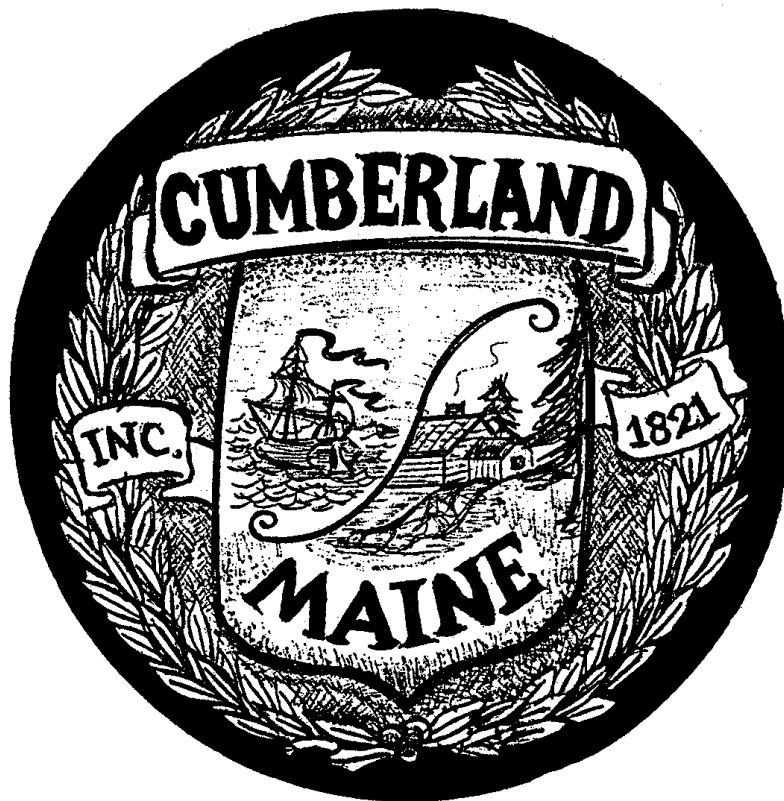


Town of Cumberland, Maine



Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

TOWN OF CUMBERLAND, MAINE
Comprehensive Annual Financial Report
For the Fiscal Year ended June 30, 2016

Prepared by: Heather L'Hommedieu Perreault, CPA
Director of Finance

TOWN OF CUMBERLAND, MAINE
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

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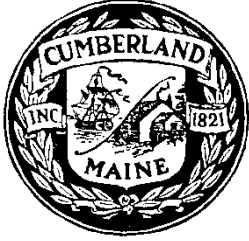
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INTRODUCTORY SECTION



TOWN OF CUMBERLAND, MAINE

290 Tuttle Road

Cumberland Center, Maine 04021-9321

Telephone (207) 829-5559 · Fax (207) 829-2214

December 22, 2016

To the Members of the Town Council, and
Citizens of the Town of Cumberland:

We are pleased to submit the Town of Cumberland's Fiscal Year 2016 Comprehensive Annual Financial Report (CAFR). This report is published to provide detailed information concerning the financial condition and activities of the Town. Responsibility for accuracy of the data, and the completeness and fairness of the presentation, rests with the Town. To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary to fairly present the financial position and results of operations of the Town, as measured by the financial activity of its various funds.

The CAFR is presented in three sections:

- I Introduction section***, which includes this transmittal letter, containing a profile of the Town, economic outlook, major initiatives, and financial policies and information;
- II Financial Section***, which includes management's discussion and analysis of fiscal year 2016 financial activities, the financial statements, notes to the financial statements, and the auditor's report on the financial statements and schedules;
- III Statistical Section***, which includes selected operational, demographic, and financial information.

Management's discussion and analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the independent auditor's report.

Profile of the Town

Cumberland is located 15 minutes north of Portland, and is one of the fastest growing communities in Cumberland County. The Town stretches from the coast of Casco Bay to rolling inland hills made up of apple orchards, small family farms, pastures, and horse land. Cumberland offers an easy commute to most major area employers, shopping, and medical services yet provides a relaxed small-town atmosphere. Cumberland, in conjunction with North Yarmouth, has one of the best school systems in the State, which is known to excel in both academics and athletics.

The Town of Cumberland was founded in 1821, and currently has a population of 7,772 people. It is predominantly a residential community, with a small commercial sector concentrated in pockets along the major corridors of Rt. 100, Rt. 9, and Rt. 1. Approximately 88% of the tax base is composed of residential and open space, 8% is commercial and light industrial, and 4% is exempt from property tax. This translates to a very stable source of property tax revenues. Of the vacant parcels in Town, approximately 90% are zoned for residential use, with the remaining 10% being zoned for commercial and light industrial uses. This ensures the growth pattern of residence predominance with an opportunity to expand the commercial tax base in selected areas.

Services provided by the Town include police, ambulance and fire protection; sanitation services; construction and maintenance of highways, streets, and infrastructure; emergency preparedness; municipal planning and code enforcement; human services; senior housing; wastewater system; recreational activities (including a golf course) and cultural events. Other than these general government activities, it has been determined that the Town is not financially accountable for any other entity, board or commission.

The Town is governed using the council-manager form of government. The Town Council is responsible for, among other things, passing local ordinances, appropriating the budget, and developing an overall vision for the Town. Town Councilors are voted into office by public election. The Council appoints a Town Manager to oversee administrative operations, implement policies, and advise the Council. Council meetings are televised on the local access channel, and are archived on the Town website and available for viewing at any time.

Economic Condition and Outlook

The Town of Cumberland continued to experience good economic health this fiscal year. The Town's General Fund was able to perform better than budgeted, allowing the Town Council to transfer funds to capital projects and improve the General Fund fund balance.

The Cumberland real estate market, although relatively small, remains one of the top markets in Southern Maine. Using information gathered from the Maine Home Sales Connection, Cumberland home sales held steady at 142 units sold in 2015, compared to 140 in 2014. The median home sales price in Cumberland had a slight increase in 2015 of 0.5%, to \$366,950. The Town has a wide variety of homes available, including rural homes and small farms, suburban neighborhoods, and exclusive estates.

Total assessed value of real estate continues to increase. In FY2016, 46 permits for new residential properties were issued, many in the new Cumberland Foreside Village subdivision along Route 1. In addition to single-family residences, this development will also contain four apartment buildings, and a commercial building for a medical practice. The Spears Hill subdivision, located adjacent to Broad Cove Reserve at 179 Foreside Road, will have seven new homes, all of which are expected to have assessed values of over \$1 million. The Planning Board has granted approval for construction of several townhouses along Rt. 100 on a commercial property that has been vacant for several years; approval has also been given to Cumberland Memory Care for construction of a 12 bed assisted living facility for patients experiencing memory loss. The commercial tax base in Cumberland is now at about 8%, up from only 2% in 2002. Management of the Town continues to pursue economic development to increase the value of commercial properties along Route 1 and Route 100. Increases in taxable assessed value directly increase the amount of property tax that the Town is able to collect, and thus reduce the effect of budget increases on future years' tax rates.

According to data compiled by the Greater Portland Council of Governments, median household income in the Town of Cumberland for 2016 is slightly over \$100,000, compared to about \$66,000 for Cumberland County; 21% of Town households have income that exceeds \$200,000 per year. In 2016, the Town was recognized as the “smartest” municipality in the state, with 65% of adults aged 25 years or older having a bachelor’s or higher degree. Owner occupied housing units represent 82% of residences in the Town.

For the past few years, collections of automobile excise tax have performed significantly above expectations. National trends show that new vehicle purchases are at the highest level since the beginning of the recession in 2008, with pent up demand motivating the increased sales. This trend is expected to peak in 2017, at which time collections of excise tax will likely return to more moderate levels.

In 2012, the Maine Department of Economic and Community Development established the Certified Business Friendly Community Program. The Town of Cumberland was among the first communities in the State to receive this certification. The Town’s successful application described: the community’s efforts to attract new business, and retain or expand existing business; implement a comprehensive plan that includes growth areas, commercial zoning and pre-permitted sites; programs to improve infrastructure or support business development efforts; collaboration with local schools and organizations to encourage workforce development; collaboration with the local chamber of commerce; and quality of life amenities available to the public. The “Certified Business Friendly” signs are proudly displayed on Route 1.

Major Initiatives and Long-term Planning

The Town Council continues to put a high priority on maintenance of the Town’s infrastructure. The Council has approved borrowing for two major projects to be completed in FY2017 and FY2018. It is anticipated that in January 2017 the Town will issue \$7 million in new bonds to fund extensive reconstruction of Middle Road, in conjunction with an extension of the water main to connect to Falmouth; and construction and expansion of the Central Fire Station on Tuttle Road. The original Central station was built in 1969, and other than minor repairs, has not been updated since that time. Improvements that will be incorporated include: construction of an additional bay to house the number of ambulances the Town currently operates; office space improvements; and quarters for live-in students, overnight-shift staff, and increased staffing that is required during severe weather or emergencies.

Several other major road improvement initiatives were in the planning or engineering stages as of the end FY2016. These include improvements to Tuttle Road to eliminate chronic flooding (which will be partially funded by Maine DOT); Cross Road drainage improvements; and widening of Route 1 to accommodate increased traffic from development in that area (also to be partially funded by Maine DOT). The Town has also received preliminary approval from Maine DOT for funding to improve Main Street and add a sidewalk between Wyman Way and the Prince Memorial Library, although it has not been decided when this project might commence. Improvements to Mill Road, Powell Road, and Harris Road are also likely, although the timing and costs for these projects have not yet been determined.

Cumberland has an established Pavement Management Plan to maintain and upgrade the Town's facilities and infrastructure. The Plan has a schedule of planned road maintenance and improvement projects that extends through 2024. While this schedule will be amended along the way, it is an important component of a comprehensive road improvement plan that can be used to create sustainable budgets for future road upkeep. In accordance with this plan, the Town began work on roads in the central area of town, around Main Street. Because these roads had not received maintenance in about 40 years, it was discovered that more extensive work would be required than was originally planned. Future paving and road maintenance priorities have been rearranged to allow these central streets to be correctly brought back to like new conditions.

Over the past few years, the acquisition of Broad Cove Reserve and the Knight's Pond/Blueberry Hill has helped the Town realize several long-term goals associated with preservation of open space and public access to lands. Broad Cove Reserve opened to public use in the spring of 2016, and over the summer had more than 6,000 visitors. Final improvements at Broad Cove Reserve, including construction of a gravel parking lot and new pier, still await the outcome of lawsuits that are now being decided by the Maine Supreme Court. Working with the Town of North Yarmouth, improvements at Knight's Pond to be completed in FY2017 include a small parking lot, extensive brush cleanup, and rebuilding of a couple of small shelters used by ice skaters in the winter.

Two other properties, which were partially donated to the Town, have also assisted with the Town's goals of continued public access to lands and trails. Several initiatives related to the trail systems throughout the Town are currently underway. Trails in the Town Forest, behind Town Hall on Tuttle Road, received significant upgrades and extensions to improve their accessibility. A plan is in place to utilize some vacant Town owned property to cut an access trail to link "stranded" trails between Greely Road Extension, Blanchard Road and beyond. New trails in the Range Way area will be included in an area-wide linked trail system, connecting Cumberland trails to surrounding towns. Local organizations are working together to develop consistent trail marking and make maps of the trail systems more readily available to the public.

The Town is making a concerted effort to make it possible for older residents to remain in their homes, enriching the community with their experiences and abilities. For the past two years, the Council has funded the Aging in Place project, to develop resources to assist senior residents. Some successes include the Cumberland Area Ride program, which coordinates volunteers to drive residents who have limited transportation options; the Friendly Visitor program to provide companionship for seniors who are housebound and alone; and in conjunction with the MSAD 51 high school, a program to provide volunteers to assist with routine tasks such as snow shoveling, pet walking, and minor home clean up.

The biggest success related to the senior population in the Town was the establishment of a property tax relief program, the only one of its kind in the state. Through an application process that looks at age and level of household income, seniors could qualify for up to \$750 of property tax rebates. Over 180 citizens were able to take advantage of this program in 2016.

Financial Policies and Information

Cash Management: Improving the overall cash position of the Town continues to be a top priority. While the General Fund has enjoyed modest growth in its fund balance over the past few years, this is only part of the overall financial story of the Town. Deficits in capital project, special revenue funds, and interfund loans receivable from enterprise funds had eroded the actual cash position of the Town over the years. In FY2011, the Town adopted a new fund balance policy geared towards improving the overall fund balance of the Town, rather than just the General Fund. This policy was officially put into effect beginning in FY2012, although the Town had been whittling away at these deficit balances for several years. As of the end of FY2016, all significant deficit funds had been eliminated.

For the third year in a row, the Town did not use short-term borrowing to cover cash shortfalls that can occur between property tax due dates. There are two primary reasons for the improved cash position of the Town. Deficit fund balances have been virtually eliminated, and the available (spendable) General Fund balance continues to increase, both of which have a positive effect on cash flow. Also contributing is the collection rate of assessed property taxes. The percentage of taxes collected in the year they were assessed dipped after the recession, and has been gradually improving over the past few years. In FY2010, 98.4% of taxes were collected by June 30th; in FY2016, 99.16% of current year taxes were collected by June 30th. With a tax commitment of over \$20 million, each 1/2 percentage difference is equivalent to at least \$100,000 of additional cash in the bank.

Debt Administration: When issuing General Obligation Bonds, the Town of Cumberland pledges its full faith and credit to repay the financial obligations. The major bond rating agencies regularly assess the capacity of the Town to repay its debt. Standard and Poor's and Moody's Investors Service make their assessments, in large part, by examining four basic analytical areas: economy, financial performance, debt burden, and administration. Growth and increasing diversity in demographics and tax base are indicators of future growth prospects and debt repayment capabilities. Because a strong economy does not always ensure the Town's ability to meet debt payments, the Town's financial management and performance are also key factors. The Town currently has a rating of AA+ from Standard & Poor's, and an AA3 rating from Moody's on its general obligation bond issues. No new debt was issued during FY2016, although it is anticipated that there will be a bond issue during FY2017 to fund road improvements and expansion of the central fire station. The Town is continuing to fund a Debt Service Reserve fund to minimize the effect on the tax rate of fluctuations in future debt service requirements.

Fund Balances: The Town's goal is to achieve a minimum available (spendable) General Fund balance of 16.67% of total revenues; this is equivalent to approximately two months' worth of expenditures. At the end of each fiscal year, management evaluates the available fund balance in the General Fund, and estimates the amount to be transferred to capital reserve accounts to fund future capital needs. By the end of FY2016, available fund balance in the General Fund had increased to \$2,511,108, or 9.2% of General Fund revenues. This has increased from a low in FY2012 of 3%.

Basis of Accounting and Presentation: This CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to local governments, as promulgated by the Government Accounting Standards Board (GASB). The Town also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports. All funds of the Town are included, as well as the entity-wide financial statements required by GASB Statement No. 34, and required supplementary information.

Internal Controls: Management of the Town is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The audit was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. As required by these standards, an understanding of the relevant policies and procedures is needed in order to assess whether the policies and procedures had been placed in operation, and also to determine the level of control risk. As a result of the level of control risk, tests of controls are performed to determine adequacy of the internal control structure. Additionally, tests are performed to determine the Town's compliance with certain laws, regulations, contracts and grants. The results of these tests indicated the Town had no instances of material weaknesses in internal control structure and no violations of applicable laws and regulations tested. The report on compliance and on internal control over financial reporting has been issued under separate cover entitled "Reports Required by *Government Auditing Standards*" dated December 22, 2016 and is available from the Finance Department at the Town Office.

Budgetary Controls: In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. Activities of the General Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the department. Special revenue and enterprise funds do not have legally adopted budgets.

Budgets are legally adopted by the Town Council through passage of an appropriations order. As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

Other Information

Independent Audit: State statutes require an annual audit by independent certified public accountants. The accounting firm of Runyon Kersteen Ouellette was selected. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors were not required to do a single audit under the Uniform Guidance as the Town expended less than \$750,000 in federal funds.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financing Reporting to the Town of Cumberland, Maine for its prior fiscal year ended June 30, 2015. The Town of Cumberland has received Certificates of Achievement for all full fiscal years from 1993 through 2015. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy 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.

Acknowledgments: The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire office staff. Each member of the various departments has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the Town, preparation of this report would not have been possible.

Sincerely,



William R. Shane
Town Manager



Heather L'Hommedieu Perreault, CPA
Director of Finance



Government Finance Officers Association

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

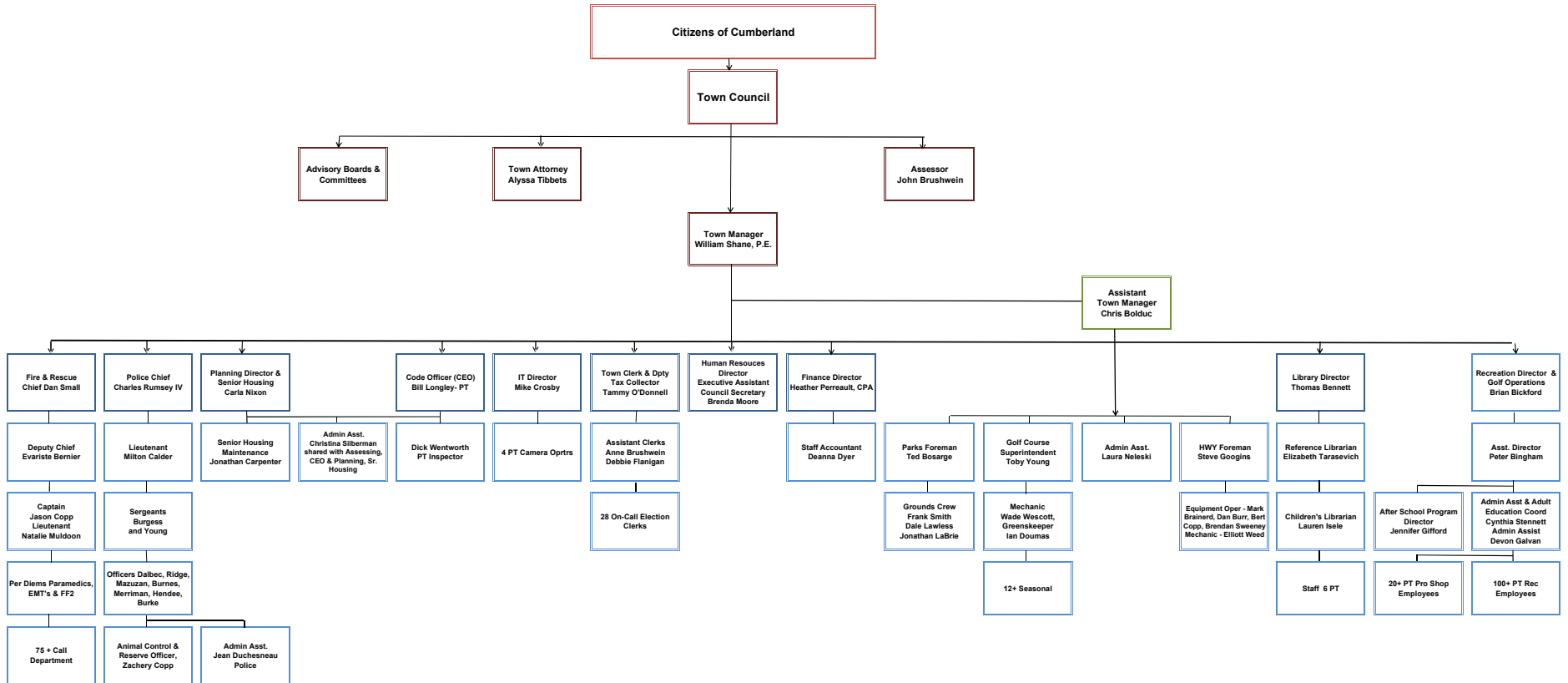
Presented to

**Town of Cumberland
Maine**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



TOWN OF CUMBERLAND, MAINE
List of Principal Officials
June 30, 2016

Elected:

Council Chair	George Turner
Council Vice Chair	Michael Edes
Council Member	Peter Bingham, Sr.
Council Member	Ron Copp
Council Member	William Stiles
Council Member	Shirley Storey-King
Council Member	Thomas Gruber

Appointed:

Town Manager	William Shane
Assistant Town Manager	Christopher Bolduc
Director of Finance	Heather L'Hommedieu Perreault, CPA
Director of Human Resources	Brenda Moore
Town Clerk	Tamara O'Donnell
Town Planner	Carla Nixon
Code Enforcement Officer	William Longley
Fire Chief	Daniel Small
Police Chief	Charles J. Rumsey IV
Recreation Director	Brian Bickford
Librarian	Thomas Bennett
Assessor	John Brushwein

FINANCIAL SECTION

Independent Auditor's Report

Town Council
Town of Cumberland, 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 Cumberland, 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 Cumberland, Maine'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 Cumberland, 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, the schedule of the Town's proportionate share of the net pension liability and the schedule of Town contributions 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 Cumberland, Maine's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the detailed budgetary comparison schedule 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 detailed budgetary comparison schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Town Council
Town of Cumberland, 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 22, 2016, on our consideration of the Town of Cumberland, 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 Cumberland, 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 22, 2016
South Portland, Maine

TOWN OF CUMBERLAND, MAINE
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2016

As management of the Town of Cumberland, we offer readers of the Town of Cumberland's financial statements this narrative overview and analysis of the financial activities of the Town of Cumberland for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal on page 1, and the basic financial statements, which begin on page 35.

