



MOORS & CABOT
INVESTMENTS
Banking & Advisory Group

NEW ISSUE

**Moody's:
S&P:**

Interest on the Bonds is not excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the opinion of Jensen Baird Gardner & Henry, Portland Maine, Bond Counsel ("Bond Counsel"), pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, the interest paid on the Bonds is exempt from income tax within the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The Town will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

**TOWN OF ISLESBORO, MAINE
\$3,800,000
2016 GENERAL OBLIGATION BONDS
(FEDERALLY TAXABLE)**

Dated: Date of Delivery				Due: October 15, as shown below			
Year of Maturity	Amount^(†)	Interest Rate	Yield or Price	Year of Maturity	Amount^(†)	Interest Rate	Yield or Price
2017	\$145,000			2022	\$160,000		
2018	145,000			2023	165,000		
2019	150,000			2024	170,000		
2020	155,000			2025	175,000		
2021	160,000			2026	175,000		
\$1,000,000 ^(†) _____ % Term Bond due October 15, 2031 ^(†) , Yield or Price _____							
\$1,200,000 ^(†) _____ % Term Bond due October 15, 2036 ^(†) , Yield or Price _____							

The Town of Islesboro, Maine 2016 General Obligation Bonds (Federally Taxable) (the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on April 15, 2017 and semi-annually on each October 15 and April 15 thereafter until maturity, or redemption prior to maturity.

The legal opinion of Bond Counsel, will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of the Town of Islesboro, Maine (the "Town") and, unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it (see "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). Additionally, with respect to the Bonds, the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that, with respect to the Bonds, the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. See "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein. The Treasurer has certified that no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share assessed valuation with another municipality; and no agreements under Title 30-A, Chapters 206 of the Maine Revised Statutes, as amended, to establish tax increment financing districts, now exist. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

The Bonds are subject to redemption prior to maturity, at the option of the Town, as more fully set forth herein. See "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein. Certain of the Bonds are also subject to mandatory redemption, as more fully set forth herein. See "THE BONDS—MANDATORY REDEMPTION" herein.

The Bonds are offered when, as and if issued, subject to the approval of legality by Jensen Baird Gardner & Henry, of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about October 27, 2016.

NOTE: ^(†) Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment. The Town will make available its final Official Statement with respect to the Securities. This Preliminary Official Statement is for information purposes only and does not constitute an offer to sell or the solicitation of any offer to buy the Securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

No dealer, broker, salesman or other person has been authorized by the Town or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Town and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the Town. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the Town since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The CUSIP numbers set forth in this Official Statement have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. Neither the Town nor the Underwriter makes any representation with respect to the accuracy of such CUSIP numbers set forth in this Official Statement or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The Town is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as set forth in this Official Statement. The CUSIP number for a specific maturity of the Bonds is subject to change after the issuance of the Bonds and as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by the Town of Islesboro, Maine with the assistance of Moors & Cabot, Inc., its Financial Advisor, from the records of the Town and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by the Financial Advisor or by Jensen Baird Gardner & Henry, Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Financial Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town of Islesboro, Maine or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the Treasurer, this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the Treasurer and furnished at the closing.

This Official Statement is in a form “deemed final” by the issuer for purposes of Securities and Exchange Commission’s Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Janet R. Anderson
Treasurer
Town of Islesboro, Maine

**OFFICIAL STATEMENT
TOWN OF ISLESBORO, MAINE
\$3,800,000**

2016 GENERAL OBLIGATION REFUNDING BONDS (FEDERALLY TAXABLE)

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Islesboro, Maine (the “Town” or “Islesboro”) in connection with the sale of its 2016 General Obligation Bonds (Federally Taxable) (the “Bonds” or the “2016 Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC” or the “Securities Depository”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated on the date of delivery and will bear interest (accrued on a 30 day month/360 day year) payable on April 15, 2017 and semi-annually on each October 15 and April 15 thereafter until maturity, or redemption prior to maturity. The Bonds will mature as follows:

<u>Amount^(†)</u>	<u>October 15,</u>	<u>CUSIP</u>	<u>Amount^(†)</u>	<u>October 15,</u>	<u>CUSIP</u>
\$145,000	2017	46467TAA3	\$160,000	2022	46467TAF2
145,000	2018	46467TAB1	165,000	2023	46467TAG0
150,000	2019	46467TAC9	170,000	2024	46467TAH8
155,000	2020	46467TAD7	175,000	2025	46467TAJ4
160,000	2021	46467TAE5	175,000	2026	46467TAK1
\$1,000,000 ^(†) Term Bond due October 15, 2031 ^(*) (CUSIP: 46467TAL9)					
\$1,200,000 ^(†) Term Bond due October 15, 2036 ^(*) (CUSIP: 46467TAM7)					

NOTE: ^(†) Preliminary, subject to change.

^(*) See also “THE BONDS - MANDATORY REDEMPTION” herein.

It is expected that the Bonds will be available for delivery on or about October 27, 2016.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by U.S. Bank National Association, Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein.

