>	<u>9,290</u>
Total Program Revenues	<u>325,875</u>	<u>352,442</u>
Total Revenues	<u>1,607,269</u>	<u>1,636,565</u>
<u>EXPENSES:</u>		
General Government	198,561	208,389
Education	597,795	694,934
Tax Increment Financing	19,086	21,057
Highway Department	110,357	108,319
Public Safety	33,192	33,868
Recreation	22,793	21,994
County tax	72,500	74,637
Solid Waste District	32,758	31,608
Road Improvement	29,971	-
Other	<u>151,175</u>	<u>159,870</u>
Total Expenses	<u>1,268,188</u>	<u>1,354,676</u>
TOTAL CHANGE IN NET POSITION		
FROM OPERATIONS	339,081	281,889
NET POSITION – January 1	<u>2,049,575</u>	<u>1,767,686</u>
NET POSITION – December 31	<u>\$2,388,656</u>	<u>\$2,049,575</u>

Town of Portage Lake, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

GOVERNMENT FUND FINANCIAL ANALYSIS

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

At the end of the year, the Town of Portage Lake's governmental funds reported a fund balance of \$1,450,414. Approximately 60% of this fund balance represented select persons' assigned fund balance and 2% is restricted for future school expenditures and the Portage Lake Association. The remaining fund balance is unassigned and is available for new spending.

CAPITAL ASSETS

The Town of Portage Lake's investment in capital assets for its governmental activities as of December 31, 2015 amounted to \$1,154,908, net of depreciation and related long-term debt. This investment in capital assets includes land, buildings, equipment and roads. All balances are at historical cost or estimated value at time of purchase. Infrastructure assets such as roads, bridges, and networks are capitalized only during the year of implementation. All construction of infrastructure for the Town is capitalized if the cost of the asset exceeds \$25,000. The Town of Portage Lake had an increase in the investment of capital assets for 2015 of \$492,762. The detail of capital assets at the end of 2015 and 2014, net of accumulated depreciation is as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 71,930	\$ 71,930
Buildings and improvements	183,703	172,532
Vehicles	19,023	21,647
Equipment	250,883	278,501
Roads	<u>629,369</u>	<u>117,536</u>
Total capital assets, net of depreciation	<u>\$1,154,908</u>	<u>\$662,146</u>

During 2015, the Town had approximately \$16,000 in building improvements and approximately \$544,000 in major road improvement. The funding for the road improvement was obtained through a bond payable of \$350,000.

Additional information on the Town of Portage Lake's capital assets can be found in Note 5 of this report.

DEBT ADMINISTRATION

At year end, the Town of Portage Lake had \$291,666 remaining on the 1.97% bond payable obtained to finance the road improvements. This is due in semi-annual principal payments of \$58,334 plus interest until June 2018.

GENERAL BUDGETARY ANALYSIS

During 2015, there were no budget amendments for the General Fund. Actual budgetary revenues of \$1,293,430 were higher than budgeted revenues of \$1,051,165 by \$242,265. Actual expenditures of \$996,453 were lower than budgeted expenses of \$1,018,513 by \$22,060.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager, at the Town Office in Portage Lake, P.O. Box 255, Portage Lake, Maine 04768.

TOWN OF PORTAGE LAKE, MAINE

EXHIBIT A

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

	Governmental Activities
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and temporary investments (Notes 1 and 2)	\$1,325,913
Short-term investments (Note 1)	107,225
Uncollected taxes (Schedule 3)	<u>94,746</u>
Total current assets	<u>1,527,884</u>
NONCURRENT ASSETS	
Capital assets (Note 5)	1,725,213
Less allowance for depreciation	<u>(570,305)</u>
Total noncurrent assets	<u>1,154,908</u>
Total assets	<u>2,682,792</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts payable	2,470
Current portion of bond payable (Note 9)	<u>116,668</u>
Total current liabilities	<u>119,138</u>
NONCURRENT LIABILITIES	
Noncurrent portion of bond payable (Note 9)	<u>174,998</u>
Total liabilities	<u>294,136</u>
<u>NET POSITION</u>	
Net investment in capital assets	863,242
Restricted	30,740
Unrestricted	<u>1,494,674</u>
Total net position	<u>\$2,388,656</u>