FINANCIAL HIGHLIGHTS

- Total net position of the Town of Cumberland (assets plus deferred outflows minus liabilities and deferred inflows) at June 30, 2016 was \$29,267,317. This includes net position for governmental activities of \$26,387,084; business-type activities net position was \$2,880,233. Net position for business-type activities decreased \$1,593,837 in FY2016, due to the transition of Val Hall Golf & Recreation Center (VHGC) from a proprietary fund into the General Fund. Excluding the transfer of VHGC, net position increased for both governmental and business-type activities in FY2016, with a combined increase of \$3,638,350, or 14%.
- The ending fund balance for the General Fund was \$2,511,108. Although General Fund expenditures exceeded budgeted expenditures and transfers in FY2016, this was more than offset by General Fund revenues coming in \$807,988 higher than expected, resulting in a fund balance net increase of \$377,352.
- The ending fund balance for the General Fund of \$2,511,108 was 9.2% of General Fund revenues, compared to 8.2% in FY2015. This improvement is a result of strong revenues compared to budget, and lower unbudgeted transfers to reserve funds than in prior years.
- Business-type Activities ending balance in unrestricted net position has again improved, ending FY2016 at \$1,098,893, an increase of \$258,622. The majority of the increase was in the Sewer Fund, where rate increases over the past few years have been required in anticipation of significant capital investment requirements in the future.

USING THIS ANNUAL REPORT

The Town of Cumberland's financial statements are comprised of a series of statements. The *Statement of Net Position* and the *Statement of Activities* (pages 35 and 36) provide an overview of the government as a whole and its activities. The *Fund Financial Statements* start on page 37. These statements provide a more detailed look at the governmental funds and the enterprise funds. For a detailed look at revenues and expenditures in the General Fund, go to the *Schedule of Revenues, Expenditures, and Changes in Fund Balance* starting on page 78. The remaining statements are funds for which the Town acts only as an agent, or trustee for the benefit of others outside the government.

TOWN OF CUMBERLAND, MAINE
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2016

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

These statements provide an overview of the government as a whole, similar to private-sector statements. All of the current year's revenues are taken into account regardless of when cash is received.

The *Statement of Net Position* provides a picture of the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources (including infrastructure). This is called *Net Position*. The *Statement of Activities* provides a look at how the net position has changed from the prior year to the current year.

In most years, increases or decreases in net position can show whether the Town is improving or deteriorating. Other factors need to be considered, such as changes in the Town's property tax base and the condition of the roads, to assess the overall health of the Town.

In the *Statement of Net Position* and the *Statement of Activities*, we separate two kinds of activities:

- Governmental Activities – Most of the Town's basic services are reported here, including the General Government, Public Safety, Public Services, Health and Public Assistance, Recreation, Education, and the Library. Property taxes, intergovernmental revenue (primarily revenues from the State of Maine and North Yarmouth), and user fees finance most of these activities.
- Business-type Activities – The Town charges a fee to customers to cover all or most of the cost of certain services it provides. The Town's Senior Housing and Sewer System are reported here.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The *Fund Financial Statements* provide details of the Town's most significant funds – not the Town as a whole. These statements begin on page 37. Some funds are required to be established by state law or bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of funds. The Town's two kinds of funds – governmental and proprietary – use different accounting methods:

- Governmental Funds – The governmental fund financial statements provide a detailed *short-term* view of the Town's operations and the basic services it provides. These funds focus on how money flows in and out, how these flows compare to what was approved or budgeted, and any balances that might be left at year-end. The accounting method used is called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Capital assets – roads, buildings, land, and equipment – are not included in governmental fund financial statements because they can't be readily converted to cash and used to pay current bills. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.
- Proprietary funds – When the Town charges customers for the services it provides – whether to outside customers or to other units of the Town – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Activities*. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail.

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THE TOWN AS TRUSTEE

Reporting the Town's Fiduciary Responsibilities

The Town is the trustee, or *fiduciary*, for trust funds that are set up primarily as scholarships, as well as the Cumberland Community Food Pantry. These assets, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in the separate *Statements of Fiduciary Net Position and Changes in Fiduciary Net Position* on pages 44 and 45. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

The following information is a condensed version of Statement 1, the *Statement of Net Position*. The Net Position section is where you can easily see what resources the Town has available, and how they are changing over time.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current & other assets	\$ 4,767,147	6,023,007	1,134,984	1,179,499	5,902,131	7,202,506
Capital assets	38,977,411	33,098,015	3,006,537	4,835,687	41,983,948	37,933,702
Total assets	43,744,558	39,121,022	4,141,521	6,015,186	47,886,079	45,136,208
Deferred outflows	629,334	185,387	-	-	629,334	185,387
Long-term liabilities	16,449,038	16,812,587	1,226,690	863,994	17,675,728	17,676,581
Other liabilities	1,398,479	873,574	34,598	677,122	1,433,077	1,550,696
Total liabilities	17,847,517	17,686,161	1,261,288	1,541,116	19,108,805	19,227,277
Deferred inflows	139,291	465,351	-	-	139,291	465,351
Net position:						
Net investment in capital assets	24,310,199	17,444,794	1,781,340	3,633,799	26,091,539	21,078,593
Restricted - TIF districts	420,343	242,556	-	-	420,343	242,556
Restricted - other	310,264	272,080	-	-	310,264	272,080
Unrestricted	1,346,278	3,195,467	1,098,893	840,271	2,445,171	4,035,738
Total net position	\$ 26,387,084	21,154,897	2,880,233	4,474,070	29,267,317	25,628,967

Overall, net position for Governmental Activities increased by approximately 25%; Business-type Activities decreased by 35%. Combined net position for Governmental and Business-type Activities increased 14.2%.

Total net position for the Town's Governmental Activities increased \$5,232,187 to \$26,387,084, an increase of 25%. A significant factor in the increase for Governmental Activities and the decrease in Business-type Activities was the transfer of net position of \$1,721,844 from the Val Halla Golf Center proprietary fund to the General Fund. Also contributing to the Governmental Activities increase were capital asset additions of almost \$1 million, as well as stronger than expected revenues. Please see further discussion below.

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Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position of Governmental Activities decreased in FY2016 to \$1,346,278 compared to \$3,195,467 on June 30, 2015. Contributing to this were lower accounts receivable at year end, as well spending on road maintenance and bond-funded projects that reduced the balance of available cash at June 30, 2016.

Unrestricted net position of Business-type Activities increased to \$1,098,893 at June 30, 2016, an increase of \$258,622 from the prior year. The majority of the increase was in the Sewer Fund, where rate increases over the past few years have been required in anticipation of significant capital investment requirements in the future. The Senior Housing Fund experienced a modest increase in unrestricted net position.

This summary of revenue and expenditure activity, taken from Statement 2, the *Statement of Activities*, shows the results of operations for this year compared to last year.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 2,842,968	\$2,027,611	1,271,427	1,863,080	4,114,395	3,890,691
Operating grants & contributions	125,782	172,205	-	-	125,782	172,205
Capital grants & contributions	3,205,460	309,461	-	-	3,205,460	309,461
General revenues:						
Property taxes	23,329,838	21,720,835	-	-	23,329,838	21,720,835
Motor vehicle excise tax	1,856,148	1,693,482	-	-	1,856,148	1,693,482
Interest and penalties	39,165	42,479	-	-	39,165	42,479
Homestead exemption	191,612	190,404	-	-	191,612	190,404
State revenue sharing	428,938	421,155	-	-	428,938	421,155
Investment earnings	6,456	5,897	77	6,538	6,533	12,435
Miscellaneous revenues	470,847	304,127	-	-	470,847	304,127
Total revenues	<u>32,497,214</u>	<u>26,887,656</u>	<u>1,271,504</u>	<u>1,869,618</u>	<u>33,768,718</u>	<u>28,757,274</u>
Program expenses:						
General government	2,947,324	2,576,262	-	-	2,947,324	2,576,262
Public safety	2,636,327	2,514,371	-	-	2,636,327	2,514,371
Public services	4,902,734	2,862,022	-	-	4,902,734	2,862,022
Recreation	1,855,156	948,009	-	-	1,855,156	948,009
Education/libraries	16,075,925	14,795,916	-	-	16,075,925	14,795,916
Health & public assistance	83,022	86,796	-	-	83,022	86,796
Interest on debt	486,383	605,148	-	-	486,383	605,148
Senior Housing	-	-	305,163	292,029	305,163	292,029
Sewer system	-	-	838,334	843,432	838,334	843,432
Val Halla Golf & Rec. Center	-	-	-	944,462	-	944,462
Total expenses	<u>28,986,871</u>	<u>24,388,524</u>	<u>1,143,497</u>	<u>2,079,923</u>	<u>30,130,368</u>	<u>26,468,447</u>
Excess (deficiency) of revenues over (under) expenses	3,510,343	2,499,132	128,007	(210,305)	3,638,350	2,288,827
Transfers	<u>1,721,844</u>	<u>(627,451)</u>	<u>(1,721,844)</u>	<u>627,451</u>	<u>-</u>	<u>-</u>
Change in net position	5,232,187	1,871,681	(1,593,837)	417,146	3,638,350	2,288,827
Net position - July 1	<u>21,154,897</u>	<u>19,283,216</u>	<u>4,474,070</u>	<u>4,056,924</u>	<u>25,628,967</u>	<u>23,340,140</u>
Net position - June 30	<u><u>26,387,084</u></u>	<u><u>21,154,897</u></u>	<u><u>2,880,233</u></u>	<u><u>4,474,070</u></u>	<u><u>29,267,317</u></u>	<u><u>25,628,967</u></u>

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Items of note for Governmental Activities:

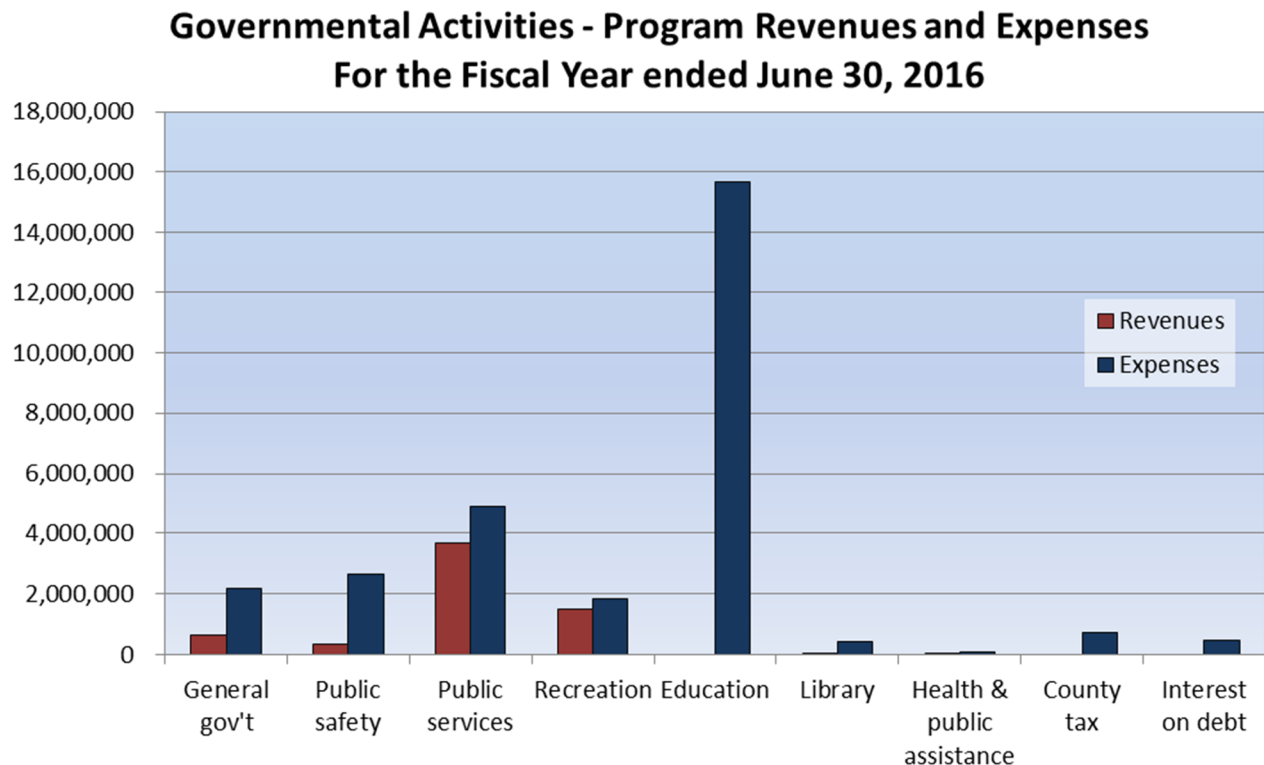
1. The biggest change in Governmental Activities revenues is in the Charges for Services line, which has increased significantly due to Val Halla Golf Center being moved into the General Fund. Capital grants and contributions is \$2.9 million higher than in FY2015, due to the Town accepting several private roads, with a total value of approximately \$2.7 million.
2. Governmental Activities spending is approximately \$4.6 million higher in FY2016 than the previous year. Slightly more than \$2 million of the increase is due to spending from capital reserve funds. Other increases totaling more than \$2 million include General Fund activity in Recreation and Education, which will be discussed below.

For Business-type activities:

1. Total amounts in Business-type Activities were reduced in FY2016 due to the transfer of Val Halla Golf Center to the General Fund. Excluding the changes due to that transfer, net position increased \$128,007 in FY2016.
2. Operating revenues in the Sewer System Fund increased \$37,000 over FY2015, while expenses remained about the same, resulting in a change in net position of \$117,290.
3. The Senior Housing Fund net position had a modest increase of \$10,717, with revenues and expenses remaining similar to FY2015.

GOVERNMENTAL ACTIVITIES

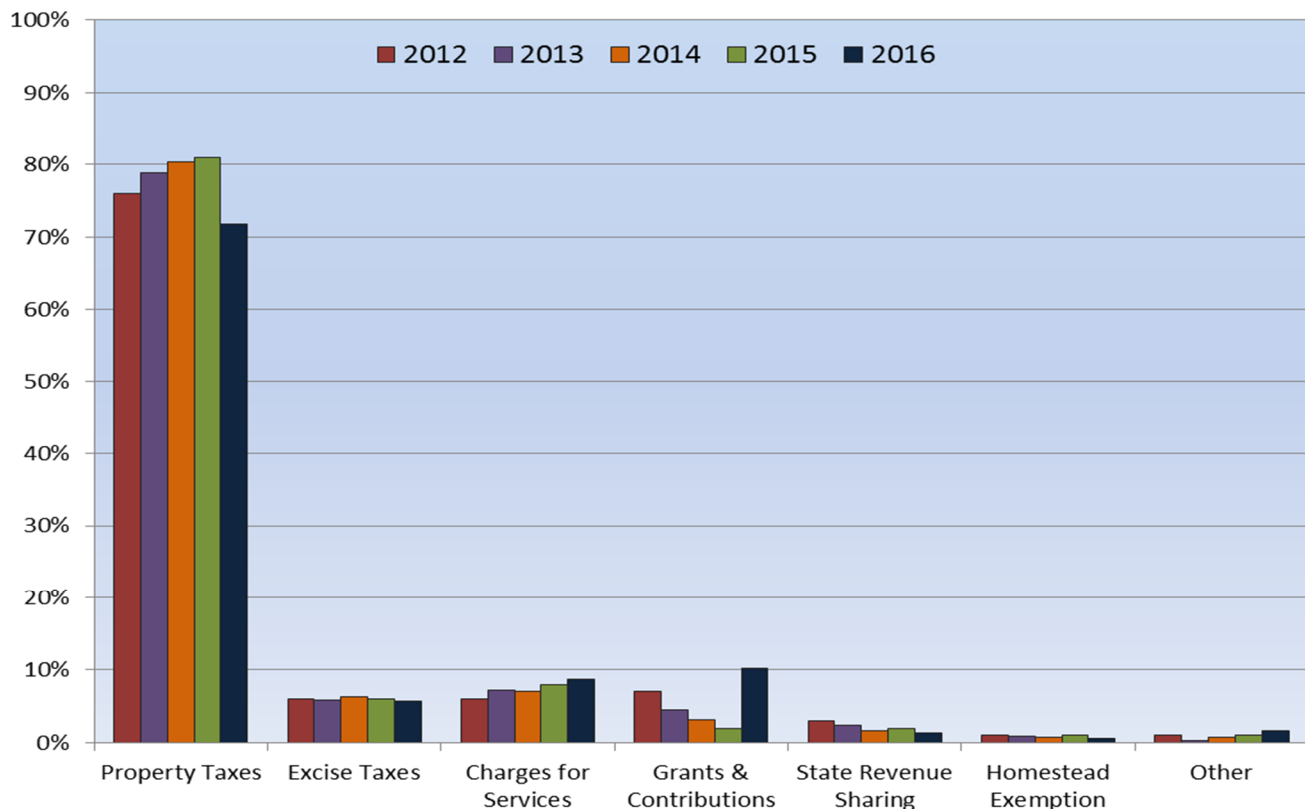
The total cost of governmental activities this year was \$28,986,871. After taking into consideration program revenues, the ultimate cost to the taxpayer was \$22,812,661 (see the Statement of Activities, Statement 2). Many programs are subsidized through user fees, grants and contributions.



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As can be seen in the chart below, governmental activities have been increasingly relying on property taxes as a source of primary revenue, increasing from 76% of governmental revenues in FY2012 to 81% in FY2015. In FY2016 this trend was interrupted, due to the significant value of capital contributions from the acceptance of private roads by the Town. State Revenue Sharing, Homestead Exemption reimbursements, and Grants & Contributions (primarily grants from the State of Maine) have decreased substantially as a percentage of overall revenues. The largest portion of Charges for Services consists of fees for activities through the Recreation Department, whose programs have been expanding over the past several years; also, this revenue category increased this year with the transfer of Val Halla Golf Center to the General Fund.

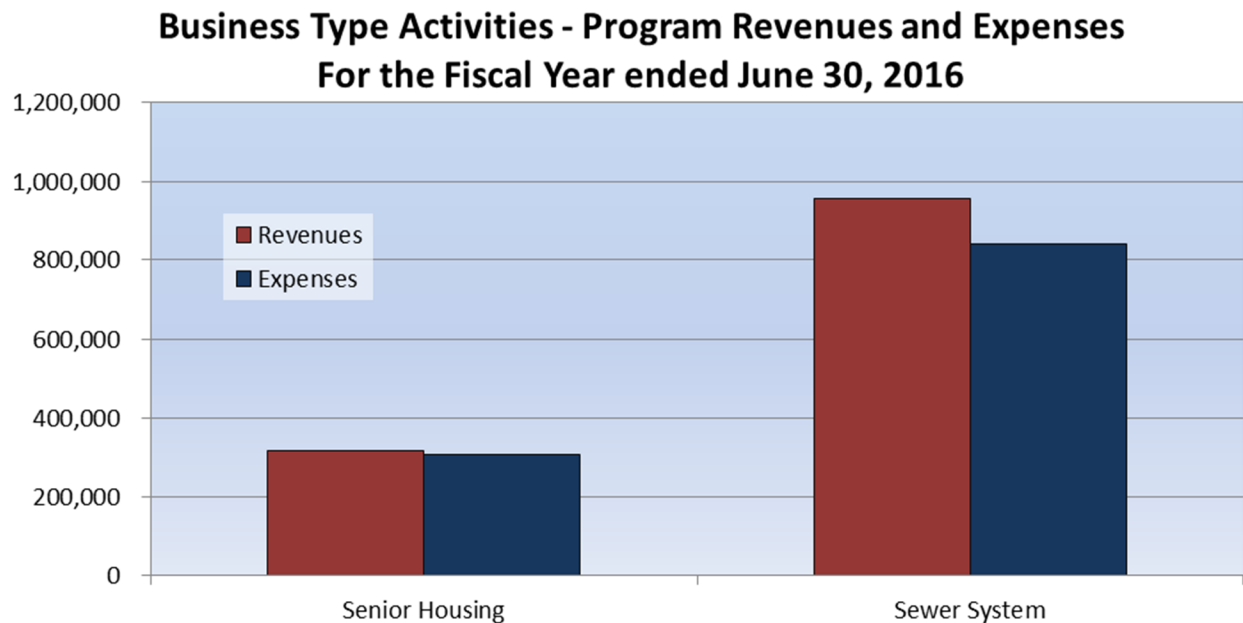
**Governmental Activities - % of Revenues by Source
for the Fiscal Years 2012 to 2016**



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BUSINESS-TYPE ACTIVITIES

Combined expenses for business-type activities this year were \$1,143,497; however, after considering the total amounts paid by users and a minimal amount of investment earnings, Business-type Activities generated net revenues of \$127,930. Costs associated with Business-type Activities are usually absorbed by the individual funds and the costs are not passed on to the taxpayer.



THE TOWN'S FUNDS

As of June 30, 2016, the Town's governmental funds reported a combined fund balance of \$3,284,209. Expenditures exceeded revenues in governmental funds by \$2,069,242.

Cash balances in the governmental funds decreased \$1,041,527 during FY2016 to an ending balance of \$4,642,708. The Town had a high cash balance at the end of FY2015 due to the delay in road maintenance and construction projects, as a result of natural gas infrastructure projects, as well as unspent bond proceeds. The Town continues to see improved collection rates for property taxes, as well as benefiting from revenues exceeding budgeted amounts in the General Fund (see discussion below). Despite the lower cash balance, the Town was able to continue to avoid using any form of short term borrowing to cover current expenditures during this fiscal year. Short term borrowing, when needed, is usually in the form of Tax Anticipation Notes.

