Independent Auditors’ Report

Management’s Discussion and Analysis

General Purpose Financial Statements

Government-Wide Financial Statements

Statement of Net Position
Statement of Activities

Fund Financial Statements

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Balance Sheet - Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

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Supplemental Information

Comparative Balance Sheet - General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
Combining Balance Sheet - Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds
Schedule of Expenditures of Federal Awards
INDEPENDENT AUDITORS’ REPORT

Board of Selectmen
Town of Jefferson
P.O. Box 77
Jefferson, Maine 04348

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Jefferson, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and each major fund of the Town of Jefferson, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jefferson’s basic financial statements. The introductory section, combining and individual nonmajor 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 nonmajor fund financial statements 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

March 3, 2017

Bath, Maine
Management of the Town of Jefferson, Maine presents this narrative to provide you with an overview and analysis of our annual financial statements for the year ending December 31, 2016. This information in conjunction with the notes to the financial statements can be considered when reading the Town’s financial statements.

Financial Highlights

- Total net position of the Town of Jefferson increased by $914,706 to $8,823,618.
- Net capital assets decreased by $193,978 to $13,908,894.
- General revenues accounted for $5,159,874, or 70.2% of all revenues. Program specific revenues accounted for $2,185,688 in revenue, or 29.8% of total revenues.
- All of the Town’s departmental/functional expenses came in at or under budget.
- At the end of the current year, the unrestricted fund balance for the general fund was $3,052,831 of which $777,151 has been internally designated for specific purposes and $2,275,680 was unassigned.

Overview of the Financial Statements

Below is a brief discussion of the basic financial statements, including the relationships of the statements to each other and the significant differences in the information they provide. The Town of Jefferson’s basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains both required and supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements include two main basic financial statements in accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB). The first is the Statement of Net Position and the second is the Statement of Activities. These two statements are designed to provide readers with a broad overview of the Town’s finances in a manner similar to a private-sector business. Both report information about the town as a whole and about its activities during the fiscal year using the accrual basis of accounting used by most private-sector companies.

The Statement of Net Position is designed to present information on all of the Town’s assets and liabilities, with the difference between the two reported as net position. Infrastructure (roads, bridges, etc.) are town assets if constructed and owned by the Town or are maintained by the Town. GASB Statement No. 34, however, does not require the Town to retroactively report infrastructure as assets, thus all infrastructure acquired or constructed prior to January 1, 2004 is not reported in the Statement of Net Position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other factors also need to be considered as well, such as changes in the Town’s property tax base, the condition of the Town’s infrastructure, and the annual amount of state funding for education.
The second government-wide financial statement is the Statement of Activities which reports how the Town’s net position has changed during the fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. This statement shows the net cost of departmental services (i.e. the cost of departmental services less the revenues generated by those departments), that are funded by tax revenues, state aid, and other unrestricted revenues.

**Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town’s funds, rather than the Town as a whole.

Most of the Town’s basic services are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending, normally in the next fiscal year. These are reported using an accounting method called modified accrual accounting, which only measures cash and other financial assets which can be readily converted to cash. Accordingly, fixed assets (land, buildings, equipment, etc.) are not included as assets. These governmental fund financial statements therefore present a short-term view of the Town’s general government operations and what is available to be spent in the near future. The Town has two major funds, a Capital Projects Fund for the new school construction and the General Fund.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Financial Analysis of the Town as a Whole**

The Statement of Net Position provides the perspective of the Town as a whole.

The Town of Jefferson’s net position at fiscal year-end was $8,823,618. This includes current assets (primarily cash and taxes receivable), the cost (less accumulated depreciation) of all buildings, equipment, and land owned by the Town (valued at historical cost, or estimated thereof), and infrastructure acquired after December 31, 2003 (less accumulated depreciation), less current and long-term debt. Changes in net position from year to year may be observed to analyze changing financial positions of the Town as a whole.
The table below provides a summary of the Town’s net position.

### NET POSITION
#### GOVERNMENTAL ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and Other Assets</td>
<td>$5,555,488</td>
<td>$5,138,380</td>
</tr>
<tr>
<td>Capital Assets (Net)</td>
<td>13,908,894</td>
<td>14,102,872</td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>114,744</td>
<td>62,271</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$19,579,126</strong></td>
<td><strong>$19,303,523</strong></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$174,522</td>
<td>$151,340</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>10,547,307</td>
<td>11,204,083</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$10,721,829</strong></td>
<td><strong>$11,355,423</strong></td>
</tr>
<tr>
<td>Deferred Inflows of Resources</td>
<td>$33,679</td>
<td>$39,188</td>
</tr>
<tr>
<td>Net Position:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Invested in Capital Assets</td>
<td>$3,474,686</td>
<td>$2,973,051</td>
</tr>
<tr>
<td>Restricted for Other Purposes</td>
<td>1,573,748</td>
<td>1,323,063</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>3,775,184</td>
<td>3,612,798</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td><strong>$8,823,618</strong></td>
<td><strong>$7,908,912</strong></td>
</tr>
</tbody>
</table>

### CHANGE IN NET POSITION
#### GOVERNMENTAL ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position, Beginning of Year</td>
<td>$7,908,912</td>
<td>$6,846,181</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$172,205</td>
<td>$194,046</td>
</tr>
<tr>
<td>Grants and Contributions</td>
<td>2,101,376</td>
<td>2,121,719</td>
</tr>
<tr>
<td>Capital Grants and Contributions</td>
<td>45,228</td>
<td>45,440</td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>4,274,123</td>
<td>4,177,209</td>
</tr>
<tr>
<td>Excise Taxes</td>
<td>541,923</td>
<td>533,186</td>
</tr>
<tr>
<td>Grants and Contributions not Restricted to Specific Programs</td>
<td>153,553</td>
<td>148,266</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>132,079</td>
<td>74,931</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>58,196</td>
<td>38,228</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$7,478,683</strong></td>
<td><strong>$7,333,025</strong></td>
</tr>
<tr>
<td>Program Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>$251,588</td>
<td>$239,631</td>
</tr>
<tr>
<td>Roads and Highways</td>
<td>411,996</td>
<td>375,585</td>
</tr>
<tr>
<td>Protection and Health</td>
<td>181,505</td>
<td>188,757</td>
</tr>
<tr>
<td>Education</td>
<td>4,757,276</td>
<td>4,550,550</td>
</tr>
<tr>
<td>Adult Education</td>
<td>8,872</td>
<td>8,872</td>
</tr>
<tr>
<td>Unclassified</td>
<td>62,514</td>
<td>27,541</td>
</tr>
<tr>
<td>County Tax</td>
<td>449,422</td>
<td>419,050</td>
</tr>
<tr>
<td>Interest on Long-Term Debt</td>
<td>440,804</td>
<td>460,308</td>
</tr>
<tr>
<td><strong>Total Program Expenses</strong></td>
<td><strong>$6,563,977</strong></td>
<td><strong>$6,270,294</strong></td>
</tr>
<tr>
<td>Increase in Net Position</td>
<td>$914,706</td>
<td>$1,062,731</td>
</tr>
<tr>
<td>Net Position, End of Year</td>
<td>$8,823,618</td>
<td>$7,908,912</td>
</tr>
</tbody>
</table>
By far, the largest portion of the Town’s net position reflects investment in capital assets (i.e. elementary school, town office, salt and sand shed, fire station, and school buses, primarily), less any related debt used to acquire those assets that is still outstanding. Currently, the Town owes debt related to the acquisition of the new fire station and a new school building. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available as a source for future spending. The resources needed to repay this debt must be provided from other sources, primarily tax dollars or state aid, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the Town’s ongoing obligations to its creditors.

The Statement of Activities presents information about how the Town’s net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods such as uncollected taxes and, should the need ever occur, earned but unused compensated absences.

The table below shows the total cost and the net cost of services of the Town’s governmental activities. The Town has no business-type activities. The net cost identifies the cost of these services which are supported by property and excise taxes, unrestricted grants and contributions, and interest earnings, after deducting for departmental revenues and grants from the State and other sources.