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

TOWN OF PORTAGE LAKE, MAINE

EXHIBIT B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

		Program Revenues		Net (Expenses)
		Charges	Operating	Revenue and
		for	Grants and	Changes in Net
		Services	Contributions	Position
	Expenses			Governmental
				Activities
<u>Functions/Programs</u>				
Primary Government				
Governmental Activities:				
Education	\$ 597,795	\$ -	\$ 217,376	\$ (380,419)
Tax increment financing	19,086	-	-	(19,086)
General Government	198,561	3,642	-	(194,919)
Protection	33,192	-	897	(32,295)
Highway Department	110,357	-	10,707	(99,650)
Road Improvement	29,971	-	-	(29,971)
Recreation	22,793	1,060	-	(21,733)
County tax	72,500	-	-	(72,500)
Solid Waste District	32,758	-	-	(32,758)
Ashland facilities	16,732	-	-	(16,732)
Street lights	7,755	-	-	(7,755)
Grants	88,918	-	90,091	1,173
Code Enforcement	11,577	-	-	(11,577)
Interest Expense	1,266	-	-	(1,266)
Other	24,927	2,102	-	(22,825)
Total governmental activities	<u>\$1,268,188</u>	<u>\$6,804</u>	<u>\$ 319,071</u>	<u>(942,313)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				948,125
Discounts and abatements				(13,210)
Homestead reimbursement and other tax related				48,245
Excise				96,659
Federal and state aid not restricted to specific purposes				28,635
Interest, lien and lease income				15,944
Stumpage				124,033
Miscellaneous revenues				32,963
Subtotal, general revenues				<u>1,281,394</u>
CHANGE IN NET POSITION				339,081
NET POSITION - JANUARY 1				<u>2,049,575</u>
NET POSITION - DECEMBER 31				<u>\$ 2,388,656</u>

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

TOWN OF PORTAGE LAKE, MAINE

EXHIBIT C

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2015

	<u>General Fund</u>		Special Revenue Fund	<u>Total</u>
	<u>Town</u>	<u>School</u>	<u>Fund</u>	
<u>ASSETS</u>				
Cash and temporary investments (Notes 1 and 2)	\$1,230,879	\$90,616	\$4,418	\$1,325,913
Short-term investments (Note 1)	107,225	-	-	107,225
Uncollected taxes (Note 7 and Schedule 3)	94,746	-	-	94,746
 Total assets	<u>\$1,432,850</u>	<u>\$90,616</u>	<u>\$4,418</u>	<u>\$1,527,884</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 2,470	\$ -	\$ -	\$ 2,470
 Deferred Inflows of Resources				
Unavailable revenue (Note 6)	75,000	-	-	75,000
 Fund balances:				
Restricted:				
School expenditures	20,736	-	-	20,736
Portage Lake Association	10,004	-	-	10,004
Unrestricted:				
Assigned (Schedule 4)	858,026	-	4,418	862,444
Unassigned	466,614	90,616	-	557,230
 Total fund balances	<u>1,355,380</u>	<u>90,616</u>	<u>4,418</u>	<u>1,450,414</u>
 Total liabilities and fund balances	<u>\$1,432,850</u>	<u>\$90,616</u>	<u>\$4,418</u>	<u>\$1,527,884</u>