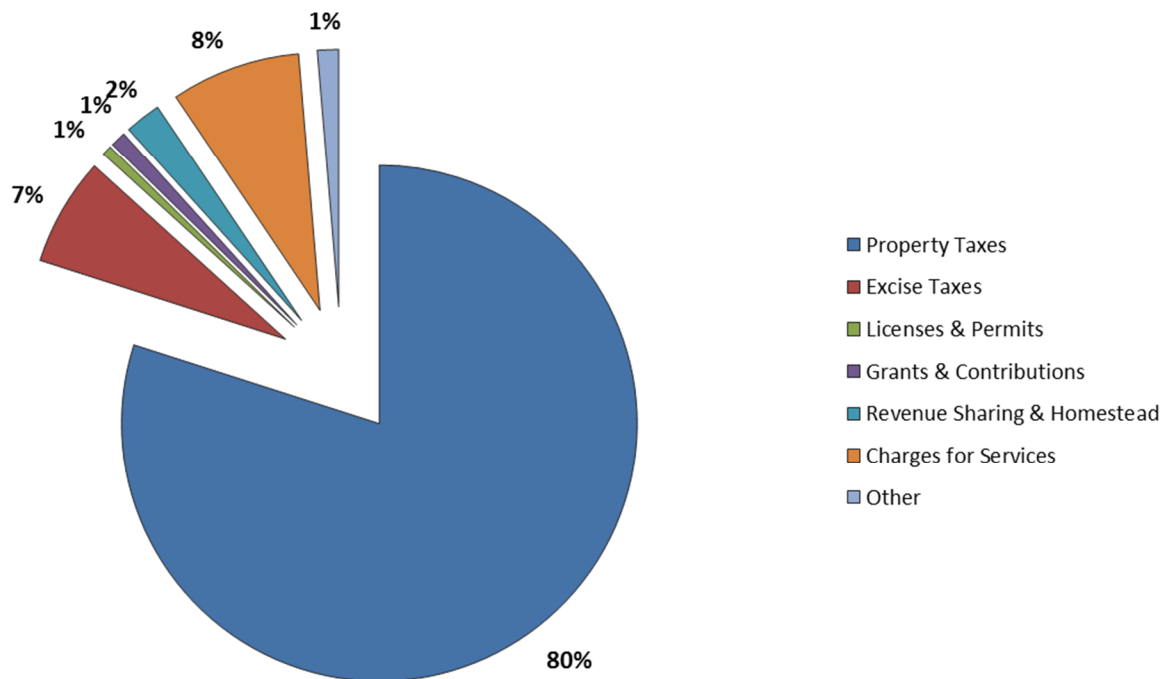
TOWN OF CUMBERLAND, MAINE
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GENERAL MAJOR GOVERNMENTAL FUNCTIONS

The information below summarizes revenues of the General Fund for fiscal years 2011 through 2016. Information is extracted from Statement 4 of multiple audit years. The pie chart shows the percentage contribution of the different types of revenues, by function, for FY2016.

General Fund Revenues	2011	2012	2013	2014	2015	2016
Property Taxes	16,849,333	17,416,455	18,860,922	19,345,284	20,581,457	21,886,117
Excise Taxes	1,377,972	1,364,192	1,460,329	1,633,132	1,693,482	1,856,148
Licenses & Permits	110,504	132,652	178,099	161,923	159,680	168,174
Grants & Contributions	120,760	96,250	187,687	294,818	331,457	264,797
Revenue Sharing & Homestead	706,932	791,033	794,495	603,229	611,559	620,550
Charges for Services	999,346	1,230,313	1,259,814	1,148,986	1,279,114	2,223,518
Other	352,226	242,225	295,564	392,566	550,939	363,905
	20,517,073	21,273,120	23,036,910	23,579,938	25,207,688	27,383,209

**General Fund - % of Revenues by Function
for the Fiscal Year Ended June 30, 2016**

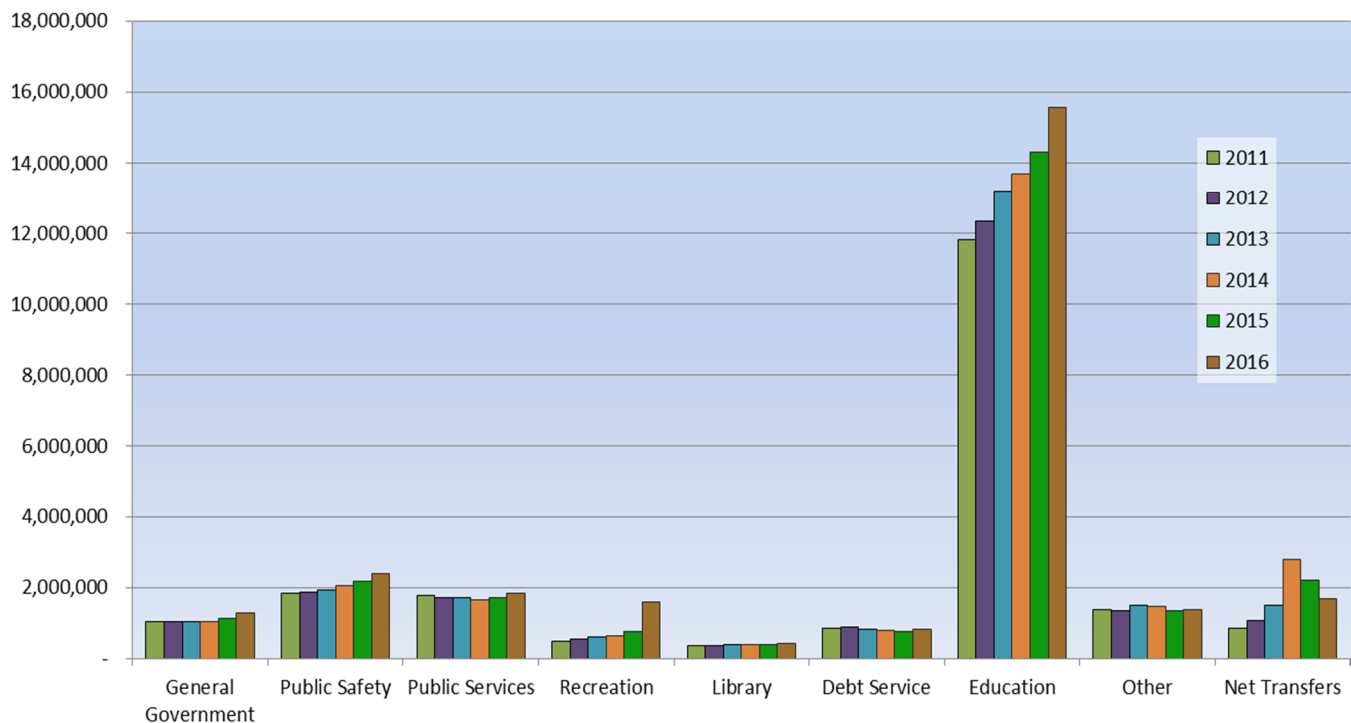


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The table below summarizes expenditures of the General Fund for 2011 through 2016. Information is extracted from Statement 4 of multiple audit years.

General Fund Expenditures	2011	2012	2013	2014	2015	2016
General Government	1,025,263	1,050,648	1,042,947	1,037,505	1,133,820	1,268,088
Public Safety	1,835,525	1,875,363	1,929,209	2,042,544	2,186,641	2,385,487
Public Services	1,778,675	1,705,703	1,721,576	1,658,540	1,717,893	1,839,511
Recreation	472,959	542,846	608,860	650,436	751,980	1,597,610
Library	351,995	355,671	378,893	390,029	387,703	415,406
Debt Service	837,692	892,128	807,354	790,235	766,386	828,169
Education	11,830,337	12,354,475	13,193,552	13,693,545	14,313,306	15,557,051
Other	1,373,647	1,344,695	1,490,950	1,461,406	1,339,054	1,371,647
Subtotal - Expenditures	19,506,093	20,121,529	21,173,341	21,724,240	22,596,783	25,262,969
Net Transfers	860,744	1,070,415	1,499,124	2,782,821	2,212,660	1,675,917
Total Expenditures	20,366,837	21,191,944	22,672,465	24,507,061	24,809,443	26,938,886

General Fund - Total Expenditures by Function
Fiscal Years 2011 to 2016



Overall governmental funds expenditures increased \$4,598,347 when compared to the prior year. General Fund expenditures increased \$2,666,186 from FY2015 to FY2016; when net transfers out are included, the increase is only \$2,129,443. Significant General Fund expenditures included an increase in the assessment from MSAD #51 of \$1,243,745, as well as an increase in Recreation spending of \$907,147 due primarily to the transfer of Val Halla Golf Center to the General Fund. Significant expenditures in other governmental funds include over \$3 million of road maintenance and construction projects, as well as capital outlay of \$1.8 million for equipment, town building improvements, and land acquisition.

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Spending in the General Government area for all governmental funds increased \$332,928. Almost \$200,000 was a result of spending in non-major capital project funds; \$83,000 of this included spending on legal fees, surveying, and other professional services from the Land Acquisition Fund and the Broad Cove Reserve Fund. During FY2016, the Town continued to incur substantial legal fees associated with various lawsuits relating to plans for use of the Broad Cove Reserve. In Public Safety, spending was \$198,846 higher in FY2016 than in FY2015, primarily as a result of significant staff turnover in the Police Department, and the associated expense for the Maine Criminal Justice Academy for the training of new officers.

PROPRIETARY FUNDS

The Town of Cumberland has two (2) enterprise funds, Senior Housing and the Sewer System. Previously, the Val Halla Golf Center (VHGC) was included as an enterprise fund, but in FY2016 it was transferred to the General Fund. Excluding VHGC, total assets for these funds decreased \$24,006 from FY2015 to FY2016. This was a combination of capital outlay in Senior Housing for new roofs, and FY2016 additions to accumulated depreciation. The combined net position (assets less liabilities) increased by \$128,007 to \$2,880,233. This increase was due solely to the results of operation in these two funds in FY2016. This information is extracted from Statement 7.

The Sewer Fund again experienced net income from operations, in order to build reserves for future capital projects. The majority of the Sewer Fund's net position is invested in the capital assets of the sewer system.

The Senior Housing Fund also provided a modest increase to net position, of \$10,717. Heating expense is decreasing, as a result of more efficient natural gas boilers, and a gradual transfer of this expense to the residents of the apartments.

GENERAL FUND BUDGETARY HIGHLIGHTS

Net revenues less expenditures and budgeted transfers in the General Fund came in \$430,976 over budget which, when combined with an overlay for FY2016 of \$515,098, resulted in total General Fund revenues exceeding expenditures and budgeted transfers by \$946,074. Actual revenues in the General Fund exceeded budgeted revenues by \$807,988 while expenditures and budgeted transfers were over budgeted amounts by \$377,012, or 1.45%.

General Fund Revenues

The Town continues to see several revenue areas experience better than expected receipts. Some of the most significant include:

- Excise taxes continue to perform strongly, coming in \$366,148 above budget.
- As a result of some properties being removed from the tree growth tax exemption program, the Town collected an additional \$51,067 in unexpected property tax revenue.
- State revenue sharing ended the year \$33,088 over the expected budget.
- Recreation continues to experience significant growth in its programs, bringing in \$63,867 more than budget, primarily from the After School Program.
- Ambulance and medical services revenues were \$49,391 over budget, in part due to significant non-emergency transport billing that had not been budgeted.
- Sales of pay-as-you-throw trash bags were higher than expected, resulting in Waste Disposal revenues being over budget by \$28,839.
- Building permits, when combined with growth permits and fees, came in \$93,162 over budget, as a result of significant development along Route 1 and along Foreside Road.

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Property taxes receivable that are not collected within 60 days of fiscal year end are considered unavailable revenues. At the end of each fiscal year, the unavailable balance is calculated, and an adjustment is made to tax revenues. Due to an increasing collections rate for property taxes, the amount of unavailable taxes at the end of FY2016 was lower than in previous years, resulting in an adjustment to increase revenue by \$112,252.

General Fund Expenditures

The General Government area, which includes departments for Administration, Town Clerk, Technology, Planning, Assessing, Town Council, Elections, and Legal expenditures, came in \$103,499 over budget, or 9.1%. Administration and Council expenditures exceeded budget by \$62,884, much of which was in salaries and benefits, as a result of significant staff turnover during the year. A change in contracted services for Assessing resulted in that area being \$18,330 over budget.

Public Safety was over budget by \$121,193 or 5.4% of the combined budgets for Police, Fire, Code Enforcement, and Animal Control. The majority of the overage was in the Police Department, primarily related to costs associated with staff turnover as discussed above.

Public Services includes the departments of Public Works, Waste Disposal, Parks, and maintenance for the West Cumberland Recreation Hall and the Historical Society buildings. Overall, this area was under budget by \$33,621. A mild winter resulted in significant savings in overtime in these areas.

The Recreation Department overspent its budget by \$83,451, some of which was offset by increased revenues of \$63,867. Expenditures for After School Programs (ASP) exceeded their budgets by almost \$35,000; approximately \$20,000 of this overage is due to the cost of allowing families to pay for this program using credit cards, which was not anticipated when the FY2016 budget was prepared. The balance of the overage in ASP is in wages and program costs, which are associated with increased enrollment and revenues. The other area that was significantly over budget in Recreation was part time wages, which experienced pressure due to the increased minimum wage in Portland. Wages at Val Halla Golf Center were also affected by this.

The Town continued to experience a significant amount of property tax abatements, with this area coming in \$60,423 over budget. A change in contracted services in this area was made in February, 2016.

The excess of revenues over expenditures and budgeted transfers of \$946,074 was used, in part, to make the following transfers:

- \$75,000 to increase funds in the debt service reserve fund
- \$375,000 to provide funds for capital projects and purchases
- \$95,000 to fund programs for senior citizens in the Town, including the Aging in Place program and a property tax relief program

When all transfers are subtracted, the fund balance in the General Fund increased \$377,352, resulting in an ending fund balance (including reserves) of \$2,511,108. Of this balance, \$116,294 consists of prepaid expenses and fuel inventory that will immediately benefit FY2017; and \$371,748 that has been assigned to General Fund Reserve funds, available for spending in FY2017 as approved by the Council. The fund balance policy of the Town requires the General Fund to move toward having an available fund balance that is 16.67% of revenues. At the end of FY2012, available fund balance was 3% of revenues; at the end of FY2016, available fund balance was 9.2% of revenues, the highest this ratio has been in several years.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 6,400,290	6,051,439	-	16,200	6,400,290	6,067,639
Construction in progress	292,870	322,396	-	72,140	292,870	394,536
Land improvements	3,944,505	2,103,786	63,170	1,961,299	4,007,675	4,065,085
Buildings & building improvements	9,047,744	7,402,061	2,104,406	3,032,404	11,152,150	10,434,465
Machinery & equipment	2,340,292	1,941,502	3,006	453,043	2,343,298	2,394,545
Furniture & office equipment	70,290	70,692	-	6,673	70,290	77,365
Books & collections	990,116	990,116	-	-	990,116	990,116
Computer equipment	127,528	130,028	-	-	127,528	130,028
Vehicles	4,040,339	3,792,379	-	23,653	4,040,339	3,816,032
Infrastructure	28,301,937	24,107,152	3,937,449	3,937,449	32,239,386	28,044,601
Total capital assets	\$ 55,555,911	46,911,551	6,108,031	9,502,861	61,663,942	56,414,412
Accumulated depreciation	(16,578,500)	(13,813,536)	(3,101,494)	(4,667,174)	(19,679,994)	(18,480,710)
Capital assets, net of depreciation	38,977,411	33,098,015	3,006,537	4,835,687	41,983,948	37,933,702
Associated bonds and notes payable	14,667,212	15,653,221	1,225,197	1,201,888	15,892,409	16,855,109
Capital assets, net of debt	24,310,199	17,444,794	1,781,340	3,633,799	26,091,539	21,078,593

Capital Assets – Governmental Activities

During fiscal year 2016, the Town of Cumberland added new capital assets to Governmental Activities of \$5,436,505 (excluding Construction in Progress). Additions to infrastructure assets included just over \$1,200,000 in improvements to Blackstrap Road, as well as the acceptance of four private roads with an estimated value of \$2,700,000. There were approximately \$900,000 of various building improvements, vehicle and equipment purchases; purchases and donations of land were valued at approximately \$335,000. In addition, the assets of the Val Halla Golf Center were transferred from Business-type activities to Governmental Activities, in the amount of \$3,498,040. Depreciation expense for the year was \$1,322,936. Overall, the value of Governmental Activities' capital assets increased (net of disposals) by \$8,644,360.

Heating systems in almost all Town buildings were replaced or improved in FY2016, in order to take advantage of the new natural gas infrastructure in the Town. Total costs for this project, in Governmental Activities, was \$377,000. The other significant expenditure in this area was a long overdue renovation of the West Cumberland Recreation Hall that drastically improved usability of this resource, as well as bringing it into compliance with handicap access and other codes. The cost of these improvements was \$137,000.

Vehicle purchases this year included a new International plow truck, at a cost of \$160,000, that replaced an older vehicle originally purchased in 1999. The Town also purchased a 1-ton dump truck for Parks and Public Works for \$49,000, and replaced two police cruisers for \$72,000. In addition, the Town received a donation from MSAD #51 of a small bus to be used by the Recreation department, valued at \$10,000.

Major pieces of equipment purchased this year include the installation of a radio tower on Foreside Road, to improve emergency communications, at a cost of \$37,000; new docks and floats for Broad Cove Reserve for \$21,000; as well as new speed-alert radar message sign for the Police Department, an HP plotter/scanner to allow the continuation of the Town project to scan all property maps to create an electronic database, and miscellaneous equipment for the Public Works Department.

TOWN OF CUMBERLAND, MAINE
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2016

The Town was the fortunate recipient of donations of land from two residents this year. Both pieces abut existing park areas: the first parcel of 7.2 acres is adjacent to the Town Forest, the other parcel of 6 acres filled in a missing piece in the Knight's Pond/Blueberry Hill area. The combined value of the parcels is assessed at \$81,000; cost to the Town was \$37,800 with the balance of the value donated.

Capital Assets – Business-type Activities

The biggest change in capital assets for Business-type activities was the transfer of \$3,498,040 of assets from the Val Halla Golf Center to the General Fund. The only capital addition to the business type activities of the Town was the completion of new roofs for all Senior Housing residential buildings, costing \$191,550. Depreciation expense for business type activities was \$143,800; combined additions, retirements and transfers resulted in a decrease to capital assets of \$3,394,830.

Additional information on the Town of Cumberland's capital assets can be found in the *Notes to the Basic Financial Statements* on pages 56-57 of this report.

Long-term Debt

At year end, the Town had \$15,229,348 in bonds and notes payable, versus \$16,313,068 last year; no new debt was issued during FY2016, and the reduction of \$1,083,720 is entirely due to principal payments.

The Town's credit ratings are: Standard & Poor's AA+; Moody's AA3. This is the 2nd highest rating given by Standard & Poor's and the 4th highest rating for Moody's. Additional information on the Town of Cumberland's long-term debt can be found in the *Notes to the Basic Financial Statements* on pages 60-61 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town of Cumberland's FY2017 municipal expenditures budget, which excludes MSAD 51 appropriations, increased from \$10,355,079 to \$10,511,164 an increase of \$156,085, equivalent to 1.5%. \$133,471 of the increase was in the debt service budget, for the bonds issued in FY2015 to purchase Broad Cove Reserve. The original estimated debt service cost for this of \$240,000 per year is being phased in over three years, in order to minimize the effect on the tax rate.

Anticipated capital spending in FY2017 will include significant road improvements: Tuttle Road is being extensively reggraded to eliminate areas that flood on a regular basis; improvements to drainage on Cross Road; and engineering to add turning lanes on Route 1 where commercial and residential development have significantly increased the volume of traffic. Equipment purchases in the new year will include a new trackless sidewalk plow, as well as the ordering of a new ambulance.

Total assessed value of real estate and business' personal property (machinery and equipment) increased \$29 million for the FY2017 tax year, based on assessed values as of April 1, 2016. This increase has been driven by residential development during FY2016, including several higher valued real estate projects. Increases in taxable assessed value directly increase the amount of property tax that the Town is able to collect, and thus reduce the effect of budget increases on future years' tax rates.

In FY2016, the total combined tax rate was \$18.10, of which \$5.39 was allocated to Town expenses, \$0.58 to pay County taxes, and \$12.13 for the assessment from MSAD 51. The tax rate for FY2017 was increased to \$18.25, a less than 1% increase in the tax rate.

The Sewer Fund experienced an increase in net position again this year. In order to avoid having a dramatic increase in a future year, residential sewer rates have been gradually increasing over the past few years to build a reserve for future capital investment. Senior Housing also experienced a modest increase in net position this year. There continues to be a long waiting list of residents seeking housing in these units.