### GOVERNMENTAL ACTIVITIES

#### 2016

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Total Cost of Services</th>
<th>%</th>
<th>Net Cost of Services</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$4,757,276</td>
<td>72.48</td>
<td>$2,969,895</td>
<td>70.00</td>
</tr>
<tr>
<td>Roads and Highways</td>
<td>411,996</td>
<td>6.28</td>
<td>366,768</td>
<td>8.70</td>
</tr>
<tr>
<td>Administration</td>
<td>251,588</td>
<td>3.83</td>
<td>207,410</td>
<td>4.90</td>
</tr>
<tr>
<td>County Tax</td>
<td>449,422</td>
<td>6.85</td>
<td>449,422</td>
<td>10.60</td>
</tr>
<tr>
<td>Protection and Health</td>
<td>181,505</td>
<td>2.76</td>
<td>181,505</td>
<td>4.20</td>
</tr>
<tr>
<td>Adult Education</td>
<td>8,872</td>
<td>.14</td>
<td>8,872</td>
<td>.20</td>
</tr>
<tr>
<td>Interest on Long-Term Debt</td>
<td>440,804</td>
<td>6.71</td>
<td>61,296</td>
<td>1.40</td>
</tr>
<tr>
<td>Unclassified</td>
<td>62,514</td>
<td>.95</td>
<td>61,296</td>
<td>1.40</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$6,563,977</strong></td>
<td><strong>100.00</strong></td>
<td><strong>$4,245,168</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

#### 2015

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Total Cost of Services</th>
<th>%</th>
<th>Net Cost of Services</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$4,550,550</td>
<td>72.60</td>
<td>$2,743,017</td>
<td>70.20</td>
</tr>
<tr>
<td>Roads and Highways</td>
<td>375,585</td>
<td>6.00</td>
<td>330,145</td>
<td>8.50</td>
</tr>
<tr>
<td>Administration</td>
<td>239,631</td>
<td>3.80</td>
<td>197,463</td>
<td>5.10</td>
</tr>
<tr>
<td>County Tax</td>
<td>419,050</td>
<td>6.70</td>
<td>419,050</td>
<td>10.70</td>
</tr>
<tr>
<td>Protection and Health</td>
<td>188,757</td>
<td>3.00</td>
<td>188,757</td>
<td>4.80</td>
</tr>
<tr>
<td>Adult Education</td>
<td>8,872</td>
<td>.10</td>
<td>8,872</td>
<td>.20</td>
</tr>
<tr>
<td>Interest on Long-Term Debt</td>
<td>460,308</td>
<td>7.40</td>
<td>4,723</td>
<td>.10</td>
</tr>
<tr>
<td>Unclassified</td>
<td>27,541</td>
<td>.40</td>
<td>17,062</td>
<td>.40</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$6,270,294</strong></td>
<td><strong>100.00</strong></td>
<td><strong>$3,909,089</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
The Town’s Funds

The Town has two major funds, the General Fund and a Capital Project Fund. The Town also has nonmajor funds which consist of several small trust funds administered by the Town. Detailed information regarding the Town’s permanent funds can be found in the financial statements. The changes in the fund balances are as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance December 31, 2016</th>
<th>Balance December 31, 2015</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$4,210,615</td>
<td>$3,788,713</td>
<td>$421,902</td>
<td>11.10</td>
</tr>
<tr>
<td>Capital Projects Fund</td>
<td>374,279</td>
<td>326,059</td>
<td>48,220</td>
<td>14.80</td>
</tr>
<tr>
<td>Other Governmental</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds</td>
<td>338,072</td>
<td>325,268</td>
<td>12,804</td>
<td>3.90</td>
</tr>
<tr>
<td>Total</td>
<td>$4,922,966</td>
<td>$4,440,040</td>
<td>$482,926</td>
<td></td>
</tr>
</tbody>
</table>

General Fund Budgetary Highlights

Expenditures

The table below shows the Town’s budget for various departments and functions for the year ended December 31, 2016. The table also shows actual expenses on a budgetary basis for each department and function as well as the variance between the budget and actual expenditures for each category. The Town considers a variance to be significant if it exceeds $15,000 and 15% of the budget.

<table>
<thead>
<tr>
<th>Department/Function</th>
<th>Adjusted Expenditures</th>
<th>Actual Expenditures</th>
<th>Variance Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>$278,265</td>
<td>$249,149</td>
<td>$29,116</td>
<td>10.50</td>
</tr>
<tr>
<td>Roads and Highways</td>
<td>451,614</td>
<td>402,734</td>
<td>48,880</td>
<td>10.80</td>
</tr>
<tr>
<td>Protection and Health</td>
<td>187,567</td>
<td>159,879</td>
<td>27,688</td>
<td>14.80</td>
</tr>
<tr>
<td>Education</td>
<td>4,482,659</td>
<td>4,482,659</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Adult Education</td>
<td>8,872</td>
<td>8,872</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Unclassified</td>
<td>89,845</td>
<td>61,104</td>
<td>28,741</td>
<td>32.00</td>
</tr>
<tr>
<td>County Tax</td>
<td>449,422</td>
<td>449,422</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1,136,417</td>
<td>1,136,417</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$7,084,661</td>
<td>$6,950,236</td>
<td>$134,425</td>
<td></td>
</tr>
</tbody>
</table>

The majority of the variance on the unclassified line is a result of the overlay, which is raised to provide a cushion for abatements being budgeted at $72,516 while only $46,356 in abatements were granted.
Revenues

The table below shows the Town’s budgeted revenues and actual revenues on a budgetary basis from various resources for the year ended December 31, 2016. The table also shows the variance between these figures for each category. The Town considers a variance to be significant if it exceeds $25,000 and 15% of the budget.

<table>
<thead>
<tr>
<th>General Fund Revenues</th>
<th>Adjusted Budget</th>
<th>Actual Revenues</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes $4,266,587</td>
<td>$4,363,123</td>
<td>$96,536</td>
<td>2.30</td>
<td></td>
</tr>
<tr>
<td>Excise Taxes 541,923</td>
<td>541,923</td>
<td></td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td>Licenses, Permits, and Charges for Services</td>
<td>200,215</td>
<td>200,215</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td>Education Subsidy 576,198</td>
<td>552,448</td>
<td>(23,750)</td>
<td>(4.10)</td>
<td></td>
</tr>
<tr>
<td>Other State Education Revenues 1,232,410</td>
<td>1,434,330</td>
<td>201,920</td>
<td>16.40</td>
<td></td>
</tr>
<tr>
<td>DOT Block Grant (URIP) 45,440</td>
<td>45,228</td>
<td>(212)</td>
<td>(0.50)</td>
<td></td>
</tr>
<tr>
<td>State Revenue Sharing 93,699</td>
<td>81,979</td>
<td>(11,720)</td>
<td>(12.50)</td>
<td></td>
</tr>
<tr>
<td>Homestead Exemption 58,140</td>
<td>53,836</td>
<td>(4,304)</td>
<td>(7.40)</td>
<td></td>
</tr>
<tr>
<td>Other Intergovernmental Revenues 853</td>
<td>19,960</td>
<td>19,107</td>
<td>2,240.00</td>
<td></td>
</tr>
<tr>
<td>Investment Earnings and Interest on Taxes 82,480</td>
<td>82,480</td>
<td></td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td>Other Revenues 19</td>
<td>9,041</td>
<td>9,022</td>
<td>47,484.20</td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$6,273,346</td>
<td>$7,384,563</td>
<td>$1,111,217</td>
<td></td>
</tr>
</tbody>
</table>

In total, actual revenues exceeded budget by $1,111,217, most of which was a positive variance in excise taxes. Historically, the Town does not budget for excise taxes, nor for investment earnings and interest income on past-due taxes, miscellaneous revenues, state agency clients, or for licenses, permits, and charges for services.

Capital Assets

As of December 31, 2016, the Town had approximately $13,908,894 invested in capital assets consisting of land, buildings, equipment, and a new school building. As previously noted, the Town is not required under GASB 34 to report infrastructure built or otherwise acquired prior to January 1, 2004. This amount represents a net decrease (including additions and less this year’s depreciation) of approximately 1.4% from last year.

This year’s additions included a new school bus with a cost of $80,723.

Economic Factors and Next Year’s Budget

There are no known economic factors which may have an impact on the Town’s financial statements, or on its ability to collect taxes. However, the amount of excise tax collected is always subject to general overall economic conditions which affect new vehicle purchases.

The fiscal 2017 budget has not been finalized but will be voted on at the March 2017 annual Town meeting.