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

TOWN OF PORTAGE LAKE, MAINE

EXHIBIT D

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>		<u>Special</u>	
	<u>Town</u>	<u>School</u>	<u>Revenue Fund</u>	<u>Total</u>
REVENUES				
Property taxes	\$ 481,100	\$467,025	\$ -	\$ 948,125
Homestead and veterans reimbursement/BETE Reimbursement	48,245	-	-	48,245
Discounts and abatements	(13,210)	-	-	(13,210)
Federal assistance	-	10,209	35,777	45,986
State assistance				
Education subsidy	-	207,167	-	207,167
Revenue sharing	17,776	-	-	17,776
Tree Growth Reimbursement	10,859	-	-	10,859
Highway Block Grant	10,044	-	-	10,044
State Grants	-	-	54,314	54,314
Stumpage	124,033	-	-	124,033
Excise Taxes	96,659	-	-	96,659
Other revenues	50,899	-	3,245	54,144
TOTAL REVENUES	<u>826,405</u>	<u>684,401</u>	<u>93,336</u>	<u>1,604,142</u>
EXPENDITURES				
Education	-	597,795	-	597,795
General government	208,115	-	-	208,115
Tax increment financing	19,086	-	-	19,086
Protection	21,639	-	-	21,639
Highway department	93,803	-	-	93,803
Road Improvements	543,978	-	-	543,978
Recreation	20,101	-	-	20,101
Street lights	7,755	-	-	7,755
County tax	72,500	-	-	72,500
Solid waste district	32,758	-	-	32,758
Ashland facilities	16,732	-	-	16,732
Grants	-	-	88,918	88,918
Code Enforcement	11,577	-	-	11,577
Other	25,182	-	-	25,182
TOTAL EXPENDITURES	<u>1,073,226</u>	<u>597,795</u>	<u>88,918</u>	<u>1,759,939</u>
OTHER FINANCING SOURCES				
Proceeds on long-term debt	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
OTHER FINANCING USES				
Payments on long-term debt	<u>59,600</u>	<u>-</u>	<u>-</u>	<u>59,600</u>
EXCESS OF REVENUES OVER EXPENDITURES	43,579	86,606	4,418	134,603
FUND BALANCE - JANUARY 1	<u>1,311,801</u>	<u>4,010</u>	<u>-</u>	<u>1,315,811</u>
FUND BALANCE - DECEMBER 31	<u>\$1,355,380</u>	<u>\$ 90,616</u>	<u>\$ 4,418</u>	<u>\$1,450,414</u>

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

TOWN OF PORTAGE LAKE, MAINE

EXHIBIT E

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total fund balance - governmental funds (Exhibit C)		\$1,450,414
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 as assets in governmental funds:		
The cost of capital assets is	\$1,725,213	
Accumulated depreciation is	<u>(570,305)</u>	
		1,154,908
Bond Payable		(291,666)
Deferred Inflows of property taxes		<u>75,000</u>
Total net position - governmental activities (Exhibit A)		<u>\$2,388,656</u>

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

TOWN OF PORTAGE LAKE, MAINE

EXHIBIT F

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Total net change in fund balances - governmental funds (Exhibit D)		\$ 134,603
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period:		
	Depreciation expense	\$(67,396)
	Capital outlays	<u>560,158</u>
		492,762
Deferred inflows recognized		3,382
Governmental funds account for bond proceeds as part of other revenues and is recognized when borrowed. Governmental activities account for bonds as long-term debt.		(350,000)
Principal payments on bonds are accounted for as expenditures using the governmental approach. These payments are used to off-set liabilities in governmental activities.		<u>58,334</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 339,081</u>

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

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Portage Lake, Maine was incorporated in 1909 under the laws of the State of Maine. The Town operates under a selectperson-town meeting form of government and provides the following services: Public safety, public works, health/social services, education, improvements, planning/zoning and general administrative services.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The criteria for including a potential component unit within the reporting entity is that of manifestation of oversight responsibility and financial interdependency. There are no entities that are controlled by or dependent on the Town.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The authority establishing the standards for governmental accounting principles is the Governmental Accounting Standards Board.

The Town of Portage Lake's basic financial statements include government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities. The Town currently has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each department or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the department, grants and contributions that are restricted to meeting the operational or capital requirements of a particular department and interest earned on grants that is required to be used to support a particular department. Revenues that are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenue of the Town.

Fund Financial Statements - During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The General Fund is reported as a major fund by the Town.

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets and account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The various funds are summarized by type in the financial statements.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed.

General Fund - The general fund accounts for financial resources in use for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income.