**TOWN OF CUMBERLAND, MAINE
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2016**

Overall, the Town has been experiencing robust growth, which has enabled an increase in liquidity, as well as minimizing the effect of budget increases on the tax rate. It has been able to reduce its dependence on short term borrowing, and continues to see growth in unassigned fund balances.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

If you have any questions about this report or need additional financial information, contact *Heather L'Hommedieu Perreault, Director of Finance, 290 Tuttle Road, Cumberland, ME, 04021.*

BASIC FINANCIAL STATEMENTS

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TOWN OF CUMBERLAND, MAINE
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,642,708	-	4,642,708
Investments	274,155	8,087	282,242
Receivables:			
Accounts	190,931	190,306	381,237
Intergovernmental	68,593	-	68,593
Taxes - current year	194,749	-	194,749
Taxes - prior years	127,107	-	127,107
Notes	4,000	-	4,000
Prepaid expenses	110,534	75,101	185,635
Inventory	15,860	-	15,860
Internal balances	(861,490)	861,490	-
Capital assets not being depreciated	7,683,276	-	7,683,276
Capital assets being depreciated, net	31,294,135	3,006,537	34,300,672
Total assets	43,744,558	4,141,521	47,886,079
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	629,334	-	629,334
Total deferred outflows of resources	629,334	-	629,334
LIABILITIES			
Accounts payable	1,042,504	1,990	1,044,494
Accrued payroll	127,748	1,582	129,330
Other liabilities	122,725	22,968	145,693
Accrued interest payable	105,502	8,058	113,560
Noncurrent liabilities:			
Due within one year	1,194,584	120,188	1,314,772
Due in more than one year	15,254,454	1,106,502	16,360,956
Total liabilities	17,847,517	1,261,288	19,108,805
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	139,291	-	139,291
Total deferred inflows of resources	139,291	-	139,291
NET POSITION			
Net investment in capital assets	24,310,199	1,781,340	26,091,539
Restricted for:			
TIF Districts	420,343	-	420,343
Education and libraries:			
Restricted grants and donations	36,109	-	36,109
Expendable permanent funds	174,914	-	174,914
Nonexpendable permanent funds	99,241	-	99,241
Unrestricted	1,346,278	1,098,893	2,445,171
Total net position	\$ 26,387,084	2,880,233	29,267,317

See accompanying notes to basic financial statements.

TOWN OF CUMBERLAND, MAINE
Statement of Activities
For the year ended June 30, 2016

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 2,947,324	584,060	-	45,085	(2,318,179)	-	(2,318,179)
Public safety	2,636,327	311,392	31,225	-	(2,293,710)	-	(2,293,710)
Public services	4,902,734	444,332	71,365	3,160,375	(1,226,662)	-	(1,226,662)
Recreation	1,855,156	1,478,213	632	-	(376,311)	-	(376,311)
Education and libraries	16,075,925	24,971	2,150	-	(16,048,804)	-	(16,048,804)
Health and public assistance	83,022	-	20,410	-	(62,612)	-	(62,612)
Interest on debt	486,383	-	-	-	(486,383)	-	(486,383)
Total governmental activities	28,986,871	2,842,968	125,782	3,205,460	(22,812,661)	-	(22,812,661)
Business-type activities:							
Senior Housing	305,163	315,803	-	-	-	10,640	10,640
Sewer System	838,334	955,624	-	-	-	117,290	117,290
Total business-type activities	1,143,497	1,271,427	-	-	-	127,930	127,930
Total primary government	\$ 30,130,368	4,114,395	125,782	3,205,460	(22,812,661)	127,930	(22,684,731)
General revenues:							
Property taxes, levied for general purposes					\$ 21,704,368	-	21,704,368
TIF district taxes					1,555,973	-	1,555,973
Outer island property taxes					39,889	-	39,889
Payments in lieu of taxes					29,608	-	29,608
Motor vehicle excise taxes					1,856,148	-	1,856,148
Interest and penalties					39,165	-	39,165
Grants and contributions not restricted to specific programs:							
Homestead and BETE exemptions					191,612	-	191,612
State Revenue Sharing					428,938	-	428,938
Unrestricted investment earnings					6,456	77	6,533
Miscellaneous revenues					470,847	-	470,847
Transfers					1,721,844	(1,721,844)	-
Total general revenues and transfers					28,044,848	(1,721,767)	26,323,081
Change in net position					5,232,187	(1,593,837)	3,638,350
Net position - beginning					21,154,897	4,474,070	25,628,967
Net position - ending					\$ 26,387,084	2,880,233	29,267,317

See accompanying notes to basic financial statements.

TOWN OF CUMBERLAND, MAINE
Balance Sheet
Governmental Funds
June 30, 2016

	General	Bond Fund	Road Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,642,708	-	-	-	4,642,708
Investments	-	-	-	274,155	274,155
Receivables:					
Accounts	190,931	-	-	-	190,931
Intergovernmental	68,593	-	-	-	68,593
Taxes - prior years	127,107	-	-	-	127,107
Taxes - current year	194,749	-	-	-	194,749
Notes	-	-	-	4,000	4,000
Prepaid items	100,434	-	-	10,100	110,534
Inventory	15,860	-	-	-	15,860
Interfund loans receivable	-	-	-	1,754,475	1,754,475
Total assets	\$ 5,340,382	-	-	2,042,730	7,383,112
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	310,572	-	659,688	52,654	1,022,914
Accrued payroll	120,902	-	-	6,846	127,748
Escrow liabilities	25,506	-	-	-	25,506
Taxes paid in advance	93,219	-	-	-	93,219
Unearned revenue	-	-	-	4,000	4,000
Interfund loans payable	2,089,114	53,330	490,184	2,927	2,635,555
Total liabilities	2,639,313	53,330	1,149,872	66,427	3,908,942
Deferred inflows of resources:					
Unavailable revenue - property taxes	189,961	-	-	-	189,961
Total deferred inflows of resources	189,961	-	-	-	189,961
Fund balances (deficits):					
Nonspendable	116,294	-	-	109,341	225,635
Restricted	-	-	-	631,366	631,366
Committed	-	-	-	791,607	791,607
Assigned	371,748	-	-	474,937	846,685
Unassigned	2,023,066	(53,330)	(1,149,872)	(30,948)	788,916
Total fund balances (deficits)	2,511,108	(53,330)	(1,149,872)	1,976,303	3,284,209
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,340,382	-	-	2,042,730	

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.	38,977,411
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable revenues in the funds.	189,961
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:	
Bonds and notes payable	(14,094,347)
Unamortized premiums on bonds	(541,241)
Capital leases	(31,624)
Accrued interest	(105,502)
Accrued compensated absences	(189,284)
Net pension liability, including related deferred inflows/outflows	(594,499)
Landfill post closure care costs	(508,000)
	(16,064,497)

Net position of governmental activities **\$ 26,387,084**

See accompanying notes to basic financial statements.

TOWN OF CUMBERLAND, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

	General	Bond Fund	Road Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 23,742,265	-	-	1,555,973	25,298,238
Licenses and permits	168,174	-	-	-	168,174
Intergovernmental	885,347	-	468,375	-	1,353,722
Charges for services	2,223,518	-	-	32,606	2,256,124
Other	363,905	-	-	80,442	444,347
Total revenues	27,383,209	-	468,375	1,669,021	29,520,605
Expenditures:					
Current:					
General government	1,268,088	-	-	469,989	1,738,077
Public safety	2,385,487	-	-	18,292	2,403,779
Public services	1,839,511	-	-	-	1,839,511
Recreation	1,597,610	-	-	2,411	1,600,021
Library	415,406	-	-	26,983	442,389
Health and public assistance	72,433	-	-	9,141	81,574
Unclassified	319,291	-	-	-	319,291
Insurance	232,492	-	-	-	232,492
Education	15,557,051	-	-	-	15,557,051
County tax	747,431	-	-	-	747,431
Capital outlay	-	53,330	3,267,411	1,769,237	5,089,978
Debt service:					
Principal	534,565	-	-	462,627	997,192
Interest	293,604	-	-	247,457	541,061
Total expenditures	25,262,969	53,330	3,267,411	3,006,137	31,589,847
Excess (deficiency) of revenues over (under) expenditures	2,120,240	(53,330)	(2,799,036)	(1,337,116)	(2,069,242)
Other financing sources (uses):					
Sale of assets	-	-	-	396,861	396,861
Transfers in	2,841	-	895,000	865,316	1,763,157
Transfers out	(1,678,758)	(850)	-	(105,850)	(1,785,458)
Total other financing sources (uses)	(1,675,917)	(850)	895,000	1,156,327	374,560
Net change in fund balances	444,323	(54,180)	(1,904,036)	(180,789)	(1,694,682)
Fund balances, beginning of year	2,066,785	850	754,164	2,157,092	4,978,891
Fund balances (deficits), end of year	\$ 2,511,108	(53,330)	(1,149,872)	1,976,303	3,284,209

See accompanying notes to basic financial statements.

TOWN OF CUMBERLAND, 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

Net change in fund balances - total governmental funds (from Statement 4)	\$	(1,694,682)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

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.

These are the changes related to capital assets:

Capital outlay and donated capital assets	5,406,979	
Depreciation expense	(1,322,936)	
Loss on disposal of assets	(9,407)	4,074,636

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

(112,252)

Expenses in the statement of activities that do not consume current financial resources are not reported as expenditures in the funds:

These are the changes related to long-term liabilities:

Landfill closure costs	6,000	
Accrued interest payable	26,169	
Accrued compensated absences	(6,188)	
Net pension liability	(606,244)	
Deferred inflows and outflows related to the net pension liability	770,007	189,744

The issuance of capital leases provide current financial resources to governmental funds, but capital leases increase long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of principal repayments.

26,806

The issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of current year repayments (\$973,721) and amortization of the premium related to the bonds (\$30,069).

1,003,790

The transfer of capital assets, including accumulated depreciation, and long-term liabilities from business-type activities to governmental activities is not recognized in the governmental funds but creates a net increase in the statement of net position. These are the amounts transferred from the Val Halla enterprise fund to governmental activities:

Capital assets	3,514,240	
Accumulated depreciation	(1,709,480)	
Accrued compensated absences	(16,028)	
Capital leases	(44,587)	1,744,145

Change in net position of governmental activities (see Statement 2)	\$	5,232,187
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See accompanying notes to basic financial statements.

TOWN OF CUMBERLAND, 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	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 23,228,534	23,228,534	23,742,265	513,731
Licenses and permits	146,665	146,665	168,174	21,509
Intergovernmental	837,262	837,262	885,347	48,085
Charges for services	1,924,868	1,924,868	2,075,525	150,657
Other	289,899	289,899	363,905	74,006
Total revenues	26,427,228	26,427,228	27,235,216	807,988
Expenditures:				
Current:				
General government	1,134,089	1,134,089	1,237,588	(103,499)
Public safety	2,264,294	2,264,294	2,385,487	(121,193)
Public services	1,758,253	1,758,253	1,724,632	33,621
Recreation programs	1,487,042	1,487,042	1,597,610	(110,568)
Library	411,267	411,267	415,406	(4,139)
Health and public assistance	48,375	48,375	37,528	10,847
Unclassified	260,329	260,329	319,291	(58,962)
Insurance	219,499	219,499	232,492	(12,993)
Education	15,557,051	15,557,051	15,557,051	-
County tax	747,431	747,431	747,431	-
Capital projects (transfers to reserves)	1,206,457	1,206,457	1,206,457	-
Debt service	818,043	818,043	828,169	(10,126)
Total expenditures	25,912,130	25,912,130	26,289,142	(377,012)
Excess of revenues over expenditures	515,098	515,098	946,074	430,976
Other financing sources (uses):				
Transfers in	-	-	2,841	2,841
Transfers out	-	-	(571,563)	(571,563)
Total other financing uses (uses)	-	-	(568,722)	(568,722)
Net change in fund balance	515,098	515,098	377,352	(137,746)
Fund balance, beginning of year - budgetary basis			1,741,886	
Fund balance, end of year - budgetary basis	\$		2,256,984	
Reconciliation to GAAP:				
Change in reserves			66,971	
Fund balance, beginning of year - GAAP basis			2,066,785	
Fund balance, end of year - GAAP basis	\$		2,511,108	

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

Business-type Activities - Enterprise Funds				
	Senior Housing Fund	Sewer System	Val Halla Golf and Recreation Center	Totals
ASSETS				
Current assets:				
Investments	\$ 8,087	-	-	8,087
Accounts receivable	-	190,306	-	190,306
Prepaid expenses	12,595	62,506	-	75,101
Interfund loans receivable	311,830	549,660	-	861,490
Total current assets	332,512	802,472	-	1,134,984
Noncurrent assets:				
Property, plant, and equipment	2,159,914	3,948,117	-	6,108,031
Less accumulated depreciation	(1,140,393)	(1,961,101)	-	(3,101,494)
Total noncurrent assets	1,019,521	1,987,016	-	3,006,537
Total assets	1,352,033	2,789,488	-	4,141,521
LIABILITIES				
Current liabilities:				
Accounts payable	1,990	-	-	1,990
Accrued interest	8,058	-	-	8,058
Accrued payroll	1,313	269	-	1,582
Security deposit	22,968	-	-	22,968
Accrued compensated absences, current	400	-	-	400
Bonds and premiums, current	119,788	-	-	119,788
Total current liabilities	154,517	269	-	154,786
Noncurrent liabilities:				
Accrued compensated absences	1,093	-	-	1,093
Bonds and premiums payable	1,105,409	-	-	1,105,409
Total noncurrent liabilities	1,106,502	-	-	1,106,502
Total liabilities	1,261,019	269	-	1,261,288
NET POSITION				
Net investment in capital assets	(205,676)	1,987,016	-	1,781,340
Unrestricted	296,690	802,203	-	1,098,893
Total net position	\$ 91,014	2,789,219	-	2,880,233

See accompanying notes to basic financial statements.

TOWN OF CUMBERLAND, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2016

Business-type Activities - Enterprise Funds				
	Senior Housing Fund	Sewer System	Val Halla Golf and Recreation Center	Totals
Operating revenues:				
Rental income	\$ 315,803	-	-	315,803
Charges for services	-	949,529	-	949,529
Sewer connection permits	-	2,600	-	2,600
Other	-	3,495	-	3,495
Total operating revenues	315,803	955,624	-	1,271,427
Operating expenses:				
Wages and benefits	88,847	14,528	-	103,375
Utilities	35,705	-	-	35,705
Maintenance	6,761	-	-	6,761
Contracted services	32,280	988	-	33,268
Tools and equipment	529	2,328	-	2,857
Wastewater assessment	-	740,928	-	740,928
General costs	23,174	-	-	23,174
Capital outlay	17,904	-	-	17,904
Depreciation	64,238	79,562	-	143,800
Total operating expenses	269,438	838,334	-	1,107,772
Operating income	46,365	117,290	-	163,655
Nonoperating revenue (expense):				
Interest income	77	-	-	77
Interest expense	(35,725)	-	-	(35,725)
Total nonoperating revenue (expense)	(35,648)	-	-	(35,648)
Income before transfers	10,717	117,290	-	128,007
Transfers from general fund	-	-	22,301	22,301
Transfers to governmental activities	-	-	(1,744,145)	(1,744,145)
Change in net position	10,717	117,290	(1,721,844)	(1,593,837)
Total net position, beginning of year	80,297	2,671,929	1,721,844	4,474,070
Total net position, end of year	\$ 91,014	2,789,219	-	2,880,233

See accompanying notes to basic financial statements.

TOWN OF CUMBERLAND, MAINE
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2016

Business-type Activities - Enterprise Funds				
		Senior Housing Fund	Sewer System	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$	314,159	935,447	1,249,606
Payments to suppliers		(169,253)	(745,899)	(915,152)
Payments to employees		(86,441)	(14,259)	(100,700)
Net cash provided by operating activities		58,465	175,289	233,754
Cash flows from noncapital financing activities:				
Interfund loans (repayments)		208,000	(175,289)	32,711
Net cash provided by (used in) noncapital financing activities		208,000	(175,289)	32,711
Cash flows from capital and related financing activities:				
Purchase of capital assets		(119,410)	-	(119,410)
Bond principal payments		(110,000)	-	(110,000)
Interest paid		(37,132)	-	(37,132)
Net cash used in capital and related financing activities		(266,542)	-	(266,542)
Cash flows from investing activities:				
Interest income		77	-	77
Net cash provided by investing activities		77	-	77
Increase in cash		-	-	-
Cash, beginning of year		-	-	-
Cash, end of year	\$	-	-	-
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$	46,365	117,290	163,655
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense		64,238	79,562	143,800
(Increase) decrease in accounts receivable		-	(20,177)	(20,177)
(Increase) decrease in prepaid expenses		(11,317)	(1,524)	(12,841)
Increase (decrease) in accounts payable		(41,583)	(131)	(41,714)
Increase (decrease) in accrued payroll		1,313	269	1,582
Increase (decrease) in accrued compensated absences		1,093	-	1,093
Increase (decrease) in security deposit		(1,644)	-	(1,644)
Net cash provided by operating activities		58,465	175,289	233,754
Non-cash transactions:				
Change in fair market value		323	-	323
Amortization of bond premium		(9,788)	-	(9,788)

See accompanying notes to basic financial statements.

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

	Private-purpose Trust Fund (Scholarships)	Agency Fund (Food Pantry Component Unit)
ASSETS		
Cash and cash equivalents	\$ -	36,243
Investments	164,638	-
Due from general fund	600	20,990
Total assets	165,238	57,233
LIABILITIES		
Accounts payable	500	535
Due to general fund	2,000	-
Due to others	-	56,698
Total liabilities	2,500	57,233
NET POSITION		
Held in trust	\$ 162,738	-

See accompanying notes to basic financial statements.

TOWN OF CUMBERLAND, MAINE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2016

	Private-purpose Trust Fund (Scholarships)
Additions:	
Donations	\$ 1,100
Investment income	2,100
Total additions	3,200
Deductions:	
Scholarships awarded	3,000
Total deductions	3,000
Change in net position	200
Net position, beginning of year	162,538
Net position, end of year	\$ 162,738

See accompanying notes to basic financial statements.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Cumberland conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies:

Reporting Entity

The Town of Cumberland was incorporated in 1821 and operates under a Council-Manager form of government. The Town is located in Cumberland County and has a population of 7,772.

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 by accounting principles generally accepted in the United States of America. The criterion used 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, the Town has reported the following component unit:

Cumberland Food Pantry is a component unit of the Town. Although it is legally separate from the Town, the Food Pantry is reported as if it were part of the primary government because Town management makes up the entire Pantry's board. There are no separately issued financial statements for this component unit and it is reported as an agency fund.

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 non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus, Basis of Accounting, and Basis of 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 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.

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 Bond Fund is a capital projects fund that accounts for the bond proceeds and other related revenues, as well as related capital expenditures for various Town projects.

The Road Improvements Fund is a capital projects fund that accounts specifically for grant, bond, and other revenues used specifically for road projects.

The Town reports the following major proprietary funds:

The Senior Housing Fund accounts for the construction and operation of senior housing units in Cumberland overseen by the Cumberland Housing Authority.

The Sewer System accounts for the operation of a sewer system in Cumberland.

Val Halla Golf and Recreation Center accounts for revenues received and expenses incurred in the operation of the Val Halla Golf Course. As of June 1, 2015, all beginning balances were transferred to either the General Fund or governmental activities and current year activity is now reported as part of the General Fund.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Additionally, the Town reports the following fiduciary fund types:

Private-purpose Trust Funds are used to report the activity for bequests left for charitable payments of scholarship awards. These assets are held by the Town in a trustee capacity, whereby the original bequest is preserved as nonexpendable and the accumulated interest earnings are available to provide for educational awards. Fiduciary funds use an economic resources measurement focus.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's agency fund accounts for the Cumberland Food Pantry.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and charges between the Town's sewer 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 non-operating 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 funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity

Cash, Cash Equivalents, and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits and time deposits. Investments are stated at fair value. For statement of cash flow purposes, the Town considers cash and cash equivalents to be demand deposits, certificates of deposit with maturities of less than three months, and money market mutual funds.

The Town has established a formal investment policy that governs the investment of all of its funds. Pursuant to its investment policy and applicable Maine law (Title 30-A, Section 5706 et. Seq. of the Maine Revised Statutes, as amended) all investments of the Town must be made with care, prudence, and skill. The goals of the investment policy are to provide safety of principal through diversification of assets and to provide a high degree of liquidity in the investments. The Town is not invested in any obligations typically referred to as derivatives.

Inventory - The General Fund reports fuel inventory, which is valued at the lower of cost or market, using the first-in, first-out method. The cost of inventory is recorded as expenditures when consumed rather than when purchased.

Interfund Loans Receivable/Payable - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Infrastructure costs include assets that were acquired prior to the fiscal year ended June 30, 1980. 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 is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-40 years
Buildings and building improvements	20-40 years
Machinery and equipment	4-30 years
Furniture and office equipment	10-20 years
Computer equipment	3-7 years
Vehicles	4-30 years
Infrastructure	20-50 years

Deferred Inflows and Outflows 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 only report a deferred inflow of resources, unavailable revenue from property taxes. 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 Town's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also 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.

Vacation and Sick Leave - Under terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service and are accrued ratably over the year. Regular part-time employees receive vacation and sick leave on a pro-rated basis. Accumulated vacation time has been recorded as a liability in the government-wide and proprietary funds.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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.

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. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - 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 government 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 government'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 committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Town Council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. For assigned fund balance amounts, the Town Manager has the authority to assign unspent budgeted amounts to specific purposes in the General Fund at year end. The Town Council approves the assigned amounts either before or after year end.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

It is the policy of the Town of Cumberland to maintain unassigned fund balance in the general fund at 16.67% of general fund revenues measured on a GAAP basis. In the event that the unassigned fund balance drops below this level, the Town Manager will develop a plan, implemented through the annual budgetary process, to bring the balance to the target level over a period of no more than five (5) years. Amounts in excess of the target shall be used to offset negative balances in capital projects funds, offset intergovernmental loans, and to build capital project fund levels for future purchases, as determined by the Town Council and Town Manager. If the first three purposes are met, then the Town may use excess balances to offset future tax levy amounts through a stabilization fund.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the Town's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

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.