OPTIONAL REDEMPTION PRIOR TO MATURITY

Bonds maturing on or before October 15, 2026 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after October 15, 2027 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after October 15, 2026, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine, at a price of par (100% of original stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

MANDATORY REDEMPTION

The Bonds maturing on October 15, 2031 and October 15, 2036, respectively, are also subject to mandatory redemption in the principal amounts set forth below, plus accrued interest to the date of redemption thereof, on October 15 in the years set forth below:

<u>Bond due 2031</u>		<u>Bond due 2036</u>	
<u>Year</u>	<u>Amount^(†)</u>	<u>Year</u>	<u>Amount^(†)</u>
2027	\$185,000	2032	\$220,000
2028	195,000	2033	230,000
2029	200,000	2034	240,000
2030	205,000	2035	250,000
2031 ^(*)	215,000	2036 ^(*)	260,000

NOTE: ^(†) Preliminary, subject to change.

^(*) Year of final maturity.

GENERAL PROVISIONS REGARDING REDEMPTION

Notice of Redemption

In the case of every redemption of the Bonds, the Town shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at such address as shall appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the bondholder actually receives notice. The failure of the Town to give notice to a bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner. Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed. The Town shall notify the Securities Depository in the same manner as the bondholders, with a request that the Securities Depository notify its Participants who in turn notify the Beneficial Owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the Town, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given in the manner described above, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given), the Bonds to be redeemed shall not be deemed to be outstanding.

Cancellation

All Bonds that have been redeemed shall be canceled by the Paying Agent and either destroyed by the Paying Agent with counterparts of a certificate of destruction evidencing such destruction furnished by the Paying Agent to the Town or returned to the Town at its request.

Partial Redemption of Bonds

Bonds or portions of Bonds to be redeemed in part shall be selected when held by a Securities Depository by lot and when not held by a Securities Depository by the Town by lot or in such other manner as the Town, in its discretion, may deem appropriate.

RECORD DATE; PAYMENT

The principal of the Bonds is payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the last day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding that is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

AUTHORIZATION AND PURPOSE

The Broadband Project

Island residents believed that the lack of competitive Broadband was an anchor on the economic vitality of the island and its summer community. Furthermore, the gap between Islesboro's current service and the national average, symmetrical 10 Mbps service, hindered the Town's efforts to compete with other communities to retain and attract young residents and businesses. Therefore, late in 2012 the Board of Selectmen formed a Broadband Committee to understand the problem and recommend a solution to the Town. The Committee retained a consultant to do a Broadband census of the island, outline the current mainland market and technologies and lay out a protocol to get to a recommendation. The report was submitted to the Town on February 4, 2014 showing the scope of the problem and how Islesboro could resolve it. The consultant recommended that any Islesboro Broadband solution should be a fiber-based network capable of 1000 mbps, or 300 times what is currently available (the "Project").

Islesboro has roughly 775 phone and/or Internet connections today, growing less than 5% per year. Today's average download and upload speeds of 3.74 Mbps and 0.62 Mbps, respectively, lag behind the statewide average, which in turn lag behind the national average (i.e., the Town average download is less than the Statewide average of 4.8 Mbps; the Town average upload is less than Tier 1 (768 Kbps to 1.5 Mbps)).

The Town observed that no privately-funded broadband upgrades were being planned for Islesboro, and doubted the viability of a market-based business case for an existing commercial Internet service provider to invest the full amount required to improve broadband facilities on the island. The Town's voters approved forming the Islesboro Municipal Broadband ("IMB") as a Town owned and operated 1-gigabit fiber-to-home Internet access utility for the benefit of the residents and businesses on island. The Town

would own the network and be responsible for all ongoing operating costs, which would be paid using network revenues from customer subscriptions and is partnering with a Maine-based private Internet service provider.

Residential or business IMB subscribers will access the Internet using a high-capacity symmetrical 1-gigabit fiber-optic broadband connection, a private, password-protected, Wi-Fi network, capability for wired Ethernet, and a provision to connect to phone service. People or businesses that indicate an intent to subscribe prior to October 15, 2016 will be on the list for premise installation during the anticipated spring-summer 2017 construction phase, with no charge for installation; after the construction installation team completes its work and departs the Island, subscribers will pay the full labor and material costs for their installation, currently estimated at approximately \$600.

On-going expenses for the Project, once completed, are expected to be for (i) Operation and Maintenance (“O&M”) and (ii) associated debt service on the Bonds. The proposed \$360 yearly subscriber fee is expected to be a contribution to offset O&M. Remaining O&M costs, if any, and all of the associated debt service on the Bonds, will be included as part of the Town’s budget for that fiscal year and is expected to be paid through annual property taxes.

Authorization

The Project was approved at the June 18, 2016 annual Town Meeting by an 86.3% majority vote of the Town’s voters approving Article 3 as follows:

To see if the Town will vote to authorize the issuance of up to \$3,800,000 in general obligation bonds, and notes in anticipation of such bonds, for the design, construction and equipping of a municipal broadband network and related infrastructure and improvements, including, without limitation, engineering, survey, legal, construction and other related costs, all as determined to be appropriate by the Board of Selectmen, with the dates, maturities, denominations, interest rate(s), project feasibility, and other details of the bonds or notes (including provisions that the bonds may be subject to call for redemption with or without premium) to be determined by the Board of Selectmen.