Special Revenue Fund - The special revenue fund accounts for revenues derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities. The Town is not required to budget for this fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included in the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities. During 2015, there were no proprietary funds.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements, together with fiduciary funds, are prepared using the accrual basis of accounting.

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds use the modified accrual basis of accounting. On the accrual basis of accounting, expenses are recognized at the time they are incurred. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within 60 days of fiscal year-end. Licenses and permits, charges for services, fines and forfeits and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes and investment earnings are recorded when they become both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for expenditures for debt service, prepaid expenses and other long-term obligations, which are recognized when paid.

Nonexchange transactions, in that the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted each year through the passage of an annual budget ordinance and amended as required for the General Fund. In accordance with generally accepted accounting principles, these budgets use the same accounting basis to reflect actual revenues and expenditures. Budgets for the Special Revenue Funds, if applicable, are made on a project basis, sometimes spanning over more than one fiscal year. Budgetary control is exercised at the departmental level or by project. All unencumbered budget appropriations, except reserve budgets, lapse at the end of each fiscal year.

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

The general operating fund is legally required to be budgeted and appropriated. The major document prepared is the tax budget, which separates these funds by function and estimated appropriation needed to fund each function. The tax budget demonstrates a need for existing or increased tax rates. This budget is approved by an annual town meeting and may be amended during the year if projected increases or decreases in revenues or expenditures are identified by the Town. The amounts reported as the original budget amounts in the budgetary statements (Schedule 1) reflect the amounts in the legally adopted budget. Changes, if any, are reflected in the final budget column.

Cash and Temporary Investments

Available cash is deposited in interest-bearing accounts to as great a degree as possible. These residual investments are classified for reporting purposes as cash. Earnings from these investments are reported by the applicable funds. The Town's policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible. Deposits with a maturity of three months or less are included in cash and temporary investments for financial reporting purposes.

Monies for all funds are maintained in a pool. Individual funds are maintained through the Town's accounting records to allow proper segregation of cash for each fund.

Short-term Investments

The Town invested some of their cash in Certificates of Deposits. These deposits are scheduled to mature within a year but more than the three months, thereby excluding them from cash and temporary investments.

Compensated Absences

The Town employees are granted vacation and sick leave in varying amounts. Earned vacation time is intended to be used within the year earned. Unused vacation is subject to approval of the selectpersons as to whether it is paid or transferred to the next year. Accumulated sick leave is not payable to employees upon termination or retirement.

Property Taxes

Property taxes are levied as of April 1, committed for collection in August, and are due and payable on or before October 31. It is the Town's policy to allow a 2% discount on any property taxes paid within 30 days of mailing. Property taxes levied on April 1 are used to finance the operations of the Town for the calendar budget year beginning January 1. In accordance with Maine law, taxes not collected within eight months following the date of the commitment are secured by liens. Property tax revenues are recognized in the fiscal year for which the items have been levied, in conformity with the policy of other local governments in Maine.

The Town has adopted the standard established by Generally Accepted Accounting Principles regarding the recognition of property taxes. The criterion for this standard is to recognize property tax revenue as it becomes both "measurable and available". Measurable is defined as the amount that the Town can reasonably expect to receive of the property taxes assessed for the current year. Available is defined as the amount that will be collected of current and past due taxes during the current period or expected to be collected shortly thereafter to pay current liabilities. For the purposes of this report, 60 days is used as the collection period after year-end. Accordingly, a liability has been established on the balance sheet for the taxes considered collectible but not available for current liabilities.

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expense

Payments made benefiting future periods under the governmental fund basis are recorded under the non-allocated method and are currently expensed as paid. Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method for government-wide activities. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. As of December 31, 2015, there were no prepaid expenses.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by any proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. The Town maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Infrastructure assets have a separate threshold for capitalization of \$25,000.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	5-10 years
Infrastructure	15-100 years

Accounts Payable, Accrued Expenses and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Net Position

Net position represents the difference between assets, liabilities and deferred inflows and outflows. During 2012, the Town implemented generally accepted accounting principles regarding accounting for net inflows and outflows in the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted net position is applied first.