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town’s finances and to show the Town’s accountability for the funds entrusted to it. If you have questions about this report or need financial information, contact the Board of Selectmen, P.O. Box 77, Jefferson, Maine 04348.
## GOVERNMENTAL ACTIVITIES

### ASSETS AND DEFERRED OUTFLOWS

**ASSETS:**
- Cash and cash equivalents: $5,001,764
- Investments: $36,274
- Receivables:
  - Taxes receivable - current year: $373,222
  - Taxes and liens - prior years: $144,228
  - Capital assets not being depreciated: $72,850
  - Capital assets, net of accumulated depreciation: $13,836,044

**Total Assets**: $19,464,382

**DEFERRED OUTFLOWS OF RESOURCES:**
- Related to Pension: $114,744

**Total Assets and Deferred Outflows**: $19,579,126

### LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

**LIABILITIES:**
- Accounts payable: $55,610
- Refundable interest payable: $6,127
- Accrued payroll: $86,728
- Prepaid property taxes: $3,076
- Other current liabilities: $22,981
- Noncurrent liabilities:
  - Due within one year: $695,614
  - Due in more than one year: $9,738,594
  - Pension Liability: $113,099

**Total Liabilities**: $10,721,829

**DEFERRED INFLOWS OF RESOURCES:**
- Related to Pension: $33,679

**NET POSITION:**
- Net Invested in Capital Assets: $3,474,686
- Restricted for:
  - Education: 991,135
  - School building construction: 374,279
  - Permanent fund principal: 73,719
  - State revenue sharing: 81,979
  - Urban / rural improvement program: 45,228
  - Other: 7,408
  - Unrestricted: 3,775,184

**Total Net Position**: $8,823,618

**Total Liabilities, Deferred Inflows, and Net Position**: $19,579,126

---

See accompanying notes to financial statements.
TOWN OF JEFFERSON, MAINE
Statement of Activities
For the year ended December 31, 2016

<table>
<thead>
<tr>
<th>Functions/programs</th>
<th>Expenses</th>
<th>Charges for services</th>
<th>Operating grants and contributions</th>
<th>Capital grants and contributions</th>
<th>Net (expense) revenue and changes in net position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Governmental activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>251,588</td>
<td>43,956</td>
<td>222</td>
<td>-</td>
<td>(207,410)</td>
</tr>
<tr>
<td>Roads and highways</td>
<td>411,996</td>
<td></td>
<td></td>
<td></td>
<td>(366,768)</td>
</tr>
<tr>
<td>Protection and health</td>
<td>181,505</td>
<td></td>
<td></td>
<td></td>
<td>(181,505)</td>
</tr>
<tr>
<td>Education</td>
<td>4,757,276</td>
<td>127,431</td>
<td>1,659,950</td>
<td></td>
<td>(2,969,895)</td>
</tr>
<tr>
<td>Adult education</td>
<td>8,872</td>
<td></td>
<td></td>
<td></td>
<td>(8,872)</td>
</tr>
<tr>
<td>Unclassified</td>
<td>62,514</td>
<td>818</td>
<td>400</td>
<td></td>
<td>(61,296)</td>
</tr>
<tr>
<td>County tax</td>
<td>449,422</td>
<td></td>
<td></td>
<td></td>
<td>(449,422)</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>440,804</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Primary Government</strong></td>
<td>6,563,977</td>
<td>172,205</td>
<td>2,101,376</td>
<td>45,228</td>
<td>(4,245,168)</td>
</tr>
<tr>
<td><strong>General revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,274,123</td>
</tr>
<tr>
<td>Excise taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>541,923</td>
</tr>
<tr>
<td><strong>Grants and contributions not restricted to specific programs:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Revenue Sharing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>81,979</td>
</tr>
<tr>
<td>Homestead exemption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>53,836</td>
</tr>
<tr>
<td>Other State aid</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17,738</td>
</tr>
<tr>
<td>Unrestricted investment earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>132,079</td>
</tr>
<tr>
<td>Miscellaneous revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>58,196</td>
</tr>
<tr>
<td><strong>Total general revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,159,874</td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>914,706</td>
</tr>
<tr>
<td><strong>Net position - January 1, 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,908,912</td>
</tr>
<tr>
<td><strong>Net position - December 31, 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8,823,618</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
TOWN OF JEFFERSON, MAINE
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
For the year ended December 31, 2016

GOVERNMENTAL FUND BALANCES:
Fund Balance of Governmental Funds (Exhibit E) $ 4,922,966

Amounts reported for governmental activities in the Statements of Net Position are different because:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 13,908,894
- Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the fund. 458,000
- Deferred outflows are deferred as expense in the fund financial statements and in the government-wide financial statements as expense in the year following the year paid. 114,744
- Notes payable are not due and payable in the current period and therefore are not reported in the funds. (10,434,208)
- Pension liability is not due and payable in the current period and therefore is not reported in the funds. (113,099)
- Deferred inflows are deferred revenues related to pension expenses that are amortized in the government-wide financial statements. (33,679)

Net Position of Governmental Activities $ 8,823,618

See accompanying notes to financial statements.
TOWN OF JEFFERSON, 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 December 31, 2016

Net change in fund balances - total governmental funds (Exhibit F)  $ 482,926

Amounts reported for governmental activities in the statement of activities (Exhibit B) 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. This is the amount by which depreciation expense ($274,701) exceeded capital outlays ($80,723) in the current period. (193,978)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (89,000)

The issuance of long-term debt (e.g., notes, leases) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of 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 repayments. 695,613

Pension expense is adjusted for changes in earnings contributions and contribution subsequent to the measurement date. 19,145

Change in net position of governmental activities (Exhibit B)  $ 914,706
Exhibit E

TOWN OF JEFFERSON, MAINE
Balance Sheet
Governmental Funds
December 31, 2016

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General</th>
<th>Capital Projects Fund</th>
<th>Nonmajor Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,319,560</td>
<td>$380,406</td>
<td>$301,798</td>
<td>$5,001,764</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes receivable - current year</td>
<td>$373,222</td>
<td></td>
<td></td>
<td>$373,222</td>
</tr>
<tr>
<td>Taxes and liens - prior years</td>
<td>$144,228</td>
<td></td>
<td></td>
<td>$144,228</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$4,837,010</td>
<td>$380,406</td>
<td>$338,072</td>
<td>$5,555,488</td>
</tr>
</tbody>
</table>

| LIABILITIES AND FUND BALANCES  |         |                       |                          |                          |
|--------------------------------|---------|-----------------------|--------------------------|
| Liabilities:                   |         |                       |                          |                          |
| Accounts payable               | $55,610 | $-                    | $-                       | $55,610                  |
| Accrued payroll                | 86,728  |                       |                          | 86,728                   |
| Deferred revenue (Note F)      | 461,076 |                       |                          | 461,076                  |
| Refundable bond interest payable|         | 6,127                 |                          | 6,127                    |
| Other current liabilities      | 22,981  |                       |                          | 22,981                   |
| **Total liabilities**          | $626,395 | $6,127                | $-                       | $632,522                 |

Fund balances:

| Nonspendable:                  |         |                       |                          |                          |
|--------------------------------|---------|-----------------------|--------------------------|
| Permanent fund principal       | $-      | $-                    | $73,719                  | $73,719                  |
| Restricted:                    |         |                       |                          |                          |
| Education                      | 1,023,169 |                       |                          | 1,023,169               |
| State revenue sharing          | 81,979  |                       |                          | 81,979                   |
| Urban / rural improvement program| 45,228 |                       |                          | 45,228                  |
| Other                          | 7,408   |                       |                          | 7,408                   |
| Committed:                     |         |                       |                          |                          |
| Capital projects fund          |         | 374,279               |                          | 374,279                 |
| Assigned:                      |         |                       |                          |                          |
| General fund                   | 777,151 |                       |                          | 777,151                 |
| Non-major governmental funds   |         | 264,353               |                          | 264,353                 |
| Unassigned:                    |         |                       |                          |                          |
| General fund                   | 2,275,680 |                     |                          | 2,275,680               |
| **Total fund balances**        | $4,210,615 | $374,279             | $338,072                 | $4,922,966              |

**Total liabilities and fund balances** | $4,837,010 | $380,406 | $338,072 | $5,555,488

See accompanying notes to financial statements.
# Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