Comparative Data/Reclassifications - Comparative data for the prior year has been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Net Position - The net position amount represents the difference between assets, deferred outflows and liabilities and deferred inflows of resources. The 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.

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

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 55,555,911	6,108,031
Accumulated depreciation	(16,578,500)	(3,101,494)
Unamortized premium on bonds	(541,241)	(90,196)
Bonds and notes payable	(14,094,347)	(1,135,001)
Capital leases	(31,624)	-
Net investment in capital assets	\$ 24,310,199	1,781,340

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town utilizes a formal budgetary accounting system to control revenues and expenditures. Budgets are established in accordance with the various laws which govern the Town's operations. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of accounting principles generally accepted in the United States of America.

Budgets are adopted for the General Fund only and are adopted on a basis consistent with generally accepted accounting principles (GAAP) in the United States of America. The level of control (level at which expenditures may not exceed budget) is the Department. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year.

The Town Manager is authorized to transfer budgeted amounts between general classifications of expenditures within a department; however, the gross appropriation for each department shall not be exceeded except by consent of the Council. Encumbrance accounting is not employed by the Town.

The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2016, the following General Fund expenditures exceeded appropriations in the following departments:

Administration and council	\$ 62,884	Parks	21,857
Assessor	18,330	Val Halla golf course	27,117
Town clerk and collector	7,135	Recreation programs	83,451
Technology	1,221	Health services	58
Planning	9,952	Conservation commission	47
Legal services	7,962	Cemetery association	14,867
Police	93,497	Street lighting	6,345
Fire	6,542	Municipal building	3,693
Code enforcement	16,843	Abatements	60,423
Animal control	4,311	Debt service	10,126
Prince memorial library	4,139	Insurance	12,993

These over expenditures lapsed to fund balance at year-end.

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

Capital Project Funds:	
Bond fund	\$ 53,330
Town building reserves	30,948
Road improvements	1,149,872
Private-purpose Trust Funds:	
Carle Henry Music Scholarship	130

These fund deficits will be covered by future revenue sources.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk 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 have its deposits covered by F.D.I.C. insurance or by additional insurance purchased on behalf of the Town by the respective banking institution.

As of June 30, 2016, the Town reported deposits of \$4,678,951 with a bank balance of \$5,380,473. Of the Town's bank balances of \$5,380,473, \$1,036 was exposed to custodial credit risk. The remaining balance of \$5,379,437 was covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 4,642,708
Reported in fiduciary funds	36,243
Total deposits	<u>\$ 4,678,951</u>

B. Investments

At June 30, 2016, the Town had the following investments and maturities:

	Fair <u>value</u>	Less than <u>1 year</u>	<u>1-5 years</u>	More than <u>5 years</u>
U. S. Government securities	\$ 116,404	52,227	32,403	31,774
U. S. Treasury notes	210,166	110,631	78,864	20,671
Money markets	70,268	N/A	-	-
Certificates of deposit	50,042	50,042	-	-
Total investments	<u>\$ 446,880</u>	<u>212,900</u>	<u>111,267</u>	<u>52,445</u>

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.

The Town has the following recurring fair value measurements as of June 30, 2016:

- U.S. governmental securities and U.S. treasury notes are valued using quoted market prices (level 1 inputs).

Custodial Credit Risk-Town Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town's policy is to have its investments covered by F.D.I.C. insurance or by additional insurance purchased on behalf of the Town by the respective financial institution. Of the Town's \$50,042 investment in certificates of deposit, none was subject to custodial credit risk because it was covered by F.D.I.C. insurance.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Investments have been reported as follows:

Reported in governmental funds	\$ 274,155
Reported in proprietary funds	8,087
Reported in fiduciary funds	164,638
Total investments	\$ 446,880

Interest Rate Risk: The Town does not have a policy related to interest rate 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 not have a formal policy related to credit risk.

The U.S. Government securities include Federal Home Loan Mortgage (Freddie Mac) and Federal National Mortgage Association (Fannie Mae) bonds with fair values of \$64,177 and \$52,227, respectively, and are all rated AA+ by Standard & Poor's.

PROPERTY TAX

The Town's property tax is levied on the assessed value listed as of the prior April 1 for all real and taxable personal property located in the Town. Assessed values are periodically established by the Assessor at 100% of the assumed market value.

Property taxes were levied July 27, 2015 on the assessed values of real property as of April 1, 2015. Taxes were due September 15, 2015 and March 15, 2016. This assessed value of \$1,282,280,300 was 100% of the estimated market value and 112% of the 2016 state valuation of \$1,144,550,000. The Town completed a revaluation of all Town properties in 2008.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$515,098 for the year ended June 30, 2016.

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

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

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX, CONTINUED

The following summarizes the periods ended June 30, 2016 and 2015 levies:

	<u>2016</u>	<u>2015</u>
Valuation:		
Land	\$ 543,077,800	533,043,900
Buildings	716,869,900	695,732,400
Personal property	22,332,600	15,494,500
Total assessed valuation	1,282,280,300	1,244,270,800
Assessed value	1,282,280,300	1,244,270,800
Tax rate (per \$1,000)	18.10	17.40
Commitment	23,209,273	21,650,312
Add: supplemental taxes	51,067	-
Less: collections and abatements	23,065,591	21,398,207
Receivable at June 30	\$ 194,749	252,105
Due date(s)	9/15/15 3/15/16	9/15/14 3/15/15
Interest rate charged on delinquent taxes	7.00%	7.00%
Collection rate	99.16%	98.84%

As of July 1, 2007, per H.P. 1243 – L.D. 1735 *an Act to Authorize Chebeague Island to Secede from the Town of Cumberland*, Chebeague Island must pay to the Town of Cumberland 50% of the property taxes committed to the Town of Chebeague Island from the Outer Islands for a period of 50 years; to be paid on an annual basis. As of June 30, 2016 and 2015, Chebeague Island has paid \$39,889 and \$41,867, respectively.

CAPITAL ASSETS

During the year, the Town discontinued reporting the Val Halla golf course as an enterprise fund and now reports all Val Halla activity in the General Fund. As a result, all capital assets and related accumulated depreciation were transferred to Governmental Activities, effective July 1, 2015.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

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

	Balance July 1, 2015	Increases	Decreases	Transfers and Reclassifications	Balance June 30, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Books and collections	\$ 990,116	-	-	-	990,116
Construction in progress	322,396	1,817,285	1,846,811	-	292,870
Land	6,051,439	332,651	-	16,200	6,400,290
Total capital assets, not being depreciated	7,363,951	2,149,936	1,846,811	16,200	7,683,276
Capital assets, being depreciated:					
Land improvements	2,103,786	-	57,410	1,898,129	3,944,505
Buildings and building improvements	7,402,061	526,135	-	1,119,548	9,047,744
Machinery and equipment	1,941,502	91,569	119,865	427,086	2,340,292
Furniture and office equipment	70,692	-	7,075	6,673	70,290
Computer equipment	130,028	-	2,500	-	127,528
Vehicles	3,792,379	291,365	90,009	46,604	4,040,339
Infrastructure	24,107,152	4,194,785	-	-	28,301,937
Total capital assets being depreciated	39,547,600	5,103,854	276,859	3,498,040	47,872,635
Less accumulated depreciation for:					
Land improvements	1,168,172	155,793	57,410	904,373	2,170,928
Buildings and building improvements	3,287,678	235,878	-	418,100	3,941,656
Machinery and equipment	1,426,324	153,652	119,267	343,003	1,803,712
Furniture and office equipment	69,552	941	6,988	6,511	70,016
Computer equipment	105,026	7,979	2,500	-	110,505
Vehicles	2,106,898	267,712	81,287	37,493	2,330,816
Infrastructure	5,649,886	500,981	-	-	6,150,867
Total accumulated depreciation	13,813,536	1,322,936	267,452	1,709,480	16,578,500
Total capital assets being depreciated, net	25,734,064	3,780,918	9,407	1,788,560	31,294,135
Governmental activities capital assets, net	\$ 33,098,015	5,930,854	1,856,218	1,804,760	38,977,411

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

Governmental activities:	
General government	\$ 72,503
Public safety	223,228
Public services, including depreciation of general infrastructure assets	694,224
Health and public assistance	1,448
Recreation	255,048
Education and libraries	76,485
Total depreciation expense – governmental activities	\$ 1,322,936

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

	Balance July 1, 2015	Increases	Decreases	Transfers	Balance June 30, 2016
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 72,140	119,410	191,550	-	-
Land	16,200	-	-	(16,200)	-
Total capital assets, not being depreciated	88,340	119,410	191,550	(16,200)	-
Capital assets, being depreciated:					
Land improvements	1,961,299	-	-	(1,898,129)	63,170
Buildings and building improvements	3,032,404	191,550	-	(1,119,548)	2,104,406
Machinery and equipment	453,043	-	-	(450,037)	3,006
Furniture and office equipment	6,673	-	-	(6,673)	-
Vehicles	23,653	-	-	(23,653)	-
Infrastructure	3,937,449	-	-	-	3,937,449
Total capital assets being depreciated	9,414,521	191,550	-	(3,498,040)	6,108,031
Less accumulated depreciation for:					
Land improvements	941,060	3,158	-	(904,373)	39,845
Buildings and building improvements	1,459,100	61,463	-	(418,100)	1,102,463
Machinery and equipment	358,024	430	-	(356,843)	1,611
Furniture and office equipment	6,511	-	-	(6,511)	-
Vehicles	23,653	-	-	(23,653)	-
Infrastructure	1,878,826	-	-	78,749	1,957,575
Total accumulated depreciation	4,667,174	143,800	-	(1,709,480)	3,101,494
Total capital assets being depreciated, net	4,747,347	47,750	-	(1,788,560)	3,006,537
Governmental activities capital assets, net	\$ 4,835,687	167,160	-	(1,804,760)	3,006,537

Depreciation expense was charged to the business-type activities as follows:

Business-type activities:	
Senior Housing	\$ 64,238
Sewer System	79,562
Total depreciation expense – business-type activities	\$ 143,800

INTERFUND LOAN BALANCES

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized checking account.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

INTERFUND LOAN BALANCES, CONTINUED

Individual interfund loan receivables and payables at the year ended June 30, 2016 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
Governmental funds:		
General Fund	\$ -	2,089,114
Bond Fund	-	53,330
Road Improvements Fund	-	490,184
Other Governmental Funds:		
Special Revenue Funds:		
Fire Grant	27,326	-
Police	13,125	-
Twin Brook	3,674	-
Community Band	632	-
Library	14,353	-
Fuel Assistance	35,477	-
Total Special Revenue Funds	94,587	-
Capital Project Funds:		
Town Building Reserves	-	2,927
Land Acquisition	175,238	-
TIF	447,001	-
Parking Lot	9,742	-
Tennis Court	5,280	-
Reserve Rt. 1 Parking	16,383	-
Equipment Reserves	39,351	-
Broad Cove	181,216	-
Village Green	310,740	-
Total Capital Project Funds	1,184,951	2,927
Debt Service Fund:		
Debt service	474,937	-
Total Debt Service Fund	474,937	-
Total Governmental Funds	1,754,475	2,635,555
Proprietary Funds:		
Senior Housing	311,830	-
Sewer System	549,660	-
Total Proprietary Funds	861,490	-
Fiduciary Funds:		
Private-purpose Trusts	600	2,000
Food Pantry Agency Fund	20,990	-
Total Proprietary Funds	21,590	2,000
Totals	\$ 2,637,555	2,637,555

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

INTERFUND TRANSFERS

Interfund transfers consist of budgeted transfers to and from other funds to fund certain activities accounted for in those funds and transfers to close out capital project funds that are no longer needed. Transfers were also made from the General Fund to the capital project funds and the Val Halla enterprise fund to offset deficit fund balances and an operating deficit, respectively. Individual fund transfers for the year ended June 30, 2016 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
Governmental Funds:		
General Fund	\$ 2,841	1,678,758
Bond Fund	-	850
Road Improvements Fund	895,000	-
Other Governmental Funds:		
Special Revenue Funds:		
Recreation programs	-	2,841
Total Special Revenue Funds	-	2,841
Capital Project Funds:		
Town Building Reserve	143,000	-
Affordable Housing	-	103,009
Land Acquisition	103,009	-
Equipment Reserves	386,500	-
Broad Cove	150,000	-
Total Capital Project Funds	782,509	103,009
Debt Service Funds:		
Debt service	82,807	-
Total Debt Service Funds	82,807	-
Total Governmental Funds	1,763,157	1,785,458
Proprietary funds:		
Val Hall Golf Course	22,301	-
Total Proprietary Funds	22,301	-
Totals	\$ 1,785,458	1,785,458

In addition to the fund transfers disclosed above, the Val Halla proprietary fund also transferred the net balance of its capital assets and long-term liabilities, which was \$1,721,844 as of July 1, 2015.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning balance</u>	<u>Additions*</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 14,737,134	-	890,988	13,846,146	928,053
Unamortized bond premium	571,310	-	30,069	541,241	30,069
Total bonds payable	15,308,444	-	921,057	14,387,387	958,122
Notes payable	330,934	-	82,733	248,201	82,733
Capital leases	13,843	44,587	26,806	31,624	27,729
Accrued compensated absences	167,068	189,284	167,068	189,284	120,000
Net pension liability	478,298	606,244	-	1,084,542	-
Landfill post closure care costs	514,000	-	6,000	508,000	6,000
Total governmental activity long-term liabilities	\$ 16,812,587	840,115	1,203,664	16,449,038	1,194,584

The liability for accrued compensated absences is normally fully liquidated by the General Fund.

*Current year additions include the transfer of the outstanding balances of the Val Halla enterprise fund capital lease and accrued compensated absences to Governmental Activities as of July 1, 2015.

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions*</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
Bonds payable	\$ 1,245,000	-	109,999	1,135,001	110,000
Unamortized bond premium	99,984	-	9,788	90,196	9,788
Total bonds payable	1,344,984	-	119,787	1,225,197	119,788
Capital leases	44,587	-	44,587	-	-
Accrued compensated absences	16,028	1,493	16,028	1,493	400
Total business-type activity long-term liabilities	1,405,599	1,493	180,402	1,226,690	120,188
Total long-term governmental and business-type activities	\$ 18,218,186	841,608	1,384,066	17,675,728	1,314,772

*Current year reductions include the transfer of the outstanding balances of the Val Halla enterprise fund capital lease and accrued compensated absences to Governmental Activities as of July 1, 2015.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT

Bonds and Notes Payable

Bonds and notes payable at June 30, 2016 are comprised of the following:

	<u>Originally Issued</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance</u>
Bonds and notes payable:					
Governmental activities:					
Economic development	\$ 4,100,000	5/27/10	11/1/2029	2.06-5.75%	3,084,741
New town office	1,000,000	5/01/98	11/1/2018	4.53-5.38%	220,240
Fire truck purchase	478,560	10/28/99	11/1/2019	4.28-5.91%	140,587
Purchase Rhines property	1,241,000	8/29/03	8/29/2019	4.50%	248,201
Infrastructure/Val Halla	2,775,802	5/15/08	11/1/2027	2.00-5.50%	1,655,802
Infrastructure improvements	4,000,000	5/28/09	11/1/2029	2.08-5.58%	3,114,776
2015 improvements and refunding bonds	5,730,000	1/14/15	6/30/2034	2.00-4.00%	5,630,000
Total governmental activities					14,094,347
Business-type activity debt:					
Senior Housing	890,000	4/20/11	4/20/2019	2.0-5.0%	420,000
Senior Housing roofing/refunding	740,000	1/14/15	6/30/2034	2.00-4.00%	715,001
Total business-type activity debt					1,135,001
Total bonds and notes payable					\$ 15,229,348

All governmental activities long-term debt service requirements are paid by the General Fund or the TIF Fund (Capital Projects Fund). Business-type debt is paid by the proprietary enterprise funds.

The annual debt service requirements to amortize bonds and notes payable are as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,010,786	495,962	110,000	42,897
2018	935,416	467,858	120,000	39,100
2019	908,829	437,932	140,000	33,700
2020	925,776	407,461	165,000	27,175
2021	1,073,200	373,715	60,000	22,800
2022-2026	5,274,515	1,205,707	220,000	88,200
2027-2031	3,365,825	364,572	200,000	48,000
2032-2034	600,000	48,000	120,001	9,600
Totals	\$ 14,094,347	3,801,207	1,135,001	311,472

In accordance with 30-A MRSA, Section 5701, 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.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

DEFEASED DEBT

In prior years, the government defeased general obligation public improvement bonds and a note payable by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds and note payable. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2016, \$2,830,905 of defeased bonds remain outstanding.

LANDFILL CLOSURE AND POSTCLOSURE COSTS

Under State law, Maine communities had until December 31, 1994 to close existing landfills under a DEP approved plan. The Town currently has one demolition debris landfill. Although the landfill was closed to receiving additional debris in the early 1990's, the landfill was not properly capped or officially closed. The Town is currently working with an engineering firm to submit a closure plan to the Maine Department of Environmental Protection. The Town has estimated the closure costs of \$400,000 and post-closure costs of \$108,000 for total estimated liability of \$508,000. The liability has been recognized on the government-wide financial statements. The actual costs of closure and post closure care may be higher or lower due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

The following is a summary of the estimated cost of closure and post-closure costs for the Town's landfill as of June 30, 2016:

Closure costs

Construction: \$75,000 per acre x 4 acres	\$ 300,000
Engineering	50,000
Inspection and administration/certification	8,000
Annual monitoring	6,000
Other costs	36,000
Total closure costs	\$ 400,000

Post-closure costs

Annual monitoring \$6,000 per year for 18 years	\$ 108,000
Total closure and post-closure costs	\$ 508,000

CONDUIT DEBT

During FY 2015, Town issued \$2,300,000 in revenue bonds to provide financial assistance to the Friends School of Portland to help fund the construction of a new school in Cumberland. Upon repayment of the bonds, ownership of the acquired assets transfers to the School. Neither the Town, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016, the outstanding principal balance of the revenue bonds was unknown.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES

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. For the year ended June 30, 2016, the Town's State valuation of \$1,144,550,000 was 2.80% of the County's State valuation of \$40,806,800,000. The Town's share is 2.80% or \$1,002,296 of Cumberland County's \$35,735,000 long-term debt outstanding at June 30, 2016.

The Town's proportionate share of Maine School Administrative District #51 debt of \$22,424,572 is \$15,586,376 (69.51%). This debt service is included in the annual assessments to the Town.

Contingencies

Portland Water District - 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 4.24% or \$2,009,391 of total debt of \$47,391,288. In addition, the Town's share of direct wastewater debt is 0.17% or \$68,750 of total debt of \$40,247,101.

Total Debt and Contingencies

Governmental Unit	June 30, 2016				
	Direct debt		Overlapping debt	Contingent debt	Total debt
	Governmental activities	Business-type activities			
Town of Cumberland	\$14,667,212	1,225,197	-	-	15,892,409
Cumberland County	-	-	1,002,296	-	1,002,296
M.S.A.D. #51	-	-	15,586,376	-	15,586,376
Portland Water District:					
Water and waste water debt	-	-	-	2,078,141	2,078,141
Totals	\$ 14,667,212	1,225,197	16,588,672	2,078,141	34,559,222

JOINTLY GOVERNED ORGANIZATION

The Town of Cumberland 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 also 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, the most recent information available, 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.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

JOINTLY GOVERNED ORGANIZATION, CONTINUED

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.

LEASES

The Town has one lease purchase agreement for a Town-owned building with Bateman Partners, LLC. The terms of the lease are an acquisition fee of \$480,000 in the year of signing the lease, then \$1 annually for 99 years, expiring in 2110. The Town's investment in property held for lease for the year ended June 30, 2016 was \$1,810,383, with accumulated depreciation of \$829,760.

Capital Leases

The Town has entered into lease agreements as lessee to finance the acquisition of photocopiers and lawn mowers for the golf course. These leases qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of their inception. In FY 2016, the Town ceased reporting the Val Halla golf course as an enterprise fund and all activity is now reported in the General Fund. As a result, the remaining balance of the Val Halla capital lease for lawn mowers of \$44,587 was transferred to Governmental Activities as of July 1, 2015. The schedules below include the remaining payments on the Val Halla lease.

The value of assets capitalized under these leases as of June 30, 2016 was:

	<u>Governmental Activities</u>
Photocopiers	\$ 24,368
<u>Lawn mowers</u>	<u>108,116</u>
<u>Totals</u>	<u>\$ 132,484</u>

The following is a schedule of future minimum lease payments required under these capital leases and the present value of the net minimum lease payments at June 30, 2016:

<u>Fiscal year ending June 30,</u>	<u>Governmental activities</u>
2017	\$ 28,734
<u>2018</u>	<u>3,948</u>
Total minimum lease payments	32,682
<u>Less: amount representing interest</u>	<u>1,058</u>
<u>Present value of future minimum lease payments</u>	<u>\$ 31,624</u>

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

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), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that can be obtained at www.mainebers.org.

Benefits Provided - The PLD Plan provides 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). 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.

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.

Employees are required to contribute between 7.0% and 9.0% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2016, were between 8.9% and 11.4% of annual payroll, 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. Contributions to the pension plan from the Town were \$175,653 for the year ended June 30, 2016.

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

At June 30, 2016, the Town reported a liability of \$1,084,542 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2015, the Town's proportion was 0.3399%.