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

Generally accepted accounting principles require fund balance to be classified as Nonspendable, Restricted or Unrestricted. Unrestricted is then determined to be Committed, Assigned, or Unassigned by the Town's management. The Town considers expenditures that are incurred for purposes where restricted and unrestricted fund balances are available, to be expended in the following order - Restricted, Committed, Assigned and Unassigned. In the 2015 fiscal year there were no nonspendable funds.

Restricted Fund Balance

Restricted fund balances are restricted due to external contributors that have donated the funds to the Town. These contributors have placed restrictions on how or when the Town can use the funds.

Committed Fund Balance

Funds that have been set aside for specific purposes which require formal action (such as a town vote) in order for these funds to be released.

Assigned Fund Balance

Funds assigned by the authority of the Town Selectpersons for which they intend to use them for specific purposes. These assignments are recommended in the proposed budget which then gets voted on by the Town's people. If the budget is approved, the funds are then assigned for a specific purpose. The Selectpersons do not need a Town vote to release these funds.

Unassigned Fund Balance

The remaining fund balance that is not restricted, committed or assigned is considered unassigned. These funds are spendable funds in the ordinary course of government operations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) CASH AND TEMPORARY INVESTMENTS

Deposits with financial institutions are subject to custodial risk, which is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy is to invest in regional banks and to insure the funds to as great a degree as possible. As of December 31, 2015, the Town's carrying amount of deposits was \$1,433,138 and the bank balance was \$1,478,473. Of this amount, \$128,717 was not insured or collateralized. The Town is in the process of getting coverage for the uninsured balance.

(3) LEGAL DEBT LIMIT

The Town's legal debt limit is \$4,961,250 which represents 7.5% of the Town's 2015 state valuation of \$66,150,000.

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(4) JOINT VENTURES

Northwestern Aroostook County Septage Board

The Northwestern Aroostook County Septage Board is owned jointly by the Towns of Portage Lake, Ashland, Masardis, the Plantations of Oxbow, Garfield, Nashville and the Unorganized Territories of Aroostook County, Township 11 Range 4, and Township 10 Range 4. As of December 31, 2014, the most recent report available at the audit date, the Town of Portage Lake owned 32.2% of this facility. A summary of the facility's activity for 2014 is as follows:

	<u>Amount</u>	<u>Portage Lake's Share</u>
Total Assets	\$51,047	\$16,437
Total Liabilities	<u>-</u>	<u>-</u>
Total Net Position	<u>\$51,047</u>	<u>\$16,437</u>
Total Revenues	\$ 2,685	
Less Total Expenditures	<u>(3,793)</u>	
Increase in Net Position	<u>\$ (1,108)</u>	

Northern Aroostook Solid Waste Association

The Northern Aroostook Solid Waste Association is owned jointly by the Towns of Eagle Lake, Portage Lake, Wallagrass, New Canada, Nashville, Winterville and the County of Aroostook. As of December 31, 2012, the most recent internal report available at the audit date, the Town of Portage Lake, owned 16.42% of this facility. The purpose of the Association is to provide for the planning, development, acquisition, leasing, operation and closure of an environmentally sound transfer station. During 2015, the Town paid \$32,758 to the Association.

(5) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance January 1, <u>2015</u>	Addi- tions	Retire- ments	Balance December 31, 2015
<u>Governmental Activities</u>				
Land	\$ 71,930	\$ -	\$ -	\$ 71,930
Buildings and improvements	303,960	16,180	-	320,140
Vehicles	87,239	-	-	87,239
Equipment	480,902	-	-	480,902
Roads	<u>221,024</u>	<u>543,978</u>	<u>-</u>	<u>765,002</u>
Totals at historical cost	<u>1,165,055</u>	<u>560,158</u>	<u>-</u>	<u>1,725,213</u>
Less accumulated depreciation for:				
Buildings and improvements	131,428	5,009	-	136,437
Vehicles	65,592	2,624	-	68,216
Equipment	202,401	27,618	-	230,019
Roads	<u>103,488</u>	<u>32,145</u>	<u>-</u>	<u>135,633</u>
	<u>502,909</u>	<u>67,396</u>	<u>-</u>	<u>570,305</u>
Governmental activities capital assets, net	<u>\$ 662,146</u>	<u>\$492,762</u>	<u>\$ -</u>	<u>\$1,154,908</u>