The Bonds are being issued pursuant to a Bond Order passed by the Board of Selectmen at its meeting held on June 29, 2016.

A portion of the proceeds of the Bonds will be used to refund, on a current basis, the Town’s \$1,900,000 2016 General Obligation Bond Anticipation Notes (Taxable) dated August 30, 2016 and maturing on or before November 30, 2016, with the option to prepay at any time with no penalty (the “BANs”). The BANs were used to provide interim funds to finance the Project.

In the event that any proceeds of the Bonds remain unspent upon completion of the Project or the Town abandons any or portions of the Project, the Town reserves the right to reallocate unspent proceeds to the costs of other eligible projects approved, or to be approved, or to apply unspent proceeds to the payment of debt service on the Bonds.

SOURCE OF PAYMENT AND REMEDIES

General

The Bonds are general obligations of the Town and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State” or “Maine”) have the right to tax their inhabitants to pay municipal indebtedness. The Bonds are payable as to both principal and interest from limited ad valorem taxes unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, in which case such ad valorem taxes may be levied without limit as to rate or amount upon all the taxable property within its territorial limits (see “THE BONDS – SOURCE OF PAYMENTS AND REMEDIES - Limitation on Municipal Property Tax Levy” herein), except to the extent that, with respect to the Bonds, the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the Town establishes or has established development districts as either tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see “TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” section herein). The Treasurer has certified that no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share assessed valuation with another municipality; and no agreements under Title 30-A, Chapters 206 of the Maine Revised Statutes, as amended, to establish tax increment financing districts, now exist. . There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims. The opinion will further indicate that the enforceability of obligations of the Town, including the Bonds, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and is subject to general principles of equity.

In the opinion of Bond Counsel, the Town is subject to suit on the Bonds. The Maine statutes provide that executions against a town shall be issued against the personal property of the residents of that town and real estate within its boundaries, whether or not owned by the town. Only town real estate not used for public purposes, however, is subject to such execution. In addition, the Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property of residents to satisfy debts of, or judgments against, a municipality is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon.

Funds to meet Town expenses, including debt service, are not included in the tax levy to the extent they are expected to be met with other non-tax revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal or of interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State.

Limitation on Municipal Property Tax Levy

Effective July 1, 2005, the Legislature enacted LD 1 codified in part as Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as “Property Tax Levy Limit”. With certain

exceptions, a municipality may not adopt a property tax levy that exceeds its Property Tax Levy Limit from one year to the next by more than a specified growth limitation factor. Therefore, in cases where the amount of the prior year's Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy, the Town may carry-forward that difference in establishing its future years' property tax levy. See "TOWN FINANCES - Property Tax Levy Limit" herein.

The growth limitation factor is the average personal income growth as determined by October 1, annually, by an authorized State official plus the property growth factor determined annually by the Town. In addition, a municipality is required to lower its Property Tax Levy Limit in any year by an amount equal to net new Revenue Sharing funds provided by the State.

The Town may increase the Property Tax Levy Limit by the same process that applies to the municipal budget except that the vote must be by written ballot on a separate article that specifically identifies the intent to exceed the property tax levy limit.

In lieu of increasing the Property Tax Levy Limit, the municipality may vote to exceed the Property Tax Levy Limit for extraordinary circumstances. Exceeding the Property Tax Levy Limit permits the property tax levy to exceed the Property Tax Levy Limit only for the year in which the extraordinary circumstance occurs and does not increase the base for purposes of calculating the Property Tax Levy Limit for future years. Extraordinary circumstances are circumstances outside the control of the Board of Selectmen and include:

- (1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;
- (2) Unfunded or underfunded state or federal mandates;
- (3) Citizens' initiatives or other referenda;
- (4) Court orders or decrees; or
- (5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended. The debt service of bonds issued for school projects is includable in the school budget and the Town is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on school project bonds.

The Town does not expect that the Property Tax Levy Limit will have a material adverse effect on the Town's financial condition or on the ability of the Town to pay the principal of, and premiums, if any, and interest on the Bonds when due.

TAX MATTERS

The Bonds

Under existing statutes, regulations and court decisions interest on the Bonds is not excludable from the gross income of the owners of the Bonds for purposes of federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code").

Exemption of Interest on the Bonds from Taxation Within the State of Maine

In the opinion of Bond Counsel, interest payable on the Bonds is exempt from income taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. See “Proposed Form of Legal Opinion” in APPENDIX B herein.

Qualified Tax-Exempt Obligations

The Town will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Original Issue Discount

Certain maturities of the Bonds (the “Discount Bonds”) may be sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds is sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. Pursuant to section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the “constant yield method” described in regulations interpreting section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S

corporations. Prospective purchasers of the Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Extent of Opinion

Bond Counsel expresses no opinion regarding any tax consequences of holding the Bonds other than its opinion with regard to the exemption of interest on the Bonds from taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company (“DTC”), New York, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC’s records. The ownership interest of each actual purchaser of each security deposited with DTC (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners. The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

RATINGS

The Bonds are rated “__” by Moody's Investors Service (“Moody's”) and “__” by Standard & Poor's, Public Finance Ratings (“S&P”). The Town has furnished the rating agencies certain information and

materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody's or S&P at the time such rating is assigned and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and its explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Except as set forth in the Continuing Disclosure Certificate set forth in APPENDIX C and referred to under "THE BONDS – CONTINUING DISCLOSURE" herein, the Town has not undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in, or withdrawal of, any rating of the Bonds or to oppose any such change or withdrawal.