### For the year ended December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Capital Projects</th>
<th>Nonmajor Governmental</th>
<th>Total Governmental</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Fund</td>
<td>Governmental Funds</td>
<td>Funds</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>4,905,046</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Licenses, permits and charges for services</td>
<td>200,215</td>
<td>200,215</td>
<td></td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>2,301,757</td>
<td>2,301,757</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>91,521</td>
<td>36,795</td>
<td>13,204</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$7,498,539</td>
<td>$36,795</td>
<td>$13,204</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>249,149</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Roads and highways</td>
<td>402,734</td>
<td>402,734</td>
<td></td>
</tr>
<tr>
<td>Protection and health</td>
<td>159,879</td>
<td>159,879</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>4,596,635</td>
<td>4,596,635</td>
<td></td>
</tr>
<tr>
<td>Adult education</td>
<td>8,872</td>
<td>8,872</td>
<td></td>
</tr>
<tr>
<td>Unclassified</td>
<td>61,104</td>
<td>1,400</td>
<td>62,504</td>
</tr>
<tr>
<td>County tax</td>
<td>449,422</td>
<td>449,422</td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>1,136,417</td>
<td>1,136,417</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$7,064,212</td>
<td>$1,400</td>
<td>$7,065,612</td>
</tr>
<tr>
<td><strong>Excess of revenues over (under) expenditures</strong></td>
<td>$434,327</td>
<td>$36,795</td>
<td>$11,804</td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers (to) from other funds</td>
<td>(12,425)</td>
<td>11,425</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Net change in fund balances</strong></td>
<td>$421,902</td>
<td>$48,220</td>
<td>$12,804</td>
</tr>
<tr>
<td><strong>Fund balances, January 1, 2016</strong></td>
<td>3,788,713</td>
<td>326,059</td>
<td>325,268</td>
</tr>
<tr>
<td><strong>Fund balances, December 31, 2016</strong></td>
<td>$4,210,615</td>
<td>$374,279</td>
<td>$338,072</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*
TOWN OF JEFFERSON, MAINE  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the year ended December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Actual</th>
<th>Variance with final budget positive (negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$4,266,587</td>
<td>$4,905,046</td>
<td>$638,459</td>
</tr>
<tr>
<td>Licenses, permits and charges for services</td>
<td></td>
<td>200,215</td>
<td>200,215</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>2,006,740</td>
<td>2,187,781</td>
<td>181,041</td>
</tr>
<tr>
<td>Other</td>
<td>19</td>
<td>91,521</td>
<td>91,502</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$6,273,346</td>
<td>$7,384,563</td>
<td>$1,111,217</td>
</tr>
</tbody>
</table>

| **Expenditures:**     |                  |        |                                               |
| Current:              |                  |        |                                               |
| Administration        | $278,265          | $249,149 | $29,116                                       |
| Roads and highways    | 451,614           | 402,734 | 48,880                                        |
| Protection and health | 187,567           | 159,879 | 27,688                                        |
| Education             | 4,482,659         | 4,482,659 |                                               |
| Adult education       | 8,872             | 8,872   |                                               |
| Unclassified          | 89,845            | 61,104  | 28,741                                        |
| County tax            | 449,422           | 449,422 |                                               |
| Debt service          | 1,136,417         | 1,136,417 |                                               |
| **Total expenditures**| $7,084,661        | $6,950,236 | $134,425                                     |

| Excess (deficiency) of revenues over (under) expenditures | $ (811,315) | $434,327 | $1,245,642 |

| Other financing sources (uses): |                  |        |                                               |
| Utilization of prior year surplus | $812,315     | -       | $ (812,315)                                  |
| Transfer (to) from Capital Projects Fund | (11,425) | (11,425) | (11,425)                                     |
| Transfer to permanent funds       | (1,000)        | (1,000) |                                              |
| **Total other financing sources (uses)** | $811,315 | (12,425) | (823,740)                                    |

| Net change in fund balance       | $ -            | $421,902 | $421,902                                     |

| Fund balance, January 1, 2016    |                  | 3,788,713 |                                               |
| **Fund balance, December 31, 2016** | $ -            | $4,210,615 | $ -                                           |

See accompanying notes to financial statements.
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Town of Jefferson conform to generally accepted accounting principles as applicable to governmental units.

1. Financial Reporting Entity

The Town of Jefferson was incorporated in 1807. The Town operates under a town meeting form of government.

In evaluating the Town of Jefferson as a reporting entity, management has addressed all potential component units. The primary criteria for including a component reporting entity are the exercise of financial accountability by the Town of Jefferson’s municipal officials.

The Town’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

2. Basic Financial Statements - Government-Wide Statements

The Town’s basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds). Both the government-wide and fund financial statements categorize primary activities as governmental. The Town’s fire protection, recreation, public works, and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town’s net position is reported in three parts - net invested in capital assets, restricted, and unrestricted. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statements of Activities reports both the gross and net cost of each of the Town’s functions and business-type activities (fire, public works, administrative, etc.). The functions are also supported by general government revenues (property, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statements of Activities reduces gross expenses (including depreciation) by related program revenues, and operating and capital grants. Program revenues must be directly associated with the function (fire, public works, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town’s net position resulting from the current year’s activities.
3. **Basic Financial Statements - Fund Financial Statements**

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

The following fund types are used by the Town:

a. **Governmental Funds:**

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

   1. **General Fund:**

      General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

   2. **Capital Projects Fund:**

      The Capital Projects Fund is used to account for all financial resources and expenditures during the construction of the new elementary school building.

   3. **Nonmajor Permanent Funds:**

      These Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs unless for a specific purpose such as scholarships, cemetery maintenance, and worthy poor expenses.

4. **Basis of Accounting**

   Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied:

   a. **Accrual:**

      Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT’D):

4. **Basis of Accounting (Cont’d)**

   b. **Modified Accrual:**

   The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

5. **Financial Statement Amounts**

   a. **Cash and Cash Equivalents:**

   The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Statutes authorize the Treasurer of the Town, as directed by the municipal officers, to invest all municipal funds, including reserve and trust funds, to the extent that the terms of the instrument, order, or article creating the fund do not prohibit the investment in financial institutions as described in Section 5706 MRSA and securities as described in Sections 5711 through 5717 MRSA.

   b. **Investments:**

   Investments are stated at fair value (quoted market price or the best available estimate).

   c. **Capital Assets:**

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

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>30-100 Years</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>30-100 Years</td>
</tr>
<tr>
<td>Public Domain Infrastructure</td>
<td>25-50 Years</td>
</tr>
<tr>
<td>School Buses</td>
<td>12 Years</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>20-30 Years</td>
</tr>
<tr>
<td>School and Town Improvements</td>
<td>10-50 Years</td>
</tr>
<tr>
<td>Equipment</td>
<td>7-30 Years</td>
</tr>
</tbody>
</table>

   GASB No. 34 allows the Town to report and depreciate only new infrastructure assets and not retroactively report infrastructure assets acquired prior to January 1, 2004. Infrastructure assets include roads, bridges, traffic signals, etc.
5. Financial Statement Amounts (Cont’d)

d. Revenues:

Substantially, all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASB No. 33 to grant revenues the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

e. Expenditures:

Expenditures are recognized when the related fund liability is incurred.

f. Use of Estimates:

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g. Fund Balance:

In accordance with GASB Statement No. 54, the Town employs terminology and classifications for fund balance items as follows:

Nonspendable fund balances include amounts that are not expected to be converted to cash, or that are legally required to be maintained intact. The fund balance of the Town’s trust funds are classified as nonspendable.

Restricted fund balances are amounts that can be used only for specific purposes because of legislation or restrictions imposed by donors.

Committed fund balances are amounts that can be used only for specific purposes because of a formal action taken by town government. The fund balances in the Capital Projects Fund and the Cemetery Maintenance Fund are in this category.

Assigned fund balances are resources that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance is all amounts in the General Fund that are not assigned to another category. Only the General Fund can have an unassigned fund balance.
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT’D):

5. Financial Statement Amounts (Cont’d)

h. Deferred Inflows and Outflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows 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.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows relate to the net pension liability, which include the differences between expected and actual experience and changes in proportion and differences between Town contributions and proportionate share of contributions, which is 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.

NOTE B - DEPOSITS AND INVESTMENTS:

Custodial Credit Risk - Deposits:

In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town currently does not have a deposit policy for custodial credit risk. As of December 31, 2016, none of the Town’s bank balance was exposed to custodial credit risk because it was insured by F.D.I.C. or collateralized by U.S. Government Agency securities held by a third party, but not in the Town’s name.

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.

Interest Rate Risk:

The Town does not have a deposit policy for interest rate risk.
NOTE C - GENERAL LONG-TERM DEBT:

The following is a summary of loan and bond transactions of the Town of Jefferson for the year ended December 31, 2016:

<table>
<thead>
<tr>
<th>GENERAL FUND:</th>
<th>BALANCE 1/1/16</th>
<th>ADDITIONS</th>
<th>REDUCTIONS</th>
<th>BALANCE 12/31/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Municipal Bond Bank - School Building Bond</td>
<td>$11,129,821</td>
<td>$</td>
<td>$695,613</td>
<td>$10,434,208</td>
</tr>
</tbody>
</table>

Long-Term Debt as of December 31, 2016 is as follows:

General Fund:

Maine Municipal Bond Bank - School Building Bond
This bond is for 20 years with annual principal payments of $695,614. Interest at a variable rate of 2.125 - 5.625% is payable semi-annually.