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(5) CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 6,626
Highway Department	16,554
Protection	11,553
Roads	29,971
Recreation	<u>2,692</u>
	<u>\$67,396</u>

(6) DEFERRED INFLOW OF RESOURCES

The Town has adopted the standard established by generally accepted accounting principles regarding the recognition of property taxes. The criterion for this standard is to recognize property tax revenue as it becomes both "measurable and available". Measurable is defined as the amount that the Town can reasonably expect to receive of the property taxes assessed for the current year. Available is defined as the amount that will be collected of current and past due taxes during the current period or expected to be collected shortly thereafter to pay current liabilities. For the purposes of this report, 60 days is used as the collection period after year-end. Accordingly, a liability has been established on the balance sheet for the taxes considered collectible but not available for current liabilities.

(7) CREDIT ENHANCEMENT AGREEMENT

On November 1, 1998, the Town entered into a "credit enhancement agreement" with Maine Woods Company, LLC. The agreement states that within 45 days after the effective date, the Town shall create and establish a segregated fund in the name of the Town designated as the "Maine Woods Company Municipal Development and Tax Increment Financing Development Program Fund" (Development Program Fund).

Deposits into the Fund - There shall be deposits into the Development Program Fund contemporaneously with each payment of property tax by the Company in the following amounts:

Years 1 through 5	100%
Years 6 through 10	75%
Years 11 through 15	50%
Years 16 through 20	25%

Withdrawals from the Fund - The portion of tax increment revenues to be retained by the Town for the purposes of economic development and related activities are as follows:

Years 1 through 5	0%
Years 6 through 10	25%
Years 11 through 15	50%
Years 16 through 20	75%

On November 1, 1998, the Town entered into a "reimbursement agreement" with Maine Woods Company, LLC for the reimbursement of administrative costs associated with the tax increment financing (TIF) created by the Town. The agreement states that the Town will invoice Maine Woods Company, LLC for such administrative costs and the limit for reimbursement shall be 10% of the amount of the credit enhancement payments made to the Company in the year such costs are incurred.

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(8) LONG-TERM LEASES

The Town leases land to the golf course for an annual fee of \$1. This is a fifty-year lease that expires in 2018.

(9) LONG-TERM DEBT

Governmental Activities:

As of December 31, 2015, governmental long-term debt consisted of a 1.97% unsecured bond payable in semi-annual installments of \$58,334 principal plus interest through 2018.

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

	Balance January 1, 2015	Addi- tions	Retire- ments	Balance December 31, 2015	Due Within One Year
<u>Governmental Activities</u>					
Bond payable	\$ -	\$350,000	\$58,334	\$291,666	\$116,668

As of December 31, 2015, long-term obligation matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016 (included in current liabilities)	\$116,668	\$5,171
2017	116,668	2,873
2018	58,330	575
	<u>\$291,666</u>	<u>\$8,619</u>

(10) SCHOOL DEPARTMENT

As a department of the Town, the Portage Lake School Department has been included in these financial statements. For comparative purposes, the school activity has been reported separately on the governmental funds balance sheet and the statement of revenues, expenditures and changes in fund balance.

(11) SUBSEQUENT EVENTS

Management has reviewed subsequent events through February 18, 2016, the date that these financial statements were available to be issued and determined that no additional adjustments or disclosures are required in order for these financial statements to be fairly stated.