CONTINUING DISCLOSURE

In order to assist the underwriter in complying with the Securities Exchange Commission's Rule 15c2-12 (the "Rule"), the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than March 31 following the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material, which material events are more specifically described herein. The covenants will be contained in a "Continuing Disclosure Certificate" (the "Certificate"), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the Treasurer of the Town, and incorporated by reference in the Bonds.

This is the first issuance of debt by the Town subject to continuing disclosure requirements of the Rule and, thus heretofore the Town has not previously entered into an undertaking under the Rule. Therefore the Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

For each issue of debt the Town Treasurer will implement post-issuance compliance procedures that, among other items, provide for timely filings with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA") or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings. The Town will also register with the EMMA reminder system to receive email reminders to help ensure timely filing of disclosure requirements.

STATUTORY REFERENCES

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

FINANCIAL ADVISOR

Moors & Cabot, Inc. has acted as Financial Advisor to the Town of Islesboro, Maine with respect to the issuance of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23. Moors & Cabot,

Inc. does not intend to submit its bid on, or participate in an underwriting syndicate for the public distribution of, the Bonds.

CONDITIONS PRECEDENT TO DELIVERY

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

No Litigation

Upon delivery of the Bonds, the Town shall deliver or cause to be delivered a certificate of the Treasurer, and attested to by the Town Clerk, dated the date of delivery of the Bonds, to the effect that there is no litigation pending or, to the knowledge of such officers, threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the Town, nor the title of any of said officers to their respective offices, is being contested.

Approval of Legality

The legality of the Bonds will be approved by Jensen Baird Gardner & Henry, Portland, Maine, Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds will be delivered at the time of original delivery of the Bonds and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and make no representations that they have independently verified the same. See also "PROPOSED FORM OF LEGAL OPINION" in APPENDIX B herein.

Certification of the Bonds

The Bonds will be certified as to their genuineness by U.S. Bank National Association, Boston, Massachusetts, which certificate will appear on the Bonds.

Certificate With Respect to Official Statement

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer to the effect that she has examined this Official Statement and the financial and other data contained therein and that, to the best of his knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading.

Certificate With Respect to Debt Limits

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer of the Town which certifies that the Town has not exceeded its debt limits under Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, and that issuance of the Bonds will not cause the Town to exceed the debt limit.

TOWN OF ISLESBORO, MAINE

GENERAL

The Town of Islesboro (the “Town” or the “Island”) is located on the northwestern upper-head of Penobscot Bay, it being in the mid-point of Maine’s coast. The Island is approximately ten miles southeast of the City of Belfast, the shire town of the County of Waldo, of which the Town is a constituent. Penobscot Bay splits the State’s Midcoast and Downeast Regions. Access to Islesboro is either from a three-mile ferry run on the Margaret Chase Smith ferry operated by the Maine State Ferry Service from Lincolnville to the Island; by air to the Islesboro Airport; or by private boat.

Islesboro consists of one major island, the 11 mile by three mile (at its widest beam) Long Island, and several small islands. Originally home to commercial nautical activities it has developed as a Gilded Age (1870s – 1900s) resort community with many large summer mansions. The year-round population of 566 (2010 Census) swells to over 2,000 in the summer. Sailor’s Memorial Lighthouse is located at the Ferry Terminal Landing at Grindle Point. The 70-acre Warren Island State Park, an island across from the channel from Grindle Point and next to Seven Hundred Acre and Spruce islands, was gifted from the Town to the State in 1959 and dedicated as a State Park on June 30, 1967.



Originally part of the Waldo Patent and visited by the Church Expedition in 1762, the Island was first settled in 1769 by William Pembleton and Benjamin Thomas, as Long Island Plantation. The Town was incorporated as Islesborough on January 28, 1789, later contracted to Islesboro. Titles for the land were secured from General Henry Knox, in 1801. Clockwise from the north, the Island encompasses the sections of: Up-Island, Pripet, North Islesboro, Ryder Cove, The Narrows, Down-Island, Hewes Point, Town Center, Dark Harbor and Grindle Point.

The Town of Islesboro is an island, residential community with rural characteristics. The land area of the Town includes tracts of farm and forest land, open space and oceanfront areas. The Town is comprised of residential, local business, industrial, commercial and resource protection zones, totaling 14.29 square miles (land), 54.59 square miles (water) for a consolidated 68.88 square miles.

GOVERNMENT

There are two basic forms of local government in Maine: the “Direct” form, often referred to as town meeting government, in which the town meeting serves as the legislative body, passing laws, approving the spending of monies; and the “Representational” form, in which an elected council serves as the legislative body. There are five basic variations of these two forms. Three variations of the Direct form are: *Town Meeting/Selectmen* Form of Government, the most common in Maine currently used by 209 municipalities in the state; *Town Meeting/Selectmen/Manager*, the second most common form of local government in Maine currently used by 135 towns; and *Council/Town Meeting/Manager* variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council. The two variations of the Representational form are: *Council/Manager* (36 cities or towns) and *Council/Mayor/Administrator* (five cities in Maine).