$10,434,208

The annual requirement to amortize loan and bond payable as of December 31, 2016 follows:

<table>
<thead>
<tr>
<th>YEAR ENDING DECEMBER 31</th>
<th>PRINCIPAL</th>
<th>INTEREST</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$695,614</td>
<td>$426,022</td>
<td>$1,121,636</td>
</tr>
<tr>
<td>2018</td>
<td>695,614</td>
<td>411,240</td>
<td>1,106,854</td>
</tr>
<tr>
<td>2019</td>
<td>695,614</td>
<td>396,458</td>
<td>1,092,072</td>
</tr>
<tr>
<td>2020</td>
<td>695,614</td>
<td>370,644</td>
<td>1,066,258</td>
</tr>
<tr>
<td>2021</td>
<td>695,614</td>
<td>331,516</td>
<td>1,027,130</td>
</tr>
<tr>
<td>2022-2026</td>
<td>3,478,069</td>
<td>1,180,700</td>
<td>4,658,769</td>
</tr>
<tr>
<td>2027-2031</td>
<td>3,478,069</td>
<td>429,027</td>
<td>3,907,096</td>
</tr>
<tr>
<td></td>
<td>$10,434,208</td>
<td>$3,545,607</td>
<td>$13,979,815</td>
</tr>
</tbody>
</table>

NOTE D - GENERAL FUND BUDGET:

The Town operates on a net budget as compared with a gross budget. All revenues are not estimated, but are credited to the particular operating account. Certain revenues are dedicated for particular purposes by vote of the townspeople at the annual town meeting or at special town meetings.

At the annual town meeting, held in March of each year, the townspeople vote on various articles on which amounts for appropriations have been recommended by the Board of Selectmen and/or the Budget Committee. Subsequent additions to the budget by taxation may be made only at special town meetings held before taxes are committed; thereafter, additions to the budget may be made only by transfer of funds from surplus approved at special town meetings. Appropriations normally lapse at the end of the fiscal year. However, by vote of the townspeople at the annual town meeting, the Board of Selectmen is authorized to carry forward account balances at the end of the fiscal year if the Board deems it to be advisable.
NOTE E - ASSIGNED FOR SUBSEQUENT YEARS EXPENDITURES:

Historically, the townspeople vote to carry certain departmental unexpended balances forward to the following year for expenditure. This is usually in lieu of additional appropriations in any particular account.

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessors Account</td>
<td>$34,327</td>
</tr>
<tr>
<td>School Bus Fund</td>
<td>$127,222</td>
</tr>
<tr>
<td>Fire Truck Reserve</td>
<td>$216,210</td>
</tr>
<tr>
<td>Planning Board</td>
<td>$5,517</td>
</tr>
<tr>
<td>Meserve Mills Dam</td>
<td>$6,548</td>
</tr>
<tr>
<td>Revaluation</td>
<td>$34,400</td>
</tr>
<tr>
<td>Library Reserve</td>
<td>$5,952</td>
</tr>
<tr>
<td>School Building Fund</td>
<td>$207,172</td>
</tr>
<tr>
<td>Salt Shed</td>
<td>$12,143</td>
</tr>
<tr>
<td>Heirloom Garden Fund</td>
<td>$1,854</td>
</tr>
<tr>
<td>Secondary Transportation</td>
<td>$2,456</td>
</tr>
<tr>
<td>Town Landing Planning Fund</td>
<td>$16,246</td>
</tr>
<tr>
<td>Comprehensive Plan Fund</td>
<td>$10,695</td>
</tr>
<tr>
<td>State Revenue Sharing</td>
<td>$81,979</td>
</tr>
<tr>
<td>Local Road Assistance</td>
<td>$45,228</td>
</tr>
<tr>
<td>Animal Control</td>
<td>$7,408</td>
</tr>
<tr>
<td>Veterans Graves</td>
<td>$1,470</td>
</tr>
<tr>
<td>Education</td>
<td>$1,023,169</td>
</tr>
<tr>
<td>Office Expense</td>
<td>$21,537</td>
</tr>
<tr>
<td>Road Expense</td>
<td>$73,402</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,934,935</strong></td>
</tr>
</tbody>
</table>

NOTE F - DEFERRED REVENUE:

Deferred Revenue consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid 2017 Taxes</td>
<td>$3,076</td>
</tr>
<tr>
<td>Deferred Property Taxes</td>
<td>$458,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$461,076</strong></td>
</tr>
</tbody>
</table>

NOTE G - EXPENDITURES IN EXCESS OF APPROPRIATIONS:

During the year expenditures exceeded total revenue and appropriations in the following general fund categories:

<table>
<thead>
<tr>
<th>Function</th>
<th>Revenue and Appropriation</th>
<th>Expenditures</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Snowplowing Contracts</td>
<td>$242,360</td>
<td>$244,360</td>
<td>$(2,000)</td>
</tr>
<tr>
<td>Computers</td>
<td>$10,600</td>
<td>$11,067</td>
<td>$(467)</td>
</tr>
<tr>
<td>MMA Dues</td>
<td>$3,550</td>
<td>$3,561</td>
<td>$(11)</td>
</tr>
</tbody>
</table>
NOTE H - REVENUE RECOGNITION - PROPERTY TAXES:

The Town’s property tax for the current year was levied on the assessed value listed as of April 1, 2016 for all taxable real and personal property located in the Town. Taxes were due on October 1, 2016 with interest at 7.00% per annum or part thereof commencing October 2, 2016. Liens are filed on any real property where taxes remain unpaid between eight to twelve months after the levy date.

The National Council on Governmental Accounting (N.C.G.A.) Interpretation No. 3 requires that property tax revenue be recognized only to the extent it will be collected within 60 days following the year end. The deferred tax revenue shown on the balance sheet represents property taxes not expected to be collected within 60 days after the year end.

Property taxes are recognized when they become available. Available includes those taxes expected to be collected within 60 days after year end as stated above. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

<table>
<thead>
<tr>
<th>Assessed Value:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Property</td>
<td>$333,419,600</td>
</tr>
<tr>
<td>Personal Property</td>
<td>1,214,700</td>
</tr>
<tr>
<td>Total Valuation</td>
<td>$334,634,300</td>
</tr>
<tr>
<td>Tax Rate (per $1,000)</td>
<td>12.75</td>
</tr>
<tr>
<td>Tax Commitment</td>
<td>$4,266,587</td>
</tr>
<tr>
<td>Less: Collections and Abatements</td>
<td>(3,893,365)</td>
</tr>
<tr>
<td>Taxes Receivable at December 31</td>
<td>$373,222</td>
</tr>
<tr>
<td>Collection Rate</td>
<td>91.3%</td>
</tr>
</tbody>
</table>

NOTE I - DEFERRED REVENUE:

The State Revenue Sharing restricted net position shown on the Statement of Net Position is the actual state revenue collected during 2016 and not used to apply against the tax commitment. This restricted revenue will be used to reduce the 2017 tax commitment.

NOTE J - INTEREST COST INCURRED:

During the current year, the Town incurred interest costs totaling $460,307 which was charged as an expense to various operating accounts. Of that amount, the State of Maine provided $455,585 for the interest on the Maine Municipal Bond Bank - School Building Bond.

NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM:

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows for resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System State Employee and Teacher Plan (SETP 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 Plans. 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.
NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT’D):

Maine Public Employees Retirement System

General Information about the Pension Plan

Plan Description - Teaching-certified employees of the Town of Jefferson are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SETP Plan), cost-sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.mainepers.org.

Benefits provided - The SETP 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 SETP members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by statute.

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

SETP Plan - Maine statute requires the State of Maine contribute a portion of the Town’s contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The Town of Jefferson’s contractually required contribution rate for the year ended December 31, 2016, was 13.38% of annual payroll or $1,137,487.14; 3.36% or $42,216.06 was required from the Town and 10.02% or $113,976.22 was required from the State.