TOWN OF PORTAGE LAKE, MAINE

SCHEDULE 1

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund			
	Budgeted Amounts		Actual (Budgetary) Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 947,219	\$ 947,219	\$ 948,125	\$ 906
Homestead exemption	10,001	10,001	9,631	(370)
BETE Reimbursement	38,309	38,309	38,321	12
Discounts and abatements	(19,000)	(19,000)	(13,210)	5,790
State assistance				
Revenue sharing	14,636	14,636	17,776	3,140
Other revenues	60,000	60,000	292,787	232,787
TOTAL REVENUES	<u>1,051,165</u>	<u>1,051,165</u>	<u>1,293,430</u>	<u>242,265</u>
EXPENDITURES				
Education	454,369	454,369	467,025	(12,656)
General Government	232,063	232,063	208,115	23,948
Tax increment financing	19,086	19,086	19,086	-
Protection	28,000	28,000	21,639	6,361
Highway department	95,000	95,000	93,803	1,197
Recreation	20,000	20,000	20,101	(101)
Street lights	8,250	8,250	7,755	495
County tax	72,501	72,501	72,500	1
Solid Waste District	32,758	32,758	32,758	-
Ashland facilities	16,800	16,800	16,732	68
Code Enforcement	12,500	12,500	11,577	923
Other	27,186	27,186	25,362	1,824
TOTAL EXPENDITURES	<u>1,018,513</u>	<u>1,018,513</u>	<u>996,453</u>	<u>22,060</u>
EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	<u>32,652</u>	<u>32,652</u>	<u>296,977</u>	<u>264,325</u>
OTHER SOURCES (USES)				
From surplus	76,833	76,833	-	(76,833)
Transfer to reserves	(85,611)	(85,611)	-	85,611
Proceeds from long-term debt	-	-	350,000	350,000
Payments on long-term debt	-	-	(59,600)	(59,600)
Road Improvements	-	-	(543,798)	(543,798)
Overlay	(23,874)	(23,874)	-	23,874
TOTAL OTHER SOURCES (USES)	<u>(32,652)</u>	<u>(32,652)</u>	<u>(253,398)</u>	<u>(220,746)</u>
NET INCREASE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	43,579	<u>\$ 43,579</u>
FUND BALANCE - JANUARY 1			<u>1,386,801</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 1,430,380</u>	

TOWN OF PORTAGE LAKE, MAINE

SCHEDULE 2

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS WITH THE
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

Governmental funds - fund balance (Exhibit C)	\$1,355,380
Amounts reported for the governmental funds - fund balance (Exhibit C) differed from the budgetary basis - fund balance (Schedule 1) as follows:	
Deferred taxes reported on the modified accrual are expected to be unavailable within the 60 days after year end.	<u>75,000</u>
Budgetary comparison - fund balance (Schedule 1)	<u>\$1,430,380</u>

TOWN OF PORTAGE LAKE, MAINE

SCHEDULE 3

SCHEDULE OF PROPERTY TAXES - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Total</u>	<u>2016 Taxes</u>	<u>2015 Taxes</u>	<u>2014 Taxes and Liens</u>	<u>Prior Taxes and Liens</u>
UNCOLLECTED AT JANUARY 1	\$126,440	\$ -	\$ (264)	\$ 83,400	\$ 43,304
2015 COMMITMENT					
(\$71,488,211 @.01325)	947,219	-	947,219	-	-
SUPPLEMENTAL TAX	905	-	-	905	-
	<u>948,124</u>	<u>-</u>	<u>947,219</u>	<u>905</u>	<u>-</u>
COLLECTIONS, including discounts	979,818	1,701	877,339	60,530	40,248
ABATEMENTS	-	-	-	-	-
	<u>979,818</u>	<u>1,701</u>	<u>877,339</u>	<u>60,530</u>	<u>40,248</u>
UNCOLLECTED AT DECEMBER 31	<u>\$ 94,746</u>	<u>\$(1,701)</u>	<u>\$ 69,616</u>	<u>\$ 23,775</u>	<u>\$ 3,056</u>
REPRESENTED BY:					
Real Estate Taxes	\$ 93,386	\$(1,701)	\$ 68,943	\$ 23,165	\$ 2,979
Personal Property Taxes	1,360	-	673	610	77
	<u>\$ 94,746</u>	<u>\$(1,701)</u>	<u>\$ 69,616</u>	<u>\$ 23,775</u>	<u>\$ 3,056</u>