Pursuant to Title 30-A, Chapter 123, Section 2631 of Maine Revised Statutes, as amended, the Town has adopted its form of government through the State’s Statutory Town Manager Plan and operates as a *Town Meeting - Selectmen - Manager* form. Under this form of government, the Town’s Board of Selectmen continues to serve as the Town’s executive body; but with an administrator (the Town Manager) being responsible directly to the Selectmen to oversee the daily operations of the municipality. The Town Meeting enacts, amends, or repeals rules, ordinances and resolutions relating to the Town’s property and affairs, elects a five-member Board of Selectman and quasi-municipal or district officials, votes articles proposed under referendum power and approves the Annual Budget. The Town Manager serves as the Tax Collector, Clerk, Treasurer, General Assistance Administrator and Road Commissioner and is the chief executive and administrative official of the Town.

MUNICIPAL SERVICES

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, sewer and wastewater treatment services, highways, streets and sidewalks, parks and recreation areas. Public education is provided for grades K through 12 by the Town.

Public Safety

The Town’s Public Safety Department is served by four divisions: Law Enforcement, Ambulance, Emergency Management and Fire. Law Enforcement is led by a Public Safety Director who is in charge of providing all law enforcement needs to the community including motor vehicle, criminal and marine resource enforcement. The Public Safety Director is also the Animal Control Officer, the Ambulance Director and the Emergency Management Director. The Public Safety Director works with the State Warden Service to enforce all Maine state hunting laws and has availability of assistance from the Waldo County Sheriff’s personnel, if necessary.

The Fire Department was established in 1939 and is currently comprised of 17 members including a part-time Fire Chief, Captain, First Lieutenant, Second Lieutenant, nine on-call firefighters and three junior firefighters. The department maintains five fire engines, of which four are housed at the Fire Department’s station; the fifth mini-pumper is stationed on 700 Acre Island.

Public Works

The Public Works Department provides for operation of the Town’s landfill and transfer station, for storm drain maintenance and 31 miles of roads. The department is staffed with one Public Works Foremen and one full-time employee. The department utilizes three vehicles and various other pieces of equipment, which are in good repair.

Solid Waste

The Town ceased operation of its landfill in 1995 and has capped the site in compliance with State of Maine Department of Environmental Protection (“DEP”) regulations. At the site of the former facility, the Town has established a Transfer Station and Recycling Center, located on Meadow Pond Road, which accepts white goods, scrap metal, tires, demolition debris and brown goods. Trash is accepted in Town of Islesboro bags. The waste and debris is transported to a sorting facility in Charlestown, Massachusetts.

Wastewater Facilities

The Town operates and treats wastewater at the Dark Harbor Waste Water Treatment Facility (the “WWTF”). The WWTF is located adjacent to the Pendleton Yacht Yard in Dark Harbor village in the Island’s south-south-east. Originally, the WWTF was put on place in 1904, with an installation of piping to collect sewage to prevent infiltration into groundwater and wells at the village. As the wastewater was collected and released, untreated, into the ocean, in 1980 the State Department of Environmental Protection (“DEP”) and the Town collaborated to build and operate the WWTF that, thus, discharges secondary, treated, sanitary wastewater into Penobscot Bay. The WWTF is established as an Enterprise Activity with the intent that the WWTF provides services on a continuing basis, financed entirely through user charges.

Apart from the 31 users of the WWTF, all residential and non-residential properties dispose of wastewater on site or in holding systems. The Town maintains a DEP-approved septage disposal field and holding tanks near the Transfer Station. In 2002, the Town adopted a Septage Disposal Control Ordinance that establishes rules for governing septage disposal management.

Water Supply

All residents of the Town draw drinking water from bedrock wells (86%, based on 1994 survey of residents), dug wells, or springs for household use. There is at least one community well located in Ryder Cove that serves nine residences.

Health Center

The Health Center occupies the center section of the Town Office Building with its own entrance, reception area, offices, examination and treatment rooms. The Health Center is available for appointment and walk in patients five days a week, a half day on Saturday, and 24/7 for emergencies and provides preventative and restorative care and is a triage center for Island residents. It is staffed by a Director, two Providers, three administration personnel and is supervised by two licensed doctors. The Health Center is established as an Enterprise Activity with the intent that the Health Center provides services on a continuing basis, financed through user charges, Town subsidy and monthly rent to the Town.

Public Education

The Town operates its educational program for grades Pre-K through 12 as under its own supervision. Title 20-A, Chapter 111, Subchapter 1 of Maine Revised Statutes, as amended, provides that the Department of Education for the Town be administered by a School Committee, comprised of five members, who are elected by the voters of the Town at-large for three-year staggered terms. Pursuant to Title 20-A, Chapter 101, Subchapter 1 of Maine Revised Statutes, as amended, the School Committee performs all duties and functions in regard to the care and management of the public schools of the Town. The School Committee prepares and submits its budget to the Board of Selectmen, who includes it in the budget process. See also “TOWN FINANCES - BUDGETARY PROCESS” section herein. The Town’s staff includes a part-time Superintendent, one full-time principal, 21 full-time teachers and various other professional and non-professional staff.