For the year ended June 30, 2016, the Town recognized pension expense of \$11,890.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	139,291
Changes of assumptions	95,845	-
Net difference between projected and actual earnings on pension plan investments	334,729	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,107	-
Town contributions subsequent to the measurement date	175,653	-
Total	\$ 629,334	\$ 139,291

\$175,653 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 liability 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:

Year ended June 30:

2017	\$ (76,902)
2018	(76,902)
2019	(76,902)
2020	(83,684)

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:

Inflation	3.5%
Salary Increases	3.5% to 9.5% per year
Investment return	7.125% per annum, compounded annually
Cost of living benefit increases	2.55% per annum

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.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

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%
<u>Total</u>	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate 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 plan's 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 liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability 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%, 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%) or 1 percentage-point higher (8.125%) than the current rate:

	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	\$ 2,160,729	1,084,542	64,250

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 CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

457 RETIREMENT PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town matches employee contributions up to 7% of annual compensation, except for the Police Department, which receives up to an 8% match. The Town contributed \$72,877 and \$78,269 for the years ended June 30, 2016 and 2015, respectively, on behalf of Town employees.

The Town amended the plan in accordance with the provisions of IRS Section 457(g). Assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRS Section prescribes that the Town no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on their plan assets, were removed from the Town's financial statements.

FUND BALANCE

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

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Road Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Prepaid items and inventory	\$ 116,294	-	-	10,100	126,394
Principal for permanent funds	-	-	-	99,241	99,241
Total nonspendable	116,294	-	-	109,341	225,635
Restricted:					
TIF funds	-	-	-	420,343	420,343
Community band	-	-	-	632	632
Fuel assistance	-	-	-	35,477	35,477
Permanent funds accumulated earnings	-	-	-	174,914	174,914
Total restricted	-	-	-	631,366	631,366
Committed:					
Fire grant fund	-	-	-	27,191	27,191
Police fund	-	-	-	13,125	13,125
Twin Brook	-	-	-	3,674	3,674
Library fund	-	-	-	13,882	13,882
Capital project funds	-	-	-	733,735	733,735
Total committed	-	-	-	791,607	791,607
Assigned:					
General fund reserves	371,748	-	-	-	371,748
Debt service fund	-	-	-	474,937	474,937
Total assigned	371,748	-	-	474,937	846,685
Unassigned	2,023,066	(53,330)	(1,149,872)	(30,948)	788,916
Total fund balance	\$2,511,108	(53,330)	(1,149,872)	1,976,303	3,284,209

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS AND TAX ABATEMENTS

Under Maine law, the Town has established seven Tax Increment Financing Districts (TIFs) to finance development programs located in the Town of Cumberland.

These development programs will levy incremental tax upon the districts' "captured assessed value". The tax increment is remitted to the District over the life of the TIF District to assist in financing the development projects.

The status of the active Tax Increment Financing Districts is summarized below:

	Original Assessment	Captured Assessed	Taxes Remitted
<u>TIF District (capital projects funds)</u>	<u>Value</u>	<u>Value</u>	<u>to Districts</u>
Route One North District 1	\$ 355,000	39,846,800	721,227
Route One South District 2	339,400	10,963,800	198,445
Route One South District 3	3,717,000	6,888,300	124,678
Route 100 District 4	2,866,400	11,504,000	208,222
Route 100 District 5	5,867,800	5,156,700	93,336
Summit Natural Gas District 7	108,000	151,300	2,739
Taxable Personal Property in TIF Districts:			
Route One North District 1	-	589,300	10,666
Route One South District 2	-	595,300	10,775
Route One South District 3	13,800	271,400	4,912
Route 100 District 5	91,000	107,600	1,948
Summit Natural Gas 6	-	4,675,800	84,632
Summit Natural Gas 7	-	5,215,100	94,393
Total	\$ 13,358,400	85,965,400	1,555,973

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 or participates in public entity risk pools. Currently, the Town participates in a public entity pool for workers' compensation sponsored by the MEMIC in which participants in the pool share risk in proportion to their contributions.

Based on the coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2016. There were no significant reductions in insurance coverage from that of the prior year. Settled claims have not exceeded insurance coverage for any of the past three fiscal years. The amount of unpaid claims was \$0 at June 30, 2016.

COMMITMENTS

As of June 30, 2016, the Town had an ongoing commitment for the Middle Road water improvement engineering services. The contract had a remaining balance of approximately \$74,100. In addition, the Town had some minor projects for which the contracts will be completed in the next fiscal year.

TOWN OF CUMBERLAND, MAINE
Notes to Basic Financial Statements, Continued

SUBSEQUENT EVENTS

In July 2016, the Town Council voted to amend TIF District #1 to allow a Credit Enhancement Agreement with FMC Development, LLC d/b/a Memory Care Facility.

In November 2016, the Town Council approved the issuance of \$4.1 million in general obligation bonds to fund the improvements of the Central Fire Station.

TOWN OF CUMBERLAND, MAINE
Required Supplementary Information

Schedule of Town's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years*

	<u>2016</u> **	<u>2015</u> **
Town's proportion of the net pension liability	0.3399%	0.3108%
Town's proportionate share of the net pension liability	\$1,084,542	478,298
Town's covered-employee payroll	1,756,120	1,590,688
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	61.76%	30.07%
Plan fiduciary net position as a percentage of of the total pension liability	88.27%	94.10%

**Only two years of information available.*

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

TOWN OF CUMBERLAND, MAINE
Required Supplementary Information, Continued

Schedule of Town Contributions
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 175,653	140,342
Contributions in relation to the contractually required contribution	(175,653)	(140,342)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>-</u>
Town's covered-employee payroll	\$ 1,756,120	1,590,688
Contributions as a percentage of covered- employee payroll	10.00%	8.82%

**Only two years of information available.*

TOWN OF CUMBERLAND, MAINE
Notes to Required Supplementary Information

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.

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GENERAL FUND

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges, and capital improvement costs which are not paid through other funds.

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TOWN OF CUMBERLAND, MAINE
General Fund
Comparative Balance Sheets
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 4,642,708	5,684,235
Receivables:		
Accounts	190,931	132,854
Intergovernmental	68,593	343,042
Taxes - prior years	127,107	136,759
Taxes - current year	194,749	252,105
Prepaid expenditures	100,434	5,849
Inventory	15,860	-
Total assets	\$ 5,340,382	6,554,844
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable	310,572	235,154
Accrued payroll	120,902	179,692
Escrow liabilities	25,506	58,587
Taxes paid in advance	93,219	51,754
Interfund loans payable	2,089,114	3,660,659
Total liabilities	2,639,313	4,185,846
Deferred inflows of resources:		
Unavailable revenue - property taxes	189,961	302,213
Total deferred inflows of resources	189,961	302,213
Fund balance:		
Nonspendable	116,294	5,849
Assigned	371,748	324,899
Unassigned	2,023,066	1,736,037
Total fund balance	2,511,108	2,066,785
Total liabilities, deferred inflows of resources, and fund balance	\$ 5,340,382	6,554,844

TOWN OF CUMBERLAND, MAINE
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2016
(With comparative actual amounts for the year ended June 30, 2015)

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 21,674,741	21,765,553	90,812	20,510,934
Supplemental taxes	-	51,067	51,067	-
Outer island property taxes	40,000	39,889	(111)	41,867
Payments in lieu of taxes	23,793	29,608	5,815	28,656
Excise taxes	1,490,000	1,856,148	366,148	1,693,482
Total taxes	23,228,534	23,742,265	513,731	22,274,939
Licenses and permits:				
Town clerk licenses and fees	16,465	17,915	1,450	17,417
Snowmobile and boat registrations	700	858	158	2,177
Automobile registrations	21,000	21,562	562	21,207
Building permits	70,000	92,282	22,282	78,585
Electrical permits	18,000	19,002	1,002	18,490
Plumbing permits	18,000	14,955	(3,045)	20,054
Other permits	2,500	1,600	(900)	1,750
Total licenses and permits	146,665	168,174	21,509	159,680
Intergovernmental:				
State Revenue Sharing	395,850	428,938	33,088	421,155
Homestead and BETE reimbursements	186,859	191,612	4,753	190,404
Park fees	7,080	8,133	1,053	11,408
D.O.T. block grant	62,592	63,232	640	62,592
Public safety grants	25,000	25,000	-	30,206
State assistance	-	-	-	30,878
Municipal shared services	159,881	168,432	8,551	196,373
Total intergovernmental	837,262	885,347	48,085	943,016
Charges for services:				
Recreation programs	715,468	779,335	63,867	637,067
Val Halla golf programs	674,500	682,976	8,476	-
Park user fees	15,000	15,902	902	13,485
Police permits and services	45,700	38,582	(7,118)	36,573
Fire services	15,000	18,700	3,700	20,210
Ambulance and medical services	188,200	237,591	49,391	256,655
Waste disposal	267,500	296,339	28,839	287,257
Library income	3,500	6,100	2,600	7,759
Total charges for services	1,924,868	2,075,525	150,657	1,259,006

TOWN OF CUMBERLAND, MAINE
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund, Continued

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Revenues, continued:				
Other:				
Sale of assets	\$ 25,000	7,599	(17,401)	3,300
Interest revenue	200	6,456	6,256	5,897
Growth permits and fees	62,000	132,880	70,880	83,816
Cable TV	107,000	111,418	4,418	114,620
Interest and lien costs	40,000	39,165	(835)	42,479
Miscellaneous	55,699	66,387	10,688	111,200
Total other	289,899	363,905	74,006	361,312
Total revenues	26,427,228	27,235,216	807,988	24,997,953
Expenditures:				
Current:				
General government:				
Administration and council	548,827	611,711	(62,884)	533,111
Assessor	79,486	97,816	(18,330)	85,307
Town clerk and tax collector	221,002	228,137	(7,135)	199,347
Technology	166,546	167,767	(1,221)	163,861
Elections	11,953	7,968	3,985	15,520
Planning	63,775	73,727	(9,952)	58,365
Legal services	42,500	50,462	(7,962)	62,191
Total general government	1,134,089	1,237,588	(103,499)	1,117,702
Public safety:				
Police	1,257,423	1,350,920	(93,497)	1,198,303
Fire	885,161	891,703	(6,542)	863,068
Code enforcement	94,049	110,892	(16,843)	96,802
Animal control	27,661	31,972	(4,311)	28,468
Total public safety	2,264,294	2,385,487	(121,193)	2,186,641
Public services:				
Public works	1,024,331	991,019	33,312	978,911
Waste disposal	502,525	483,472	19,053	503,269
Parks	221,520	243,377	(21,857)	227,486
West Cumberland Hall and Historical Society building	9,877	6,764	3,113	8,227
Total public services	1,758,253	1,724,632	33,621	1,717,893

TOWN OF CUMBERLAND, MAINE
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund, Continued

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Recreation:				
Val Halla golf course	\$ 703,356	730,473	(27,117)	-
Recreation programs	783,686	867,137	(83,451)	751,980
Total recreation	1,487,042	1,597,610	(110,568)	751,980
Prince Memorial Library	411,267	415,406	(4,139)	387,703
Health and public assistance:				
Health services	13,375	13,433	(58)	10,389
General assistance	35,000	24,095	10,905	32,908
Total health and public assistance	48,375	37,528	10,847	43,297
Unclassified:				
Conservation Commission	6,000	6,047	(47)	3,480
Cemetery Association	26,700	41,567	(14,867)	26,450
Fire hydrant charges	65,000	62,288	2,712	57,904
Street lighting	37,000	43,345	(6,345)	37,077
Contingencies	25,000	1,299	23,701	19,112
Municipal building maintenance	80,629	84,322	(3,693)	174,175
Abatements	20,000	80,423	(60,423)	24,545
Total unclassified	260,329	319,291	(58,962)	342,743

TOWN OF CUMBERLAND, MAINE
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund, Continued

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Insurance	\$ 219,499	232,492	(12,993)	199,399
MSAD #51	15,557,051	15,557,051	-	14,313,306
County tax	747,431	747,431	-	696,073
Debt service:				
Principal	511,094	511,094	-	507,380
Lease payments	-	23,471	(23,471)	34,840
Interest	306,949	293,604	13,345	224,116
Total debt service	818,043	828,169	(10,126)	766,336
Capital projects (transfers to reserves)	1,206,457	1,206,457	-	1,323,868
Total expenditures	25,912,130	26,289,142	(377,012)	23,846,941
Excess of revenues over expenditures	515,098	946,074	430,976	1,151,012
Other financing sources (uses):				
Transfers in	-	2,841	2,841	29,146
Transfers to reserves	-	(99,262)	(99,262)	-
Transfers out	-	(472,301)	(472,301)	(979,056)
Total other financing sources (uses)	-	(568,722)	(568,722)	(949,910)
Net change in fund balance	515,098	377,352	(137,746)	201,102
Fund balance, beginning of year - budgetary basis		1,741,886		1,540,784
Fund balance, end of year - budgetary basis	\$	2,119,238		1,741,886
Reconciliation to GAAP:				
Change in reserves		66,971		197,143
Fund balance, beginning of year - GAAP basis		2,066,785		1,668,540
Fund balance, end of year - GAAP basis	\$	2,511,108		2,066,785

TOWN OF CUMBERLAND, MAINE
General Fund Reserves
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For year ended June 30, 2016

			Balance beginning of year	Charges for Services	Expenditures	Transfers in	Balance end of year
106	Circuit breaker	\$	68,086	-	800	50,000	117,286
109	Aging in place		40,420	-	34,105	45,000	51,315
110	MePERS IUUAL		189,627	-	30,500	-	159,127
208	HRA reserve		(4,262)	-	-	4,262	-
255	Fuel		26,766	147,993	114,879	-	59,880
Total		\$	320,637	147,993	180,284	99,262	387,608

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF CUMBERLAND, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Funds	Total Other Governmental Funds
ASSETS					
Investments	\$ -	-	-	274,155	274,155
Notes receivable	-	4,000	-	-	4,000
Prepaid expenditures	-	10,100	-	-	10,100
Interfund loans receivable	94,587	1,184,951	474,937	-	1,754,475
Total assets	\$ 94,587	1,199,051	474,937	274,155	2,042,730
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	52,654	-	-	52,654
Accrued payroll	606	6,240	-	-	6,846
Unearned revenue	-	4,000	-	-	4,000
Interfund loans payable	-	2,927	-	-	2,927
Total liabilities	606	65,821	-	-	66,427
Fund balances:					
Nonspendable	-	10,100	-	99,241	109,341
Restricted	36,109	420,343	-	174,914	631,366
Committed	57,872	733,735	-	-	791,607
Assigned	-	-	474,937	-	474,937
Unassigned	-	(30,948)	-	-	(30,948)
Total fund balances	93,981	1,133,230	474,937	274,155	1,976,303
Total liabilities and fund balances	\$ 94,587	1,199,051	474,937	274,155	2,042,730

TOWN OF CUMBERLAND, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Funds	Total Other Governmental Funds
Revenues:					
Taxes	\$ -	1,555,973	-	-	1,555,973
Charges for services	32,606	-	-	-	32,606
Intergovernmental	-	-	-	-	-
Donations	29,417	-	-	-	29,417
Other revenue	2,784	45,085	-	-	47,869
Investment income	-	-	-	3,156	3,156
Total revenues	64,807	1,601,058	-	3,156	1,669,021
Expenditures:					
Current:					
General government	-	469,989	-	-	469,989
Public safety	18,292	-	-	-	18,292
Recreation	2,411	-	-	-	2,411
Education and libraries	25,902	-	-	1,081	26,983
Health and public assistance	9,141	-	-	-	9,141
Capital outlay	-	1,769,237	-	-	1,769,237
Debt service:					
Principal	-	462,627	-	-	462,627
Interest	-	247,457	-	-	247,457
Total expenditures	55,746	2,949,310	-	1,081	3,006,137
Excess (deficiency) of revenues over (under) expenditures	9,061	(1,348,252)	-	2,075	(1,337,116)
Other financing sources (uses):					
Sale of assets	-	396,861	-	-	396,861
Transfers from other funds	-	782,509	82,807	-	865,316
Transfers to other funds	(2,841)	(103,009)	-	-	(105,850)
Total other financing sources (uses)	(2,841)	1,076,361	82,807	-	1,156,327
Net change in fund balances	6,220	(271,891)	82,807	2,075	(180,789)
Fund balances, beginning of year	87,761	1,405,121	392,130	272,080	2,157,092
Fund balances, end of year	\$ 93,981	1,133,230	474,937	274,155	1,976,303

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for resources obtained and expended for specified purposes that are restricted by law or administrative action.

Special Revenue Funds have been established for the following purposes:

Fire Grant Fund - To account for donations, grant funds and other dedicated fire related revenues and expenditures.

Recreation Programs Fund - To account for self-supporting recreation programs.

Police Fund - To account for donations, grant funds and other dedicated police related revenues and expenditures.

Twin Brooks Fund - To account for donations collected and funds expended to maintain the cross-country ski trails at the Twin Brooks recreational area.

Community Band - To account for donations and other restricted resources and expenditures related to the community band.

Library Fund - To account for donations, grant funds and other dedicated library related revenues and expenditures.

Fuel Assistance Fund - To account for donations and other revenue sources used to assist citizens with fuel purchases during the colder months of the year.

TOWN OF CUMBERLAND, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2016
(with comparative totals for June 30, 2015)

	Fire Grant Fund	Recreation Programs Fund	Police Fund	Twin Brook Fund	Community Band	Library Fund	Fuel Assistance Fund	Totals	
								2016	2015
ASSETS									
Accounts receivable	\$ -	-	-	-	-	-	-	-	2,034
Interfund loans receivable	27,326	-	13,125	3,674	632	14,353	35,477	94,587	87,383
Total assets	\$ 27,326	-	13,125	3,674	632	14,353	35,477	94,587	89,417
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	1,656
Accrued payroll	135	-	-	-	-	471	-	606	-
Total liabilities	135	-	-	-	-	471	-	606	1,656
Fund balances:									
Restricted	-	-	-	-	632	-	35,477	36,109	-
Committed	27,191	-	13,125	3,674	-	13,882	-	57,872	87,761
Total fund balances	27,191	-	13,125	3,674	632	13,882	35,477	93,981	87,761
Total liabilities and fund balances	\$ 27,326	-	13,125	3,674	632	14,353	35,477	94,587	89,417

TOWN OF CUMBERLAND, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016
(with comparative totals for June 30, 2015)

	Fire Grant Fund	Recreation Programs Fund	Police Fund	Twin Brook Fund	Community Band	Library Fund	Fuel Assistance Fund	Totals	
								2016	2015
Revenues:									
Donations	\$ -	-	6,225	-	632	2,150	20,410	29,417	37,121
Charges for services	15,800	-	-	-	-	16,806	-	32,606	108,967
Other revenue	434	-	285	-	-	2,065	-	2,784	85,598
Total revenues	16,234	-	6,510	-	632	21,021	20,410	64,807	231,686
Expenditures:									
Current:									
Public safety	16,744	-	1,548	-	-	-	-	18,292	87,378
Recreation	-	-	-	2,411	-	-	-	2,411	83,502
Education and libraries	-	-	-	-	-	25,902	-	25,902	16,429
Health and public assistance	-	-	-	-	-	-	9,141	9,141	16,934
Total expenditures	16,744	-	1,548	2,411	-	25,902	9,141	55,746	204,243
Excess (deficiency) of revenues over (under) expenditures	(510)	-	4,962	(2,411)	632	(4,881)	11,269	9,061	27,443
Other financing sources (uses):									
Transfer from other funds	-	-	-	-	-	-	-	-	4,333
Transfer to other funds	-	(2,841)	-	-	-	-	-	(2,841)	(39,979)
Total other financing sources (uses)	-	(2,841)	-	-	-	-	-	(2,841)	(35,646)
Net change in fund balances	(510)	(2,841)	4,962	(2,411)	632	(4,881)	11,269	6,220	(8,203)
Fund balances, beginning of year	27,701	2,841	8,163	6,085	-	18,763	24,208	87,761	95,964
Fund balances, end of year	\$ 27,191	-	13,125	3,674	632	13,882	35,477	93,981	87,761

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for resources obtained and expended for the acquisition of major capital facilities other than those employed in the delivery of services accounted for in Enterprise Funds.

The funds were established for the following purposes:

Town Building Reserves - To account for funds used for major repairs and maintenance or improvements to Town buildings.

Affordable Housing - To account for all activity related to the financing and development of Crossing Brook Subdivision.

Land Acquisition Fund - To account for funds set aside for the purchase of land.

TIF Funds - To account for tax revenues captured from assessed values of tax increment funding areas and the expenditures for approved projects.

Parking Lot Fund - To account for funds related to the Town's parking lot on Route 1, and the long term lease with Chebeague Transportation Company.

Tennis Court Fund - To account for funds used to reconstruct the tennis courts.

Route 1 Parking Lot - To account for funds set aside as a reserve for major or non-routine maintenance of the Route 1 parking lot.

Equipment Reserves Fund - Reserve fund for the purchases of miscellaneous equipment.

Broad Cove - To account for improvements at Broad Cove, including any revenues dedicated to such purpose.

Village Green - To account for lien release payments received and the amount due to the Town for the long-term lease of the former Drowne Road School.