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

The net pension liabilities were measured as of June 30, 2015 and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The Town’s proportion of the net pension liabilities were based on projections of the Town’s long-term share of contributions to the pension plans relative to the projected contributions of all participating School Administrative Units and the State (SETP Plan), actuarially determined.
Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Cont’d)

SETP Plan - At June 30, 2015, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town’s Proportionate Share of the Net Pension Liability</td>
<td>$113,099</td>
</tr>
<tr>
<td>State’s Proportionate Share of the Net Pension Liability Associated with the Town</td>
<td>$1,226,054</td>
</tr>
<tr>
<td>Total</td>
<td>$1,339,153</td>
</tr>
</tbody>
</table>

At June 30, 2015, the Town’s proportion of the SETP Plan was .008377%.

For the year ended December 31, 2016, the Town recognized pension income of $19,145 and revenue of $122,745 for support provided by the State for the SETP Plan. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<table>
<thead>
<tr>
<th>Differences between Expected and Actual Experience</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in Assumptions</td>
<td>$3,117</td>
<td>$785</td>
</tr>
<tr>
<td>Net Difference between Projected and Actual Earnings on Pension Plan Investments</td>
<td>$23,932</td>
<td>$29,046</td>
</tr>
<tr>
<td>Changes in Proportion and Differences between Town Contributions and Proportionate Share of Contributions</td>
<td>$23,713</td>
<td>$3,848</td>
</tr>
<tr>
<td>Town Contributions Subsequent to the Measurement Date</td>
<td>$63,982</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$114,744</td>
<td>$33,679</td>
</tr>
</tbody>
</table>

$17,083 is reported as deferred outflows and resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Year ended December 31:</th>
<th>Deferred Outflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$11,560</td>
</tr>
<tr>
<td>2018</td>
<td>$3,239</td>
</tr>
<tr>
<td>2019</td>
<td>$(3,699)</td>
</tr>
<tr>
<td>2020</td>
<td>$5,983</td>
</tr>
</tbody>
</table>
NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT’D):

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Cont’d)

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:

| SETP Plan | 
|-----------|------------------|
| Inflation | 3.5%             |
| Salary increases, per year | 3.5% - 13.5%     |
| Investment return, per annum, compounded annually | 7.125%           |
| Cost of living benefit increases, per annum | 2.55%            |

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Long-Term Expected Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Equities</td>
<td>5.2%</td>
</tr>
<tr>
<td>Non-US Equities</td>
<td>5.5%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>7.6%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>3.7%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>4.8%</td>
</tr>
<tr>
<td>Hard Assets</td>
<td>4.7%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Discount Rate - The discount rate used to measure the total pension liability was 7.125% for the SETP Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local Towns will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.
NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT’D):

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Cont’d)

Sensitivity of the Town of Jefferson’s proportionate share of the net pension liabilities to changes in the discount rate - The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.125% for the SETP Plan, as well as what the Town of Jefferson’s proportionate share of the net pension liability would be if it were calculated using the discount rate that is 1 percentage-point lower 6.125% for SETP Plan or 1 percentage-point higher 8.125% for SETP Plan than the current rate:

<table>
<thead>
<tr>
<th>SETP Plan</th>
<th>1% Decrease (6.125%)</th>
<th>Current Discount Rate (7.125%)</th>
<th>1% Increase (8.125%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town of Jefferson’s Proportionate Share of the Net Pension Liability</td>
<td>$ 198,010</td>
<td>$ 113,099</td>
<td>$ 42,378</td>
</tr>
</tbody>
</table>

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 December 31, 2016.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF SCHOOL’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATE EMPLOYEE AND TEACHER PLAN (SETP)
LAST 10 FISCAL YEARS*

<table>
<thead>
<tr>
<th></th>
<th>2016**</th>
<th>2015**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town’s proportion of the net pension liability</td>
<td>.0083777%</td>
<td>.007538%</td>
</tr>
<tr>
<td>Town’s proportionate share of the net pension liability</td>
<td>$ 113,099.00</td>
<td>$ 74,262.00</td>
</tr>
<tr>
<td>Town’s proportionate share of the net pension liability associated with the School</td>
<td>$ 1,226,054.00</td>
<td>$ 911,517.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,339,153.00</td>
<td>$ 985,779.00</td>
</tr>
<tr>
<td>Town’s covered-employee payroll</td>
<td>$ 1,274,263.64</td>
<td>$ 1,336,558.88</td>
</tr>
<tr>
<td>Town’s proportion share of the net pension liability as a percentage of its covered-employee payroll</td>
<td>8.88%</td>
<td>5.56%</td>
</tr>
<tr>
<td>Plan fiduciary net position as a percentage of the pension liability</td>
<td>(28.31%)</td>
<td>(68.92%)</td>
</tr>
</tbody>
</table>

*Only two years of information available
**The amounts presented for each fiscal year were determined as of the prior fiscal year.
NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT’D):

SCHEDULE OF SCHOOL CONTRIBUTIONS
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATE EMPLOYEE AND TEACHER PLAN (SETP)
LAST 10 FISCAL YEARS*

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>SETP Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractually required contribution</td>
<td>$42,815.24</td>
<td>$32,782.85</td>
</tr>
<tr>
<td>Contributions in relation to the contractually required contribution</td>
<td>(42,815.24)</td>
<td>(32,782.85)</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>School’s covered-employee payroll</td>
<td>$1,274,263.64</td>
<td>$1,237,089.36</td>
</tr>
<tr>
<td>Contributions as a percentage of covered-employee payroll</td>
<td>3.36%</td>
<td>2.65%</td>
</tr>
</tbody>
</table>

*Only two years of information available

Changes of Benefit Terms - None

Changes of Assumptions - None

Notes to Required Supplemental Information

Changes of benefit terms - None
Changes of assumptions - None

NOTE L - 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; injuries to employees; and natural disasters. All significant losses are covered by commercial insurance. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE M - PROPERTY, PLANT, AND EQUIPMENT:

The following is a summary of changes in fixed assets at December 31, 2016:

<table>
<thead>
<tr>
<th></th>
<th>BALANCE JANUARY 1, 2016</th>
<th>ADDITIONS</th>
<th>DISPOSALS</th>
<th>BALANCE DECEMBER 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$72,850</td>
<td>$</td>
<td>$</td>
<td>$72,850</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>238,173</td>
<td>1,509,467</td>
<td>1,590,190</td>
<td>238,173</td>
</tr>
<tr>
<td>School and Town Equipment</td>
<td>14,079,769</td>
<td>218,917</td>
<td>218,917</td>
<td>14,079,769</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td>2,016,304</td>
<td>274,701</td>
<td>2,291,005</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(2,016,304)</td>
<td>(274,701)</td>
<td></td>
<td>(2,291,005)</td>
</tr>
<tr>
<td>Net Property, Plant, and Equipment</td>
<td>$14,102,872</td>
<td>$193,978</td>
<td>$</td>
<td>$13,908,894</td>
</tr>
</tbody>
</table>
NOTE M - PROPERTY, PLANT, AND EQUIPMENT (CONT’D):

Depreciation expense for the period totaled $274,701. Of that amount, $2,449 was for Administration, $21,626 was for Protection & Health, $9,262 was for Highways, and $241,364 was for Education.

NOTE N - OVERLAPPING DEBT:

The Town of Jefferson is situated in Lincoln County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Lincoln County, for which the Town of Jefferson would be proportionally responsible in the event the County defaulted, is approximately $6,169,305 at December 31, 2016. The Town of Jefferson’s share would be 4.73% of the debt, or approximately $291,808.

NOTE O - SUBSEQUENT EVENTS:

Management has reviewed events subsequent through the report date, the date the financial statements were available to be issued, and has determined that there are no events requiring disclosure.
TOWN OF JEFFERSON, MAINE  
Comparative Balance Sheets - General Fund  
December 31, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,319,560</td>
<td>$3,779,541</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes receivable - current year</td>
<td>373,222</td>
<td>407,221</td>
</tr>
<tr>
<td>Taxes and liens - prior years</td>
<td>144,228</td>
<td>217,414</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$4,837,010</strong></td>
<td><strong>$4,404,176</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND FUND BALANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$55,610</td>
<td>$315</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>86,728</td>
<td>43,447</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>461,076</td>
<td>550,095</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>22,981</td>
<td>21,606</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$626,395</strong></td>
<td><strong>$615,463</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>$1,023,169</td>
<td>$776,635</td>
</tr>
<tr>
<td>State revenue sharing</td>
<td>81,979</td>
<td>93,699</td>
</tr>
<tr>
<td>Urban / rural improvement program</td>
<td>45,228</td>
<td>45,440</td>
</tr>
<tr>
<td>Other</td>
<td>7,408</td>
<td>7,511</td>
</tr>
<tr>
<td>Assigned for subsequent years' expenditures</td>
<td>777,151</td>
<td>746,069</td>
</tr>
<tr>
<td>Unassigned</td>
<td>2,275,680</td>
<td>2,119,359</td>
</tr>
<tr>
<td><strong>Total fund balance</strong></td>
<td><strong>$4,210,615</strong></td>
<td><strong>$3,788,713</strong></td>
</tr>
</tbody>
</table>