TOWN OF PORTAGE LAKE, MAINE

SCHEDULE 4

SCHEDULE OF CAPITAL AND NONCAPITAL OUTLAYS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Balances January 1	Transfers	Receipts	Total Available	Expendi- tures	Close to Fund Balance	Balances December 31
<u>Designated for subsequent years' commitment</u>							
Tax Increment Financing	\$145,688	\$ -	\$ 59,844	\$205,532	\$ -	\$ -	\$ 205,532
Road Project	195,941	60,000	10,458	266,399	190,000	-	76,399
Equipment Reserve	49,821	10,000	199	60,020	9	-	60,011
Fire Truck	66,066	10,000	496	76,562	-	-	76,562
TOTAL	\$457,516	\$80,000	\$ 70,997	\$608,513	\$190,009	\$ -	\$ 418,504
<u>Designated for subsequent years' expenditures</u>							
Revenue Sharing	\$ 1,285	\$ -	\$ 3,140	\$ 4,425	\$ -	-	\$ 4,425
Stumpage	167,977	-	96,236	264,213	59,600	-	204,613
Lot Sales	9,825	-	-	9,825	-	-	9,825
Silvaculture	171,265	-	28,785	200,050	-	-	200,050
Recreation	-	-	-	-	-	-	-
Municipal Building	-	-	-	-	-	-	-
Special Revenue	5,000	5,000	-	10,000	-	-	10,000
Town Revaluation	12,826	2,175	1,461	16,462	5,853	-	10,609
Other	-	-	-	-	-	-	-
TOTAL	\$368,178	\$ 7,175	\$129,622	\$504,975	\$ 65,453	\$ -	\$ 439,522

TOWN OF PORTAGE LAKE, MAINE

SCHEDULE 5

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	<u>Expendi- tures</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
Special Education - Grants to States, Individuals with Disabilities Act - Part B - Local Entitlement	84.027	013-05A-3046-12	<u>\$10,209</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Economic and Community Development:			
Community Development Block Grant	14.228	015-19A-0587-012	<u>35,777</u>
Total			<u>\$45,986</u>

TOWN OF PORTAGE LAKE, MAINE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Portage Lake, Maine and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation, of the basic financial statements.

NOTE B - BASIS OF PRESENTATION

Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs administered by the Town, an entity as defined in the notes to the financial statements.

Pass-through Programs

Where the Town receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

NOTE C - INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented.

NOTE D - MATCHING COSTS

Matching costs that represent the Town's share of certain program costs, if any, are not included in the Schedule of Expenditures of Federal Awards.

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INDEPENDENT AUDITORS' 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

To the Board of Selectpersons of the
Town of Portage Lake, 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, each major fund, and the aggregate remaining fund information of the Town of Portage Lake, Maine, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town of Portage Lake, Maine's basic financial statements, and have issued our report thereon dated February 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Portage Lake, 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Portage Lake, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described below, that we consider to be a significant deficiency.

To the Board of Selectpersons of the
Town of Portage Lake, Maine

The size of the Town imposes practical limitations on the establishment of those internal control structure policies and procedures that depend on segregation of duties (i.e., one person handles almost all accounting functions relating to receipts and disbursements). Failure to segregate duties such as the preparation of checks, check signing, posting transactions, preparing deposits, and reconciling the bank statements, could lead to the misuse of cash as well as the misuse of cash not being detected.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Portage Lake, 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*.

Town of Portage Lake, Maine's Response to Findings

Management has responded that budget constraints will prohibit the Town from hiring additional accounting staff. The Town's selectpersons and manager have additional procedures to help counteract the segregation of duties such as reviewing the bank statements and reconciliations as well as reviewing all invoices before the checks are mailed. We did not audit the Town's response and, accordingly, we express no opinion on it.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Felch & Company LLC

Caribou, Maine
February 18, 2016