The Islesboro Central School

What is now the Islesboro Central School is the former summer cottage of Mrs. John T. Atterbury, a 25-room home built in 1928. Later purchased by Mrs. Lillian T. Whitmarsh, the property was given to the Town for use as a school in 1952. Following acceptance by the Town, the former cottage was remodeled and began operating as a school in 1954. In the 1980s, the attached Kinnicutt Center was constructed to provide space for athletic activities, cafeteria, and theater. The school building was remodeled again in 1997, providing additional classrooms, improved science laboratory, art room and music area. The Islesboro Central School is a K-12 public educational facility that sits on 19 acres owned by the Town. Roughly 3 acres are developed for approximately 18,500 square feet of space in 2 primary school buildings and associated facilities. Another $\frac{3}{4}$ acre is cleared for use by the horticulture program, easterly of the primary school campus. Approximately 15.25 acres remain undeveloped forest land.



Oct. 1,	Islesboro Central School Enrollment						Islesboro Resident Attending Other SAUs
	Grades			Total Resident	Non- Resident	Total Enrollment	
	K - 5	6-8	9-12				
2015	34	17	22	73	21	94	3
2014	26	15	29	70	25	95	2
2013	26	13	31	70	26	96	0
2012	30	16	34	80	25	105	0
2011	21	18	28	67	18	85	1
2010	25	23	21	69	21	90	0
2009	23	22	26	71	15	86	0
2008	27	23	28	78	8	86	0
2007	30	18	25	73	5	78	0
2006	32	19	27	78	8	86	0

SOURCE: State of Maine, Department of Education, "October 1 Census of Students Educated at Public Expense".

Islesboro Airport

The Islesboro Airport (FAA LID: 57B) is a town-owned, public-use airport located one nautical mile (1.85 km) west of the central business district the Town. The airport is included in the FAA's National Plan of Integrated Airport Systems ("NPIAS"), an inventory of U.S. aviation infrastructure assets maintained by the Federal Aviation Administration ("FAA") and is categorized as a general aviation facility. The Airport covers an area of 41 acres at an elevation of 92 feet above mean sea level. It has one runway designated 1/19 with an asphalt surface measuring 2,400 by 50 feet. The airport typically has approximately 1,140 general aviation aircraft operations each year, or an average of 95 per month.

Alice L. Pendleton Library

At the 1902 annual Town Meeting, citizens voted to fund a town library to be called the Islesboro Free library, located on the second floor of the old Pendleton schoolhouse, diagonally opposite the present library on Main Street. Its doors opened on September 12, 1902. Alice Lavinia Pendleton, known affectionately as "Miss Alice", of Islesboro and Brooklyn, New York, who had studied library science at Eastern State Normal School in Castine, was appointed the first librarian as well as chairperson of the library committee. Soon, in 1905, a parcel of land at the top of Vess Hill was secured, a finance and building committee was established in 1912, and construction began in late spring of 1917 and a new 2,329 square-foot facility opened on January 14, 1918 as the Islesboro Free library. By about 1925 Miss Alice began wintering in New York, but her interest in the library never failed as each summer she continued as assistant librarian, until her death in 1951 and, in 1956, the library became her memorial as The Alice L. Pendleton Library. In 1965, the Dark Harbor Library, supported entirely by summer cottagers, closed with books, furniture and a sum of money being donated to the Alice L. Pendleton Library. The library is a department of the Town and is domiciled in a granite and brick building, staffed by a Librarian and Library Aid.

Moorings

The Town has three regulated mooring areas. Currently the Town has no mooring or float fees and the Harbor Ordinance requires that owners provide evidence their moorings are maintained in good working order to address liability concerns. These include Grindle Point (on the southwest side of the Island) which has a pier, parking lot, and museum. This is the landing port for the Margaret Chase Smith ferry operated by the Maine State Ferry Service, connecting Lincolnville Beach on the mainland and the Island; the town-owned pier at Seal Harbor, situated on approximately 1.3 acres on the western shore

of Up-Island. This parcel of land and the existing pier and float were donated to the Town by the Mosley family, who owned Seal Island; and Warren’s Landing , also known as aka Pripet, located on 1.58 acres on Lime Kiln Road at the Islands north-northeast, the site of the Town’s first steamboat landing, with stone rip rap from the old pier still in place.

Labor Relations

The Town employs approximately 63 full-time and various part-time personnel, approximately 35 of whom are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions.

Union ⁽¹⁾	Bargaining Unit	Date of Contract	
		Effective	Expiration
ITA	Teachers	Sept. 1, 2014	Aug. 31, 2017

NOTE: ⁽¹⁾ “ITA” indicates Islesboro Teachers’ Association, which is affiliated with the Maine Education Association (the “MEA).