**Total liabilities and fund balance**  
$4,837,010 $4,404,176
### TOWN OF JEFFERSON, MAINE

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

For the year ended December 31, 2016

(with comparative actual amounts for the year ended December 31, 2015)

<table>
<thead>
<tr>
<th></th>
<th>Adjusted Budget</th>
<th>Variance positive (negative)</th>
<th>2015 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$4,266,587</td>
<td>$4,363,123</td>
<td>$96,536</td>
</tr>
<tr>
<td>Excise taxes</td>
<td>541,923</td>
<td>541,923</td>
<td>533,186</td>
</tr>
<tr>
<td><strong>Total taxes</strong></td>
<td>$4,266,587</td>
<td>$4,905,046</td>
<td>$638,459</td>
</tr>
<tr>
<td>Licenses, permits and charges for services</td>
<td>-</td>
<td>200,215</td>
<td>200,215</td>
</tr>
<tr>
<td><strong>Intergovernmental:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education - state subsidies</td>
<td>$576,198</td>
<td>$552,448</td>
<td>$(23,750)</td>
</tr>
<tr>
<td>Education - debt service</td>
<td>1,136,417</td>
<td>1,136,417</td>
<td>-</td>
</tr>
<tr>
<td>Other education</td>
<td>95,993</td>
<td>297,913</td>
<td>201,920</td>
</tr>
<tr>
<td>Highway block grant</td>
<td>45,440</td>
<td>45,228</td>
<td>(212)</td>
</tr>
<tr>
<td>State revenue sharing</td>
<td>93,699</td>
<td>81,979</td>
<td>(11,720)</td>
</tr>
<tr>
<td>Homestead exemption</td>
<td>58,140</td>
<td>53,836</td>
<td>(4,304)</td>
</tr>
<tr>
<td>Other intergovernmental</td>
<td>853</td>
<td>19,960</td>
<td>19,107</td>
</tr>
<tr>
<td><strong>Total intergovernmental</strong></td>
<td>$2,006,740</td>
<td>$2,187,781</td>
<td>$181,041</td>
</tr>
<tr>
<td><strong>Other revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>82,480</td>
<td>82,480</td>
</tr>
<tr>
<td>Other miscellaneous revenues</td>
<td>19</td>
<td>9,041</td>
<td>9,022</td>
</tr>
<tr>
<td><strong>Total other revenues</strong></td>
<td>$19</td>
<td>91,521</td>
<td>91,502</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$6,273,346</td>
<td>$7,384,563</td>
<td>$1,111,217</td>
</tr>
</tbody>
</table>


### Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Continued

**For the year ended December 31, 2016**

(with comparative actual amounts for the year ended December 31, 2015)

<table>
<thead>
<tr>
<th>2016</th>
<th>Adjusted Budget</th>
<th>Variance (negative)</th>
<th>2015 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016 Variance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adjusted positive</td>
<td></td>
<td>Actual</td>
</tr>
<tr>
<td>------</td>
<td>-----------------</td>
<td>---------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Officer's salaries</td>
<td>$12,500</td>
<td>$12,500</td>
<td>- $12,500</td>
</tr>
<tr>
<td>Employee salaries and benefits</td>
<td>$140,196</td>
<td>$138,257</td>
<td>$1,939 $129,268</td>
</tr>
<tr>
<td>Officer's expenses</td>
<td>$2,000</td>
<td>$1,176</td>
<td>$824 $1,248</td>
</tr>
<tr>
<td>Computers</td>
<td>$10,600</td>
<td>$11,067</td>
<td>($467) $8,399</td>
</tr>
<tr>
<td>Town meetings and elections</td>
<td>$13,000</td>
<td>$8,479</td>
<td>$4,521 $5,568</td>
</tr>
<tr>
<td>Office expenses</td>
<td>$10,000</td>
<td>$8,831</td>
<td>$1,169 $11,856</td>
</tr>
<tr>
<td>Legal and audit</td>
<td>$18,000</td>
<td>$10,682</td>
<td>$7,318 $10,615</td>
</tr>
<tr>
<td>Building and land maintenance</td>
<td>$8,000</td>
<td>$5,725</td>
<td>$2,275 $6,407</td>
</tr>
<tr>
<td>Insurance and bonding</td>
<td>$12,000</td>
<td>$10,779</td>
<td>$1,221 $12,188</td>
</tr>
<tr>
<td>Assessor's salary</td>
<td>$26,000</td>
<td>$18,091</td>
<td>$7,909 $16,496</td>
</tr>
<tr>
<td>Planning board</td>
<td>19</td>
<td>19</td>
<td>248</td>
</tr>
<tr>
<td>MMA dues</td>
<td>$3,550</td>
<td>$3,561</td>
<td>($11) $3,508</td>
</tr>
<tr>
<td>Code enforcement</td>
<td>$12,500</td>
<td>$12,500</td>
<td>$11,000</td>
</tr>
<tr>
<td>Liens and discharges</td>
<td>$8,500</td>
<td>$7,282</td>
<td>$1,218 $7,814</td>
</tr>
<tr>
<td>Appeals board</td>
<td>400</td>
<td>200</td>
<td>200 $68</td>
</tr>
<tr>
<td>Contingency</td>
<td>1,000</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Salt shed improvements</td>
<td>-</td>
<td>86,357</td>
<td></td>
</tr>
<tr>
<td>Total administration</td>
<td>$278,265</td>
<td>$249,149</td>
<td>$29,116 $323,540</td>
</tr>
<tr>
<td>Roads and highways:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$9,500</td>
<td>$3,315</td>
<td>$6,185 $3,677</td>
</tr>
<tr>
<td>General road repair</td>
<td>$23,900</td>
<td>$11,435</td>
<td>$12,465 $7,840</td>
</tr>
<tr>
<td>Winter maintenance</td>
<td>$63,000</td>
<td>$37,400</td>
<td>$25,600 $66,616</td>
</tr>
<tr>
<td>Tarring - URIP</td>
<td>$45,440</td>
<td>$45,440</td>
<td>$44,976</td>
</tr>
<tr>
<td>Tarring</td>
<td>$46,914</td>
<td>$46,914</td>
<td>$32,389</td>
</tr>
<tr>
<td>Snowplowing contracts</td>
<td>$242,360</td>
<td>$244,360</td>
<td>($2,000) $207,903</td>
</tr>
<tr>
<td>Bridges/bushes/ditching</td>
<td>$20,500</td>
<td>$13,870</td>
<td>$6,630 $2,922</td>
</tr>
<tr>
<td>Total roads and highways</td>
<td>$451,614</td>
<td>$402,734</td>
<td>$48,880 $366,323</td>
</tr>
<tr>
<td>Protection and health:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer station</td>
<td>$94,207</td>
<td>$94,207</td>
<td>- $101,004</td>
</tr>
<tr>
<td>Septic disposal</td>
<td>$2,300</td>
<td>$2,300</td>
<td>$2,300</td>
</tr>
<tr>
<td>Street lights</td>
<td>$5,000</td>
<td>$4,196</td>
<td>$804 $4,211</td>
</tr>
<tr>
<td>Fire Department</td>
<td>$50,000</td>
<td>$50,000</td>
<td></td>
</tr>
<tr>
<td>Animal control</td>
<td>$7,310</td>
<td>$7,310</td>
<td>$6,850</td>
</tr>
<tr>
<td>911 road signs</td>
<td>1,000</td>
<td>701</td>
<td>$299 $188</td>
</tr>
<tr>
<td>General assistance</td>
<td>$6,000</td>
<td>$415</td>
<td>$5,585 $2,494</td>
</tr>
<tr>
<td>Ambulance</td>
<td>750</td>
<td>750</td>
<td>- $750</td>
</tr>
<tr>
<td>Forest fire suppression</td>
<td>500</td>
<td>500</td>
<td></td>
</tr>
</tbody>
</table>
## TOWN OF JEFFERSON, MAINE
### Statement of Revenues, Expenditures, and Changes
#### in Fund Balance - Budget and Actual - General Fund, Continued

For the year ended December 31, 2016
(with comparative actual amounts for the year ended December 31, 2015)