TOWN OF CUMBERLAND, MAINE
Nonmajor Capital Project Funds
Combining Balance Sheet
June 30, 2016
(with comparative totals for June 30, 2015)

	Town Building Reserves	Affordable Housing	Land Acquisition Fund	TIF Funds	Parking Lot Fund	Tennis Court Fund	Reserve Rt 1 Parking	Equip. Reserves Fund	Broad Cove	Village Green	Totals	
											2016	2015
ASSETS												
Accounts receivable	\$ -	-	-	-	-	-	-	-	-	-	-	43,363
Notes receivable	-	-	-	-	-	-	-	-	-	4,000	4,000	62,500
Prepaid expenditures	-	-	-	-	-	-	-	10,100	-	-	10,100	-
Interfund loans receivable	-	-	175,238	447,001	9,742	5,280	16,383	39,351	181,216	310,740	1,184,951	2,255,098
Total assets	\$ -	-	175,238	447,001	9,742	5,280	16,383	49,451	181,216	314,740	1,199,051	2,360,961
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	28,021	-	175	20,418	-	-	179	3,380	481	-	52,654	125,340
Accrued payroll	-	-	-	6,240	-	-	-	-	-	-	6,240	7,610
Unearned revenue	-	-	-	-	-	-	-	-	-	4,000	4,000	62,500
Interfund loans payable	2,927	-	-	-	-	-	-	-	-	-	2,927	6,226
Total liabilities	30,948	-	175	26,658	-	-	179	3,380	481	4,000	65,821	201,676
Fund balances (deficits):												
Nonspendable	-	-	-	-	-	-	-	10,100	-	-	10,100	-
Restricted	-	-	-	420,343	-	-	-	-	-	-	420,343	242,556
Committed	-	-	175,063	-	9,742	5,280	16,204	35,971	180,735	310,740	733,735	1,922,955
Unassigned	(30,948)	-	-	-	-	-	-	-	-	-	(30,948)	(6,226)
Total fund balances (deficits)	(30,948)	-	175,063	420,343	9,742	5,280	16,204	46,071	180,735	310,740	1,133,230	2,159,285
Total liabilities and fund balances	\$ -	-	175,238	447,001	9,742	5,280	16,383	49,451	181,216	314,740	1,199,051	2,360,961

TOWN OF CUMBERLAND, MAINE
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016
(with comparative totals for June 30, 2015)

	Town Building Reserves	Affordable Housing	Land Acquisition Fund	TIF Funds	Parking Lot Fund	Tennis Court Fund	Reserve Rt 1 Parking	Equip. Reserves Fund	Broad Cove	Village Green	Totals	
											2016	2015
Revenues:												
Taxes	\$ -	-	-	1,555,973	-	-	-	-	-	-	1,555,973	1,251,165
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	73,842
Other revenue	146	25,597	574	-	15,968	-	2,800	-	-	-	45,085	62,419
Total revenues	146	25,597	574	1,555,973	15,968	-	2,800	-	-	-	1,601,058	1,387,426
Expenditures:												
Current:												
General government	11,742	-	15,312	351,347	-	18,371	2,726	2,495	67,996	-	469,989	271,329
Public services	-	-	-	-	-	-	-	-	-	-	-	31,831
Capital outlay	364,306	-	586,932	316,755	-	-	-	421,392	79,852	-	1,769,237	1,318,292
Debt service:												
Principal	-	-	-	462,627	-	-	-	-	-	-	462,627	459,382
Interest	-	-	-	247,457	-	-	-	-	-	-	247,457	255,655
Total expenditures	376,048	-	602,244	1,378,186	-	18,371	2,726	423,887	147,848	-	2,949,310	2,336,489
Excess (deficiency) of revenues over (under) expenditures	(375,902)	25,597	(601,670)	177,787	15,968	(18,371)	74	(423,887)	(147,848)	-	(1,348,252)	(949,063)
Other financing sources (uses):												
Sale of assets	-	-	338,361	-	-	-	-	-	-	58,500	396,861	-
Transfer from other funds	143,000	-	103,009	-	-	-	-	386,500	150,000	-	782,509	1,676,457
Transfer to other funds	-	(103,009)	-	-	-	-	-	-	-	-	(103,009)	(165,602)
Total other financing sources (uses)	143,000	(103,009)	441,370	-	-	-	-	386,500	150,000	58,500	1,076,361	1,510,855
Net change in fund balances	(232,902)	(77,412)	(160,300)	177,787	15,968	(18,371)	74	(37,387)	2,152	58,500	(271,891)	561,792
Fund balances (deficits), beginning of year	201,954	77,412	335,363	242,556	(6,226)	23,651	16,130	83,458	178,583	252,240	1,405,121	1,597,493
Fund balances (deficits), end of year	\$ (30,948)	-	175,063	420,343	9,742	5,280	16,204	46,071	180,735	310,740	1,133,230	2,159,285

NONMAJOR GOVERNMENTAL FUNDS

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.

Prince Fund - To support Greely High School. It is applied to MSAD #51 annual assessment.

Cumberland School Fund - To support the schools. It is applied to MSAD #51's annual assessment.

Paul Merrill Fund - To be used to support the Library.

Sweetser Fund - To be used to purchase non-fiction books for the Library.

Historical Society Fund - To maintain and support the Cumberland Historical Society.

TOWN OF CUMBERLAND, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2016

	Prince Fund	Cumberland School Fund	Paul Merrill Fund	Sweetser Fund	Historical Society Fund	Totals
ASSETS						
Investments	\$ 52,163	53,882	72,979	45,089	50,042	274,155
Total assets	52,163	53,882	72,979	45,089	50,042	274,155
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund loans payable	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balances:						
Nonspendable:						
Principal	2,165	2,225	56,187	34,714	3,950	99,241
Restricted:						
Accumulated earnings	49,998	51,657	16,792	10,375	46,092	174,914
Total fund balances	52,163	53,882	72,979	45,089	50,042	274,155
Total liabilities and and fund balances	\$ 52,163	53,882	72,979	45,089	50,042	274,155

TOWN OF CUMBERLAND, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Prince Fund	Cumberland School Fund	Paul Merrill Fund	Sweetser Fund	Historical Society Fund	Totals
Revenues:						
Investment income	\$ 496	512	694	428	1,026	3,156
Total revenues	496	512	694	428	1,026	3,156
Expenditures:						
Current:						
Other miscellaneous	-	-	-	-	1,081	1,081
Total expenditures	-	-	-	-	1,081	1,081
Net change in fund balances	496	512	694	428	(55)	2,075
Fund balances, beginning of year	51,667	53,370	72,285	44,661	50,097	272,080
Fund balances, end of year	\$ 52,163	53,882	72,979	45,089	50,042	274,155

FIDUCIARY FUNDS -
PRIVATE-PURPOSE TRUST FUNDS
AGENCY FUND

TOWN OF CUMBERLAND, MAINE
Fiduciary Funds - Private-purpose Trust
Combining Statement of Fiduciary Net Position
June 30, 2016

		John M. and Lillian R. Kimball Award Trust	Eliphalet Greely Fund	Scholar- ship Fund	Lynne Pickard Scholar- ship	Carle Henry Music Scholar- ship	Louis Lambert Scholar- ship	Roy O'Looke Scholar- ship	Jessica Parker Fund	Tom Pollis Scholar- ship	Totals
ASSETS											
Investments	\$	18,525	83,691	12,299	1,758	-	6,661	634	1,169	39,901	164,638
Due from others		-	230	-	-	-	-	-	-	-	230
Due from general fund		500	-	-	-	100	-	-	-	-	600
Total assets		19,025	83,921	12,299	1,758	100	6,661	634	1,169	39,901	165,468
LIABILITIES											
Accounts payable		-	-	500	-	-	-	-	-	-	500
Due to others		-	-	-	-	230	-	-	-	-	230
Due to general fund		-	-	1,000	500	-	500	-	-	-	2,000
Total liabilities		-	-	1,500	500	230	500	-	-	-	2,730
NET POSITION											
Held in trust		19,025	83,921	10,799	1,258	(130)	6,161	634	1,169	39,901	162,738
Total net position	\$	19,025	83,921	10,799	1,258	(130)	6,161	634	1,169	39,901	162,738

TOWN OF CUMBERLAND, MAINE
Fiduciary Funds - Private-purpose Trust
Combining Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2016

	John M. and Lillian R. Kimball Award Trust	Eliphalet Greely Fund	Scholar- ship Fund	Lynne Pickard Scholar- ship	Carle Henry Music Scholar- ship	Louis Lambert Scholar- ship	Roy O'Looke Scholar- ship	Jessica Parker Fund	Tom Pollis Scholar- ship	Totals
Additions:										
Donations	\$ 500	-	-	-	600	-	-	-	-	1,100
Investment income	251	797	441	44	38	93	46	11	379	2,100
Total additions	751	797	441	44	638	93	46	11	379	3,200
Deductions:										
Scholarships awarded	-	-	1,500	500	500	500	-	-	-	3,000
Total deductions	-	-	1,500	500	500	500	-	-	-	3,000
Change in net position	751	797	(1,059)	(456)	138	(407)	46	11	379	200
Net position, beginning of year	18,274	83,124	11,858	1,714	(268)	6,568	588	1,158	39,522	162,538
Net position, end of year	\$ 19,025	83,921	10,799	1,258	(130)	6,161	634	1,169	39,901	162,738

TOWN OF CUMBERLAND, MAINE
Fiduciary Funds - Agency Funds
Food Pantry Component Unit
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2016

	Balance			Balance
	July 1, 2015	Additions	Deductions	June 30, 2016
ASSETS				
Cash and cash equivalents	\$ 34,470	1,773	-	36,243
Accounts receivable	170	1,353	1,523	-
Due from general fund	28,860	41,786	49,656	20,990
Total assets	63,500	44,912	51,179	57,233
LIABILITIES				
Accounts payable	246	35,765	35,476	535
Due to others	63,254	39,891	46,447	56,698
Total liabilities	\$ 63,500	75,656	81,923	57,233

STATISTICAL SECTION

This part of the Town of Cumberland, 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
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
Revenue Capacity	5-9
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source; property tax.</i>	
Debt Capacity	10-13
<i>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.</i>	
Demographic and Economic Information	14-15
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
Operating Information	16-19
<i>These schedules 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.</i>	

Table 1

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

		Fiscal Year									
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:											
Net investment in capital assets	\$	11,113,384	10,583,895	10,583,895	11,713,982	12,802,336	14,008,107	14,926,352	17,201,613	17,444,794	24,310,199
Restricted		2,972,299	880,653	880,653	6,017,503	1,547,884	693,885	629,042	375,206	514,636	730,607
Unrestricted		(2,140,877)	313,189	313,189	(5,235,485)	1,053	2,205,304	3,066,957	2,943,496	3,195,467	1,346,278
Total governmental activities net position	\$	11,944,806	11,777,737	11,777,737	12,496,000	14,351,273	16,907,296	18,622,351	20,520,315	21,154,897	26,387,084
Business-type activities:											
Net investment in capital assets	\$	3,341,611	4,570,731	4,570,731	4,471,150	4,403,855	4,129,831	4,002,886	3,873,747	3,633,799	1,781,340
Unrestricted		(1,356,391)	(1,370,379)	(1,370,379)	(1,440,318)	(1,454,977)	(1,126,224)	(670,882)	183,177	840,271	1,098,893
Total business-type activities net position		1,985,220	3,200,352	3,200,352	3,030,832	2,948,878	3,003,607	3,332,004	4,056,924	4,474,070	2,880,233
Primary government:											
Net investment in capital assets	\$	14,454,995	15,154,626	15,154,626	16,185,132	17,206,191	18,137,938	18,929,238	21,075,360	21,078,593	26,091,539
Restricted		2,972,299	880,653	880,653	6,017,503	1,547,844	693,885	629,042	375,206	514,636	730,607
Unrestricted		(3,497,268)	(1,057,190)	(1,057,190)	(6,675,803)	(1,453,924)	1,079,080	2,396,075	3,126,673	4,035,738	2,445,171
Total primary government net position	\$	13,930,026	14,978,089	14,978,089	15,526,832	17,300,111	19,910,903	21,954,355	24,577,239	25,628,967	29,267,317

*In FY 2016, the Town ceased reporting the Val Hall golf course as an enterprise fund. All amounts are now reported in the General Fund and Governmental Activities.

Table 2

TOWN OF CUMBERLAND, 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*
Expenses										
Governmental activities:										
General government	\$ 5,159,324	5,505,136	3,783,966	3,285,510	2,915,710	2,999,452	3,341,630	2,712,115	2,576,262	2,947,324
Public safety	2,012,200	2,317,211	2,220,293	2,120,117	2,056,052	2,095,961	2,176,839	2,282,922	2,514,371	2,636,327
Public services	1,249,056	1,463,427	1,162,830	1,208,065	1,283,560	1,424,931	1,500,458	1,660,289	2,862,022	4,902,734
Health and public assistance	935,715	758,204	834,347	857,366	773,763	748,016	755,562	668,729	86,796	83,022
Recreation	565,395	599,328	595,531	650,799	618,226	866,166	913,637	991,973	948,009	1,855,156
Education and libraries	12,717,167	11,361,373	10,801,875	11,368,432	12,259,218	12,787,351	13,649,666	14,159,614	14,795,916	16,075,925
Interest on debt	502,022	531,842	562,089	648,993	619,316	557,285	616,399	526,065	605,148	486,383
Total governmental activities expenses	23,140,879	22,536,521	19,960,931	20,139,282	20,525,845	21,479,162	22,954,191	23,001,707	24,388,524	28,986,871
Business-type activities:										
Senior Housing	236,583	233,686	244,777	270,422	323,468	234,753	283,930	227,347	292,029	305,163
Sewer System	814,256	858,224	913,642	831,988	791,667	797,545	824,941	823,999	843,432	838,334
Val Halla Golf and Recreation Center	1,212,925	1,086,274	859,546	789,926	757,662	822,688	788,704	844,772	944,462	-
Total business-type activities expenses	2,263,764	2,178,184	2,017,965	1,892,336	1,872,797	1,854,986	1,897,575	1,896,118	2,079,923	1,143,497
Total primary government expenses	\$ 25,404,643	24,714,705	21,978,896	22,031,618	22,398,642	23,334,148	24,851,766	24,897,825	26,468,447	30,130,368
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 660,989	601,639	344,101	462,566	449,371	341,769	399,286	361,850	360,104	584,060
Public safety	323,404	299,296	355,846	207,097	213,768	257,097	299,106	288,322	410,695	311,392
Public services	1,849	2,679	1,478	16,687	6,864	5,544	24,885	2,300	320,850	444,332
Health and public assistance	260,593	234,789	215,050	222,240	282,515	279,185	278,811	283,564	-	-
Recreation	350,890	423,781	393,970	394,246	393,779	671,796	669,344	714,346	768,827	1,478,213
Education and libraries	11,474	3,931	4,363	7,852	140,098	146,298	156,665	158,260	167,135	24,971
Interest on debt	182,965	182,240	182,241	182,241	182,241	-	-	-	-	-
Operating grants and contributions	281,157	235,807	351,020	257,629	110,018	96,300	198,433	200,114	172,205	125,782
Capital grants and contributions	2,276,730	279,136	398,369	170,238	718,795	1,669,298	937,223	614,019	309,461	3,205,460
Total governmental activities program revenues	4,350,051	2,263,298	2,246,438	1,920,796	2,497,449	3,467,287	2,963,753	2,622,775	2,509,277	6,174,210
Business-type activities:										
Charges for services:										
Senior Housing	\$ 266,665	274,864	277,502	282,165	271,013	291,798	281,864	289,816	318,745	315,803
Sewer System	667,031	720,257	992,992	831,242	839,773	877,309	848,214	890,012	918,929	955,624
Val Halla Golf and Recreation Center	917,320	832,536	594,030	541,918	566,857	662,322	614,556	608,525	625,406	-
Capital grants and contributions	-	-	-	59,789	-	-	-	-	-	-
Total business-type activities program revenues	1,851,016	1,827,657	1,864,524	1,715,114	1,677,643	1,831,429	1,744,634	1,788,353	1,863,080	1,271,427
Total primary government program revenues	\$ 6,201,067	4,090,955	4,110,962	3,635,910	4,175,092	5,298,716	4,708,387	4,411,128	4,372,357	7,445,637
Net (expense)/revenue:										
Governmental activities	\$ (18,790,828)	(20,273,223)	(17,714,493)	(18,218,486)	(18,028,396)	(18,011,875)	(19,990,438)	(20,378,932)	(21,879,247)	(22,812,661)
Business-type activities	(412,748)	(350,527)	(153,441)	(177,222)	(195,154)	(23,557)	(152,941)	(107,765)	(216,843)	127,930
Total primary government net expense	\$ (19,203,576)	(20,623,750)	(17,867,934)	(18,395,708)	(18,223,550)	(18,035,432)	(20,143,379)	(20,486,697)	(22,096,090)	(22,684,731)

*In FY 2016, the Town ceased reporting the Val Hall golf course as an enterprise fund. All amounts are now reported in the General Fund and Governmental Activities.

Table 2, Cont.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 16,648,065	15,146,730	15,153,763	15,815,303	16,831,342	17,427,641	18,737,957	19,558,835	20,441,626	21,743,533
TIF District taxes	-	659,342	798,778	853,066	890,507	940,566	1,006,641	1,102,803	1,251,165	1,555,973
Excise taxes	1,480,483	1,416,261	1,348,642	1,372,271	1,377,972	1,364,192	1,460,329	1,633,132	1,693,482	1,856,148
Outer island property taxes	-	39,609	38,890	38,736	39,663	39,814	40,465	41,566	41,867	39,889
County tax refund	-	60,667	-	-	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-	22,500	23,112	28,656	29,608
Unrestricted grants and contributions	826,289	917,139	875,441	751,799	706,932	791,033	829,482	603,229	611,559	620,550
Investment earnings	270,487	144,254	71,519	16,342	13,069	6,030	3,076	247	5,897	6,456
Miscellaneous	93,883	84,897	195,382	96,934	121,144	44,206	85,842	143,972	304,127	470,847
Gain (loss) on sale of assets	-	-	-	-	-	(258,405)	-	-	-	-
Transfers	21,391	(400,829)	(934,991)	(7,702)	(97,000)	212,861	(480,799)	(830,000)	(627,451)	1,721,844
Total governmental activities	19,340,598	18,068,070	17,547,424	18,936,749	19,883,629	20,567,938	21,705,493	22,276,896	23,750,928	28,044,848
Business-type activities:										
Investment earnings	-	-	-	-	-	-	539	2,685	6,538	77
Miscellaneous	-	-	433,582	-	16,200	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	291,147	-	-	-	-
Transfers	(21,391)	400,829	934,991	7,702	97,000	(212,861)	480,799	830,000	627,451	(1,721,844)
Total business-type activities	(21,391)	400,829	1,368,573	7,702	113,200	78,286	481,338	832,685	633,989	(1,721,767)
Total primary government	\$ 19,319,207	18,468,899	18,915,997	18,944,451	19,996,829	20,646,224	22,186,831	23,109,581	24,384,917	26,323,081
Change in Net Position										
Governmental activities	549,770	(2,205,153)	(167,069)	718,263	1,855,233	2,556,063	1,715,055	1,897,964	1,871,681	5,232,187
Business-type activities	(434,139)	50,302	1,215,132	(169,520)	(81,954)	54,729	328,397	724,920	417,146	(1,593,837)
Special item:										
Chebeague settlement	-	1,300,000	-	-	-	-	-	-	-	-
Total primary government	\$ 115,631	(854,851)	1,048,063	548,743	1,773,279	2,610,792	2,043,452	2,622,884	2,288,827	3,638,350

Note: In 2007, the TIF allocation was netted against property tax revenue.

Table 3

TOWN OF CUMBERLAND, MAINE
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
General Fund											
Nonspendable	\$	-	-	-	-	-	1,503,847	1,161,834	477,451	5,849	116,294
Assigned		833,189	852,000	1,280,000	-	-	-	-	-	-	371,748
Unassigned		709,878	824,968	714,776	1,999,806	2,150,042	727,371	1,433,829	1,191,089	2,060,936	2,023,066
Total general fund	\$	1,543,067	1,676,968	1,994,776	1,999,806	2,150,042	2,231,218	2,595,663	1,668,540	2,066,785	2,511,108
All Other Governmental Funds											
Nonspendable, reported in:											
Capital projects	\$	-	-	-	-	-	-	-	-	-	10,100
Permanent funds		100,033	100,033	99,241	99,241	99,241	99,241	99,241	99,241	99,241	99,241
Restricted, reported in:											
Permanent funds		145,012	140,232	152,226	162,356	166,258	175,263	172,751	174,474	172,839	174,914
Capital projects		1,630,734	2,732,034	629,186	5,755,906	1,282,345	419,381	322,607	49,438	242,556	420,343
Special revenue funds		-	-	-	-	-	-	34,443	52,053	-	36,109
Committed, reported in:											
Special revenue funds		75,922	87,135	70,887	52,230	25,200	19,689	65,313	97,335	87,761	57,872
Capital projects funds		-	-	-	-	-	-	-	-	850	733,735
Assigned, reported in:											
Capital projects funds		-	144,742	3,668,697	16,344	415,127	500,744	889,318	1,592,351	1,922,955	-
Debt service fund		-	-	-	-	-	-	-	-	392,130	474,937
Unassigned, reported in:											
Special revenue funds		-	-	-	-	(15,119)	(636)	-	(4,140)	-	-
Capital projects funds		(721,096)	(693,799)	(832,285)	(608,542)	(775,128)	(143,779)	(48,802)	(44,296)	(6,226)	(1,234,150)
Total all other governmental funds	\$	1,230,605	2,510,377	3,787,952	5,477,535	1,197,924	1,069,903	1,534,871	2,016,456	2,912,106	773,101
Total governmental funds	\$	2,773,672	4,187,345	5,782,728	7,477,341	3,347,966	3,301,121	4,130,534	3,684,996	4,978,891	3,284,209

Note: GASB 54 was implemented in 2011. Some of the total deficit fund balances have been restated as unassigned.