EMPLOYMENT

The following table displays the place of employment for the Town’s residents, residential component of its workforce and the respective component of its workers as a percentage of their local workforce:

People who work in Islesboro, but live in:	Number of Workers	% of Islesboro Workforce	People who live in Islesboro, but work in:	Number of Workers	% of Islesboro Workers
Islesboro	269	58.35%	Islesboro	269	93.73%
Weston CT	50	10.85%	Belmont	5	1.74%
Searsport	25	5.42%	Washington	4	1.39%
Union	18	3.90%	Glen Cnty GA	3	1.05%
Searsmont	16	3.47%	Hope	3	1.05%
North Yarmouth	12	2.60%	Belfast	3	1.05%
Monroe	12	2.60%			
Lincolntonville	10	2.17%			
Vinalhaven	9	1.95%			
Knox	8	1.74%			
Northport	8	1.74%			
Belmont	5	1.08%			
Stockton Springs	5	1.08%			
Liberty	4	0.87%			
Morrill	4	0.87%			
Nobleboro	3	0.65%			
Freedom	3	0.65%			
Islesboro Workers	461	100.00%	Islesboro Residents	287	100.00%

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census, 2010 Census.

Representative Employers

Representative Employer	Type of Business	Approximate # Employees
Town of Islesboro	Government	63
Tarratine Club	Private Golf/Yacht/Tennis Club	48 ⁽¹⁾
Islesboro Central School	School/Town sponsored	28
Pendleton Yacht Yard	Boat Yard	23
Boardman Cottage	Assisted Living	15
Dark Harbor Boat Yard	Boat Yard	15
Islesboro Marine Ent.	Boat Yard	8
Island Market	Grocery Store	8
Durkee's General Store	Grocery Store	6
Dark Harbor Shop	Seasonal Food/Ice Cream	5 ⁽¹⁾

NOTE: ⁽¹⁾ Seasonal.

BUILDING PERMITS

Calendar Year	Number of Permits			Estimated Cost ⁽¹⁾
	Commercial	Residential	Total	
2015	4	36	40	\$1,810,065
2014	4	23	27	2,134,400
2013	4	23	27	4,101,450
2012	10	46	56	2,400,900
2011	5	42	47	3,023,800
2010	5	49	54	7,772,550 ⁽²⁾
2009	5	45	50	12,455,985 ⁽³⁾
2008	8	45	53	5,150,600
2007	7	50	57	3,724,450

NOTE: ⁽¹⁾ Commercial permits do not require an estimated construction cost so cost is rarely given.

⁽²⁾ 2010 Permits included construction on an outer island estimated at \$3,200,000.

⁽³⁾ The \$8,000,000 commercial construction in 2009 was the Islesboro Central School renovation.

RETAIL TRADE

Retail Sales by Product Group and Consumer Sales (\$/000)

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2015	55.0	6.5	828.7	559.3	384.2	999.1	651.3	3,484.1	3,429.1
2014	57.9	34.4	822.0	471.2	403.1	1,232.2	671.0	3,691.8	3,633.9
2013	99.5	13.8	820.0	497.2	335.9	1,018.0	645.8	3,430.2	3,330.7
2012	137.4	37.6	815.1	475.3	388.1	981.8	566.0	3,401.3	3,263.9
2011	63.9	67.5	781.9	412.4	398.1	884.0	616.6	3,224.4	3,160.5
2010	61.7	42.2	781.4	422.0	344.6	899.9	763.7	3,315.5	3,253.8
2009	69.4	30.0	792.7	382.2	317.2	857.5	587.9	3,036.9	2,967.5
2008	115.0	42.4	811.3	385.3	265.0	1,428.0	694.7	3,741.7	3,626.7
2007	69.3	53.1	858.7	381.7	246.7	1,820.1	685.3	4,114.9	4,045.6

SOURCE: State of Maine, Department of Taxation, Sales Tax Section.

ECONOMIC CHARACTERISTICS

Population	% Change			
	Town of Islesboro	Town	State	USA
1970	421	(5.2%)	2.4%	13.4%
1980	521	23.8%	13.4%	11.4%
1990	579	11.1%	9.2%	9.8%
2000	603	4.1%	9.2%	9.8%
2010	566	(6.1%)	4.2%	8.9%

Population Characteristics	Town of Islesboro	Waldo County	State of Maine	USA
Median age (years)	52.1	44.1	42.7	37.2
% school age	13.1%	21.1%	18.2%	20.4%
% working age	60.4%	62.8%	63.4%	62.9%
% 65 and over	24.4%	16.2%	15.9%	13.0%
Persons/household	2.07	2.33	2.32	2.58

Income	Town of Islesboro	Waldo County	State of Maine	USA
Median family income	\$55,875	\$50,222	\$58,185	\$62,982
% below poverty level	16.9%	14.6%	12.6%	13.8%
Per capita income	\$35,266	\$22,213	\$25,385	\$27,334

Housing	Town of Islesboro	Waldo County	State of Maine	USA
% owner occupied	78.8%	79.1%	73.1%	66.6%
% Built before 1939	49.7%	28.3%	28.1%	14.1%
% Built since 2000	8.8%	8.8%	8.9%	12.8%
Owner-occupied med. value	\$291,700 ⁽¹⁾	\$150,300	\$176,200	\$188,400
Median gross rent	\$977	\$647	\$707	\$841
Occupied housing units	306 ⁽²⁾	16,136	714,270	80,299

SOURCE: 2010 Census, U.S. Department of Commerce, Bureau of the Census.