<table>
<thead>
<tr>
<th>2016</th>
<th>Adjusted Budget</th>
<th>Actual</th>
<th>Variance (positive)</th>
<th>2015 Budget</th>
<th>Actual</th>
<th>Variance (negative)</th>
</tr>
</thead>
</table>

**Expenditures, continued**

**Current, continued:**

**Protection and health, continued:**

- Emergency management: $500 $ - $500 $ 334 $ 187,567 $ 159,879 $ 27,688 $ 167,131
- Fire truck reserve: $20,000 $ 20,000 $ 20,000 $ 20,000 $ 20,000 $ 20,000 $ 20,000 $ 20,000 $ 20,000
- Total protection and health: $187,567 $ 159,879 $ 27,688 $ 167,131

**Education:**

- $4,482,659 $ 4,482,659 $ - $ 4,419,923

**Adult education:**

- $8,872 $ 8,872 $ - $ 8,872

**Unclassified:**

- Unorganized cemeteries: $1,000 $ 100 $ 900 $ 1,280
- Memorial day: $500 $ 259 $ 241 $ 509
- Community day: 288
- Public library: $6,290 $ 4,850 $ 1,440 $ 5,399
- Overlay/abatements: $72,516 $ 46,356 $ 26,160 $ 9,642
- Community agencies: $6,539 $ 6,539 $ 6,194
- Midcoast Conservancy: 3,000
- Damariscotta Lake Watershed: 2,000
- Total unclassified: $89,845 $ 61,104 $ 28,741 $ 25,312

**County tax:**

- $449,422 $ 449,422 $ - $ 419,050

**Debt service:**

- Principal: $695,613 $ 695,613 $ - $ 890,989
- Interest: $440,804 $ 440,804 $ 460,307 $ 460,307
- Total debt service: $1,136,417 $ 1,136,417 $ - $ 1,351,296

**Total expenditures:**

- $7,084,661 $ 6,950,236 $ 134,425 $ 7,081,447 $ 195,229

**Excess (deficiency) of revenues over (under) expenditures:**

- ($811,315) $ 434,327 $ 1,245,642 $ 195,229

**Other financing sources (uses):**

- Utilization of prior year surplus: $812,315 $ - $ (812,315) $ -
- Transfer (to) from Capital Projects Fund: (11,425) (11,425)
- Transfer (to) from Permanent Funds: (1,000) (1,000) (1,000)
- Total other financing sources (uses): $811,315 $ (12,425) $ (823,740) $ (1,000)

**Net change in fund balance:**

- $ - $ 421,902 $ 421,902 $ 194,229

Fund balance, January 1, 2016: $3,788,713

Fund balance, December 31, 2016: $4,210,615

[34]
### TOWN OF JEFFERSON, MAINE
### Combining Balance Sheet
### Nonmajor Governmental Funds
### December 31, 2016

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Llewellyn Cemetery</th>
<th>Ella Hamblin Cemetery</th>
<th>Hall-Amy Partridge Cemetery Trust Fund</th>
<th>David Hodgkins Cemetery Fund</th>
<th>Andrew W. Williamson Scholarship Fund</th>
<th>Joan Levesque and Ada Packard Scholarship Fund</th>
<th>Total Nonmajor Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>58,601 $</td>
<td>18,708 $</td>
<td>9,013 $</td>
<td>1,314 $</td>
<td>1,241 $</td>
<td>1,019 $</td>
<td>2,362 $</td>
</tr>
<tr>
<td>Investments</td>
<td>36,274</td>
<td>36,274</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>58,601 $</td>
<td>18,708 $</td>
<td>9,013 $</td>
<td>1,314 $</td>
<td>1,241 $</td>
<td>1,019 $</td>
<td>2,362 $</td>
</tr>
</tbody>
</table>

| LIABILITIES AND FUND BALANCES |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Liabilities | - $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ |
| Fund Balances: |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Principal | 12,000 $ | 10,000 $ | 5,219 $ | 1,000 $ | - $ | - $ | - $ | - $ | 500 $ | - $ | - $ | 45,000 $ | - $ | - $ | - $ | 73,719 $ |
| Unexpended Income | 46,601 $ | 8,708 $ | 3,794 $ | 314 $ | 1,241 $ | 1,019 $ | 2,362 $ | 1,889 $ | 52,986 $ | 12,896 $ | 25,704 $ | 100,870 $ | 5,969 $ | 264,353 $ |
| Total Fund Balances | 58,601 $ | 18,708 $ | 9,013 $ | 1,314 $ | 1,241 $ | 1,019 $ | 2,362 $ | 2,389 $ | 52,986 $ | 57,896 $ | 25,704 $ | 100,870 $ | 5,969 $ | 338,072 $ |

<table>
<thead>
<tr>
<th>Total liabilities and fund balances</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 58,601</td>
<td>$ 18,708</td>
<td>$ 9,013</td>
<td>$ 1,314</td>
<td>$ 1,241</td>
<td>$ 1,019</td>
<td>$ 2,362</td>
<td>$ 2,389</td>
<td>$ 52,986</td>
<td>$ 57,896</td>
<td>$ 25,704</td>
<td>$ 100,870</td>
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<td>$ 338,072</td>
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<td>Llewellyn Clary Worthy Poor</td>
<td>Ella Hamblin Clary Worthy Poor</td>
<td>Ella Hamblin and Llewellyn Clary Worthy Poor</td>
<td>Hopkins Cemetery (Hattie E. Fossett Trust Fund)</td>
<td>Hall-Amy Partridge Cemetery Trust Fund</td>
<td>David Hodgkins Cemetery Fund</td>
<td>Andrew Rice Trust Fund</td>
<td>Emily Clark Trust Fund</td>
<td>Jefferson Scholarship Endowment Fund</td>
<td>Clary Memorial Highway Fund</td>
<td>Andrew W. Williamson Scholarship Fund</td>
<td>Davis Worthy and Deserving Poor Fund</td>
<td>Joan Levesque and Ada Packard Scholarship Fund</td>
<td>Total Nonmajor Governmental Funds</td>
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<td>$327</td>
<td>$166</td>
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<td>$8</td>
<td>$14</td>
<td>$964</td>
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<tr>
<td>Total revenues</td>
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<td>$327</td>
<td>$166</td>
<td>$10</td>
<td>$-</td>
<td>$6</td>
<td>$8</td>
<td>$14</td>
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<td>Excess of revenues over expenditures</td>
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<td>$10</td>
<td>$-</td>
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<td>$14</td>
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<td>$8,395</td>
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<tr>
<td>Transfer (to) from general fund</td>
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<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
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<tr>
<td>Net change in fund balances</td>
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<td>$166</td>
<td>$10</td>
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<td>Fund balances, January 1, 2016</td>
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<td>$52,986</td>
<td>$57,896</td>
<td>$25,704</td>
<td>$100,870</td>
<td>$5,969</td>
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</table>
### U.S. DEPARTMENT OF AGRICULTURE:

Passed Through State Department of Education:

<table>
<thead>
<tr>
<th>Program Title</th>
<th>CFDA Number</th>
<th>GRANTOR NUMBER</th>
<th>JULY 1, 2015</th>
<th>REVENUES</th>
<th>EXPENDITURES</th>
<th>JUNE 30, 2016</th>
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</thead>
<tbody>
<tr>
<td>Donated Commodities (Note 2)</td>
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<td><strong>$ 53,315.53</strong></td>
<td><strong>$ 53,315.53</strong></td>
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### U.S. DEPARTMENT OF EDUCATION:

Passed Through State Department of Education:

<table>
<thead>
<tr>
<th>Program Title</th>
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<th>GRANTOR NUMBER</th>
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<th>REVENUES</th>
<th>EXPENDITURES</th>
<th>JUNE 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDEA Special Education - Preschool Grants (IDEA Preschool)</td>
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<td><strong>$ (457.53)</strong></td>
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<td><strong>$ 148,991.16</strong></td>
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<td><strong>Total</strong></td>
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<td></td>
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<td><strong>$ 202,306.69</strong></td>
<td><strong>$ 202,306.69</strong></td>
<td><strong>$ (457.53)</strong></td>
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</tbody>
</table>

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Town of Jefferson School Department's Schedule of Expenditures of Federal Awards conforms to generally accepted accounting principles as applicable to governmental units. The modified accrual basis of accounting is followed. This method of accounting is defined as the basis of accounting under which expenditures are recorded as incurred, and revenues are recorded when received in cash except for material and/or available revenues which are accrued to reflect properly the assessments levied and the revenues earned.

**NOTE 2 - DONATED COMMODITIES:**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities consumed.