TOWN OF CUMBERLAND, 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
Revenues										
Taxes	\$ 18,115,448	17,261,942	17,340,073	18,079,376	19,117,812	19,721,213	21,327,892	22,081,219	23,526,104	25,298,238
Licenses and permits	170,982	121,005	88,091	101,642	110,504	132,652	178,099	161,923	159,680	168,174
Intergovernmental	1,502,282	1,278,457	1,226,461	1,009,428	840,911	888,833	984,143	1,211,643	1,016,858	1,353,722
Charges for services	909,749	983,405	819,080	950,583	1,108,242	1,325,445	1,364,425	1,215,255	1,388,081	2,256,124
Rental Income	190,940	182,240	182,241	182,241	182,241	-	-	-	-	-
Other	1,626,596	905,148	1,072,907	541,977	1,096,696	761,626	1,355,486	671,631	735,520	444,347
Total revenues	22,515,997	20,732,197	20,728,853	20,865,247	22,456,406	22,829,769	25,210,045	25,341,671	26,826,243	29,520,605
Expenditures										
General government	953,942	1,126,505	1,076,082	1,031,502	950,235	1,050,648	1,197,680	1,260,888	1,405,149	1,738,077
Public safety	1,804,220	2,091,049	1,992,024	1,949,939	1,835,525	1,875,363	1,929,209	2,042,544	2,274,019	2,403,779
Public services	965,115	1,235,331	895,922	866,539	915,444	875,317	943,702	898,293	1,749,724	1,839,511
Health and public assistance	931,318	756,913	833,056	856,075	772,472	745,484	752,371	665,538	85,348	81,574
Recreation	492,247	510,828	482,173	498,395	472,959	723,597	768,969	850,481	835,482	1,600,021
Education and libraries	12,639,338	11,283,458	10,725,405	11,291,481	12,182,332	12,710,146	13,572,445	14,083,574	14,718,516	15,999,440
Unclassified	2,467,051	1,814,050	1,695,175	1,737,315	1,654,289	1,377,654	1,479,000	1,536,203	1,270,640	1,299,214
Capital outlay	3,343,754	2,894,559	3,155,100	3,696,231	6,187,380	1,668,130	1,384,048	2,072,124	4,434,772	5,089,978
Debt service:										
Principal	613,627	850,448	797,834	797,063	1,094,279	1,186,508	1,300,312	1,010,161	1,001,602	997,192
Interest	464,122	524,856	545,708	615,893	619,316	576,657	596,465	537,403	479,821	541,061
Total expenditures	24,674,734	23,087,997	22,198,479	23,340,433	26,684,231	22,789,504	23,924,201	24,957,209	28,255,073	31,589,847
Excess (deficiency) of revenues over (under) expenditures	(2,158,737)	(2,355,800)	(1,469,626)	(2,475,186)	(4,227,825)	40,265	1,285,844	384,462	(1,428,830)	(2,069,242)
Other financing sources (uses)										
Transfers in	2,088,768	1,542,138	1,251,176	8,247,270	933,718	1,570,437	1,330,538	1,978,779	2,163,184	1,763,157
Transfers out	(2,067,377)	(1,942,967)	(2,186,167)	(854,972)	(1,030,718)	(1,357,576)	(1,811,337)	(2,808,779)	(2,790,635)	(1,785,458)
Sale of assets	-	-	-	-	-	-	-	-	-	396,861
Payment to refunded bond escrow agent	-	-	-	-	-	(299,971)	-	-	(2,931,919)	-
Bonds issued	-	2,775,802	4,000,000	4,100,000	-	-	-	-	5,730,000	-
Premiums on bonds issued	-	-	-	-	-	-	-	-	601,379	-
Capital leases	257,348	94,500	-	77,500	195,450	-	24,368	-	-	-
Total other financing sources (uses)	278,739	2,469,473	3,065,009	11,569,798	98,450	(87,110)	(456,431)	(830,000)	2,772,009	374,560
Special item:										
Chebeague settlement	-	1,300,000	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (1,879,998)	1,413,673	1,595,383	9,094,612	(4,129,375)	(46,845)	829,413	(445,538)	1,343,179	(1,694,682)
Debt service as a percentage of noncapital expenditures	4.94%	6.63%	6.91%	7.04%	8.25%	8.16%	8.19%	6.40%	6.14%	5.33%

Table 5

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

Fiscal Year		Real estate	Personal property	Excise tax	Total
2007	\$	16,974	185	1,480	18,639
2008		15,563	199	1,416	17,178
2009		15,750	152	1,349	17,251
2010		16,457	155	1,372	17,984
2011		17,480	187	1,378	19,045
2012		18,117	202	1,364	19,683
2013		19,457	227	1,460	21,144
2014		20,345	265	1,633	22,243
2015		21,492	270	1,693	23,455
2016		22,918	404	1,856	25,178

Note: The table does not include outer island taxes, supplemental taxes, payments in lieu of taxes or interest and costs.

Table 6

TOWN OF CUMBERLAND, MAINE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(dollar amounts expressed in thousands)

Fiscal Year Ended June 30	Real Property	Personal Property (1)	Less: Tax Exempt Real Property (1)	Total Taxable Assessed Value (1)	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Assessed Value as a Percentage of Actual Value
	Residential and Commercial Property (1)						
2007	\$ 931,680	9,539	57,045	884,174	4.32	1,286,200	74.1%
2008	839,577	10,076	53,561	796,092	4.46	1,132,250	61.9%
2009	1,198,642	10,807	73,626	1,135,823	4.78	1,162,000	100.3%
2010	1,204,984	10,661	73,908	1,141,737	3.96	1,131,350	98.3%
2011	1,214,634	12,167	73,370	1,153,431	4.01	1,084,700	102.0%
2012	1,220,096	12,754	73,421	1,159,429	4.07	1,068,500	106.9%
2013	1,249,248	13,723	73,589	1,189,382	4.41	1,056,700	111.3%
2014	1,270,281	15,590	73,494	1,212,377	4.59	1,057,800	114.6%
2015	1,305,746	15,495	76,970	1,244,271	5.13	1,099,350	113.2%
2016	1,341,466	22,333	81,519	1,282,280	5.39	1,144,550	112.0%

(1) Source - Cumberland Assessor's office

(2) Source - Maine Revenue Services

Note: Each year, Maine Revenue Services must certify to the Secretary of State the full equalized value of all real and personal property, which is subject to taxation in a municipality. The State Valuation process is based on a compilation of a sales ratio study which measures the assessed value of residential and certain commercial properties relative to their actual selling price. The State Valuation lags actual market values and municipal assessments by nearly two years by the time it is final and certified. Accordingly, for the 2016 State Valuation, work on the sales ratio analysis commenced in the fall of 2014 and utilized actual sales data from July 2013 to June 2014.

Note: The table does not include outer island taxes, payments in lieu of taxes or interest and costs.

Table 7

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

<u>Fiscal year</u>	<u>Town Direct and Overlapping Rates*</u>					
	<u>Direct</u>			<u>Overlapping</u>		<u>Total rate</u>
	<u>Town rate</u>		<u>Total direct rate</u>	<u>Education rate</u>	<u>County rate</u>	
	<u>Operating</u>	<u>Debt service</u>				
2007	4.28	0.18	4.46	14.17	0.77	19.40
2008	4.59	0.19	4.78	14.13	0.89	19.80
2009 (1)	3.80	0.16	3.96	9.50	0.54	14.00
2010	3.85	0.16	4.01	9.98	0.56	14.55
2011	3.88	0.16	4.04	10.72	0.54	15.30
2012	3.91	0.16	4.07	11.19	0.54	15.80
2013	4.23	0.18	4.41	11.59	0.55	16.55
2014	4.43	0.16	4.59	11.83	0.58	17.00
2015	4.93	0.20	5.13	11.70	0.57	17.40
2016	4.94	0.45	5.39	12.13	0.58	18.10

* Tax rates are based upon \$1,000 of assessed value

SOURCE: Cumberland assessor's office

(1) Revaluation

Table 8

TOWN OF CUMBERLAND, MAINE Principal Property Taxpayers Current Year and Nine Years Ago						
Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Central Maine Power Company	\$ 42,208,900	1	3.29%	5,719,800	1	0.64%
Summit Natural Gas	9,890,900	2	0.77%			
179 Foreside, LLC	7,729,600	3	0.60%			
Martin Joseph R.	5,036,300	4	0.39%	3,689,000	5	0.41%
Maine Standards Company, LLC	4,650,500	5	0.36%			
Mirza, Zareen Taj	4,412,500	6	0.34%			
Maritime & Northeast Pipeline	3,936,700	7	0.31%	3,936,700	4	0.44%
Lemole, Emily Jane A-Trustee	3,837,200	8	0.30%	4,166,900	3	0.46%
Munjoy Hill EPM, LLC	3,465,000	9	0.27%			
Mathias, Glenn	3,249,400	10	0.25%			
Spears Hill, LLC				4,519,200	2	0.50%
Scorpio Island Corp.				3,484,400	6	0.39%
Dumont, Martha E.				2,830,900	7	0.31%
Wheaton, Barbara K. - Trustee				2,273,900	8	0.25%
BBW Real Estate LLC				2,004,500	9	0.22%
Oestreicher, Charles R. - Trustee				1,995,400	10	0.22%
Totals	\$ 88,417,000		6.90%	34,620,700		3.84%

SOURCE: Cumberland assessor's office

Table 9

TOWN OF CUMBERLAND, MAINE Property Tax Levies and Collections Last Ten Fiscal Years (dollar amounts expressed in thousands)							
Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2007	\$ 17,152	16,917	98.62%	222	17,139	99.92%	
2008	15,762	15,469	98.13%	293	15,762	100.00%	
2009	15,902	15,589	98.03%	312	15,901	99.99%	
2010	16,612	16,341	98.37%	270	16,611	99.99%	
2011	17,647	17,359	98.37%	284	17,643	99.98%	
2012	18,319	17,942	97.94%	372	18,314	99.97%	
2013	19,684	19,385	98.48%	294	19,679	99.97%	
2014	20,610	20,329	98.64%	276	20,605	99.98%	
2015	21,650	21,398	98.84%	160	21,558	99.58%	
2016	23,209	23,014	99.16%	-	23,014	99.16%	

Note: excludes supplemental taxes

Table 10

TOWN OF CUMBERLAND, MAINE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Notes Payable	Unamortized Bond Premium	Capital Leases	General Obligation Bonds	Unamortized Bond Premium	Notes Payable	Capital leases			
2007	\$ 7,708,754	992,800	-	314,587	1,620,137	-	264,718	149,225	11,050,221	4.588%	1,544
2008	9,974,189	910,067	-	101,539	1,523,582	-	249,529	118,842	12,877,748	5.347%	1,799
2009	13,704,931	827,333	-	63,785	1,025,000	-	234,034	91,208	15,946,291	6.621%	2,227
2010	17,090,601	744,600	-	101,600	960,000	-	218,009	62,234	19,177,044	5.847%	2,514
2011	16,079,055	661,867	-	230,623	890,000	-	201,881	31,854	18,095,280	5.910%	2,509
2012	14,766,489	579,134	-	160,147	780,000	42,853	185,428	108,116	16,622,167	5.203%	2,316
2013	13,583,751	496,400	-	131,840	690,000	37,496	168,858	86,210	15,194,555	4.756%	2,107
2014	12,691,163	413,667	-	66,179	600,000	32,139	151,734	65,756	14,020,638	3.503%	1,896
2015	14,737,134	330,934	571,310	13,843	1,245,000	99,984	-	44,587	17,042,792	3.341%	2,257
2016	13,846,146	248,201	541,241	31,624	1,135,001	90,196	-	-	15,892,409	3.116%	2,045

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

(1) Based on population as provided by the U.S. Bureau of the Census, Greater Portland Council of Governments

Table 11

TOWN OF CUMBERLAND, MAINE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2007	\$ 9,328,891	0.78%	1,303
2008	11,497,771	0.89%	1,606
2009	14,729,931	1.30%	2,058
2010	18,050,601	1.55%	2,367
2011	16,969,055	1.50%	2,353
2012	15,589,342	1.37%	2,172
2013	14,311,247	1.26%	1,985
2014	13,323,302	1.56%	2,253
2015	16,653,428	1.51%	2,206
2016	15,612,584	1.36%	2,068

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

Table 12

TOWN OF CUMBERLAND, MAINE
Direct and Overlapping Governmental Activities Debt
June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping debt:			
Cumberland County	\$ 35,735,000	2.80%	1,002,296
MSAD #51	22,424,572	69.51%	15,586,376
Subtotal, overlapping debt			16,588,672
Direct debt:			
Bonds payable	13,846,146		13,846,146
Unamortized bond premium	541,241		541,241
Notes payable	248,201		248,201
Capital leases	31,624		31,624
Subtotal, direct debt			14,667,212
Total direct and overlapping debt			\$ 31,255,884

Note: the county's overlapping debt is determined by the Town's portion of the State's valuation of the county. The MSAD overlapping debt is determined by the relative valuations of participating members.

Table 13

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed value per State	\$ 1,286,200	1,132,250	1,162,000	1,131,350	1,084,700	1,068,500	1,056,700	1,057,800	1,099,350	1,144,550
Total debt limit - all purposes - 15% of assessed value	\$ 179,055	192,930	169,838	174,300	162,705	160,275	160,275	158,670	164,903	171,683
Less outstanding debt applicable to debt limit	10,586	12,657	15,791	19,013	17,832	16,311	14,939	13,857	16,313	15,229
Legal debt margin	\$ 168,469	180,273	154,047	155,287	144,873	143,964	145,336	144,813	148,590	156,454
Total outstanding debt applicable to the limit as a percentage of debt limit	5.91%	6.56%	9.30%	10.91%	10.96%	10.18%	9.32%	8.73%	9.89%	8.87%
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	\$ 89,528	96,465	84,919	87,150	81,353	80,138	80,138	79,335	82,451	85,841
Less outstanding debt applicable to debt limit	10,586	12,656	15,791	19,013	17,832	16,310	14,939	13,857	16,313	15,229
Debt margin for municipal purposes	\$ 78,942	83,809	69,128	68,137	63,521	63,828	65,199	65,478	66,138	70,612
Outstanding debt applicable to the limit as a percentage of debt limit for municipal purposes	11.82%	13.12%	18.60%	21.82%	21.92%	20.35%	18.64%	17.47%	19.79%	17.74%
School purposes - 10%										
Debt limit	\$ 119,370	128,620	113,225	116,200	108,470	106,850	106,850	105,780	109,935	114,455
Less outstanding debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Debt margin for school purposes	\$ 119,370	128,620	113,225	116,200	108,470	106,850	106,850	105,780	109,935	114,455
Outstanding debt applicable to the limit as a percentage of debt limit for school purposes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Storm and sanitary sewer purposes - 7.5%										
Debt limit	\$ 89,528	96,465	84,919	87,150	81,353	80,138	80,138	79,335	82,451	85,841
Less outstanding debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Debt margin for sewer purposes	\$ 89,528	96,465	84,919	87,150	81,353	80,138	80,138	79,335	82,451	85,841
Outstanding debt applicable to the limit as a percentage of debt limit for sewer purposes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Maximum total debt limit - 15%	\$ 192,930	169,838	174,300	169,703	162,705	160,275	158,505	158,670	164,903	171,683

Table 14

TOWN OF CUMBERLAND, MAINE
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Income Cumberland County (2)	Median Age (6)	High School Completion Rates (5)	Resident School Enrollment (4)	State Unemployment Rate (3)
2007	7,159	\$ 240,857,396	33,644	39.4	99%	1,575	2.7%
2008	7,159	240,857,396	33,644	39.4	95%	1,590	4.7%
2009	7,159	240,857,396	33,644	39.4	96%	1,558	8.6%
2010	7,627	327,968,627	43,001	39.4	96%	1,467	8.0%
2011	7,211	306,200,693	42,463	45.0	96%	1,357	7.6%
2012	7,211	318,661,408	44,048	45.0	96%	1,345	7.5%
2013	7,192	357,866,728	47,015	45.0	95%	1,333	6.9%
2014	7,393	400,232,133	55,503	45.0	93%	1,176	5.5%
2015	7,550	510,047,800	67,556	45.0	98%	1,426	4.7%
2016	7,772	517,622,972	66,601	45.0	97%	1,461	3.9%

Sources:

(1) U.S. Bureau of the Census

(2) U.S. Bureau of the Census, Greater Portland Council of Governments

(3) Maine Department of Labor (seasonally adjusted)

(4) MSAD No. 51

(5) State of Maine Department of Education

(6) U.S. Census Bureau (2010 Census latest available figures)

TOWN OF CUMBERLAND, MAINE
Principal Employers
June 30, 2016

<u>Employer</u>	<u>2016</u>			<u>2007</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>
MSAD 51	300-450	1	2.5%-6.3%		
Town of Cumberland	150-200	2	2.5%-6.3%		
Exactitude	50-99	3	1.3%-2.5%		
Seafax	50-99	3	1.3%-2.5%		
Norton Insurance	50-99	5	1.3%-2.5%		
Sevee Maher Engineers	50-99	6	1.3%-2.5%		
Maine Standards	50-99	7	.5%-1.3%		
Lucinda's Day Spa	50-99	8	.5%-1.3%		
Met Life	20-49	9	.5%-1.3%		
Main Line Fence Co.	20-49	10	.5%-1.3%	20-49	10
Cumberland Farmers Club				100-249	1
Cumberland Fire Department				100-249	2
Greely Jr. High School				100-249	3
Central Maine Communications				50-99	4
Cumberland Town Office				50-99	5
Greely High School				50-99	6
Mabel I Wilson School				50-99	7
Chebeague Island Inn				20-49	9

Table 16

TOWN OF CUMBERLAND, MAINE
Full-time Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government:										
Management	3	3	3	3	3	3	3	2	2	2
Finance/Administration	7	7	7	7	6	6	6	8	10	10
Planning	2	2	2	2	2	2	2	2	2	2
Assessing	1	1	1	1	1	1	0	0	0	1
Public Safety:										
Fire	2	2	2	4	3	3	2	3	4	4
Police	12	12	12	12	12	12	12	12	12	12
Rescue	3	3	3	0	0	0	0	0	0	0
Public Services:										
Public Works	13	12	10	9	9	9	9	7	7	7
Parks	3	3	3	3	3	3	3	3	3	3
Recreation & Other:										
Recreation	2	2	4	3	3	4	3	4	5	5
Library	2	2	2	2	2	2	2	4	4	4
Valhalla	6	5	3	3	3	3	3	3	3	3
Total Full-time Employees	56	54	52	49	47	48	45	48	52	53

Source: Town of Cumberland budget documents

Table 17

TOWN OF CUMBERLAND, MAINE
Operating Indicators by Function
Last Ten Calendar Years

Function	Calendar Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Code Enforcement:										
Building permits	283	283	206	151	180	314	220	251	268	266
Sign permits	8	8	5	4	5	13	16	9	21	15
Fire Protection:										
Number of calls answered	575	510	536	592	576	931	860	994	1,242	1,279
Number of inspections conducted	161	161	211	337	304	127	118	192	190	162
Police Protection:										
Number of law violations:										
Arrests	149	149	158	137	165	136	202	220	72	54
Traffic violations	4,585	4,585	4,085	3,485	3,069	2,964	2,144	1,393	740	852
Parking violations	167	167	58	27	32	108	91	43	4	4
Number of calls for service	6,832	6,832	10,926	12,223	11,702	11,737	9,090	8,928	6,534	8,216
Sewerage System:										
Number of service connections	965	965	1,014	1,020	1,041	1,176	1,070	1,108	1,806	1,092
Daily average treatment in gallons	172,960	172,960	191,203	202,000	249,382	253,000	227,000	228,892	234,932	211,973

Sources: Town of Cumberland Code Enforcement, Police, and Fire Departments; Portland Water District

Table 18

TOWN OF CUMBERLAND, MAINE
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
Public Safety:										
Police:										
Stations	2	1	1	1	1	1	1	1	1	1
Vehicles	24	19	17	15	14	12	6	6	7	7
Fire:										
Stations	3	2	2	2	2	2	2	2	2	2
Vehicles	17	13	12	11	10	10	10	11	11	11
Public Works:										
Streets (miles)	60	78	78	78	79	79	79	79	79	80
Number of streetlights	245	203	203	203	203	203	203	203	203	203
Parks & Recreation:										
Parks	1	1	1	1	1	1	1	1	2	3
Parks (acreage)	250	250	250	250	250	250	250	250	254	304
Public skating rinks	1	1	1	1	1	1	1	1	1	1
Public tennis courts	4	4	4	4	4	4	4	4	4	4
Public golf courses	1	1	1	1	1	1	1	1	1	1
Sewer:										
Miles of sanitary sewers	20	20	20	20	20	20	20	25	25	25

Sources: Town of Cumberland Code Enforcement, Police, and Fire Departments; Portland Water District

Table 19

TOWN OF CUMBERLAND, MAINE
Miscellaneous Statistics
For the year ended June 30, 2016

Date of incorporation	1821
Form of government	Council/Manager
Number of full-time employees	53
All employees	313
Area in square miles	20
Name of government facilities and services:	
Miles of streets	80
Number of street lights	203
Culture and recreation:	
Parks	3
Park acreage	304
Skating rinks	1
Tennis courts	4
Golf course	1
Fire Protection:	
Number of fire personnel and officers	76 (Volunteers)
Police Protection:	
Number of police personnel and officers	12
Number of patrol units	7
Education:	
Number of elementary schools	3
Number of elementary school instructors	126
Number of secondary schools	1
Number of secondary school instructors	68