NOTE: ⁽¹⁾ 34 Owner-occupied units have value > \$1,000,000, or 14.1% of units; 117 Owner-occupied units, or 48.5% of units, are without a mortgage.

⁽²⁾ Total Housing Units = 764, of which 306, or 40.1%, are considered "Occupied".

Unemployment	Town of Islesboro	Waldo County	State of Maine	USA
2015	4.6%	5.1%	4.4%	5.3%
2014	5.2	6.1	5.7	6.2
2013	5.6	7.6	6.7	7.4
2012	6.5	8.6	7.3	8.1
2011	7.6	8.4	7.5	8.9
2010	7.1	8.9	7.9	9.6
2009	6.8	8.8	8.0	9.3
2008	5.4	6.2	5.4	5.8
2007	4.4	5.5	4.6	4.7
2006	4.6	5.1	4.6	4.6

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

TOWN FINANCES

BUDGETARY PROCESS

The fiscal year (or “budget year”) of the Town begins on the first day of July and ends on the thirtieth day of June of the following year. The Town Manager submits a budget to the Board of Selectmen at a time to be determined by the Board of Selectmen. The School Committee furnishes the Town Manager with a summary of its budget required for the ensuing budget year. The Board of Selectmen reviews the budget with the prerogative of amendment. A public hearing is then called by Board of Selectmen, the budget is again reviewed and recommended to the Town Meeting.

The budget for all departments, including the School Department as a separate Article, are submitted for approval to the Town Meeting. The Town Meeting makes a gross appropriation for each department for the ensuing fiscal year with the total “Municipal Appropriation” and total “School Appropriation”. If the Appropriation Resolve increases the property tax levy from the prior year by more than a specified Growth Limitation factor then the excess of the appropriation must be approved by a majority of the Town Meeting’s voters (see “THE BONDS – SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax” herein). A copy of the budget, as adopted, is certified by the Town Clerk and filed with the Assessor, who establishes and levies a property tax for the corresponding tax year. The following table sets forth the trends in the General Fund’s budgets for the Town for the last four fiscal years and for the current fiscal year.

Budgets for the Fiscal Year Ending June 30,

	2013	2014	2015	2016	2017
REVENUES					
Taxes	\$5,271,239	\$5,346,270	\$5,489,981	\$5,738,026	\$6,036,885.
Intergovernmental	95,861	58,284	55,482	53,034.	53,958
Charges for services	64,500	54,450	67,550	52,650.	55,650
Miscellaneous	43,471	43,970	43,983	46,488.	47,912
TOTAL REVENUES	5,475,071	5,502,974	5,656,996	5,890,198	6,194,405
EXPENDITURES					
Administration	682,299	673,361	725,056	707,840	633,089
Protection	168,357	167,545	167,367	169,272	172,516
Sanitation	185,610	168,942	170,601	168,117	174,760
Public works	609,300	587,213	643,945	459,460	785,947
Health & welfare	70,338	69,061	98,022	573,812	532,468
Education	2,346,282	2,352,706	2,260,778	2,234,566	2,298,967
Cultural & recreation	110,282	111,771	123,636	110,277	122,685
Fixed charges	1,209,975	1,200,043	1,056,827	888,120	870,255
TOTAL EXPENDITURES	5,382,443	5,330,642	5,246,232	5,311,464	5,590,687
REVENUES OVER (UNDER)	92,628	172,332	410,764	578,734	603,718
OTHER SOURCES (USES)					
Use of Surplus	172,291	151,500	160,000	50,000	50,000
Prior year forward	342,702	312,727	207,784	NA	NA
Transfers	(607,621)	(636,559)	(778,548)	NA	NA
TOTAL OTHER SOURCES (USES)	(92,628)	(172,332)	(410,764)	NA	NA
EXCESS REVENUES OVER (UNDER)	\$0	\$0	\$0	NA	NA

SOURCE: 2013 – 2015, Financial Statements Exhibit 1-2; 2016-2017, Town Reports.

NOTE: “NA” indicates not available, as it is not finalized until after the taxes are committed.

PROPERTY TAX LEVY LIMIT

As previously discussed, unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended the Town is limited to an increase in the Town's property tax levy from one year to the next to an amount not more than its Property Tax Levy Limit (see "THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). The Property Tax Limit for subsequent fiscal years is the Property Tax Levy Limit for the preceding year multiplied by the Growth Limitation Factor. Therefore, in cases where the amount of the prior year's Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy ("Property Tax Levy"), the Town may carry-forward that difference in establishing its future years' property tax levy. The following table displays the Town's limitation on Municipal Property Tax Levy:

Fiscal year:	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>
State Personal Income Factor:	1.43%	1.05%	1.09%	0.86%	2.67%
Town Prop Growth Factor:	<u>0.49%</u>	<u>0.40%</u>	<u>0.43%</u>	<u>0.19%</u>	<u>0.51%</u>
Growth Limitation Factor:	1.02%	1.45%	1.52%	1.05%	3.18%
Property Tax Levy Limit:	\$1,749,723	\$1,961,617	\$2,026,878	\$2,187,055	\$2,547,342
Property Tax Levy:	<u>1,932,734</u>	<u>1,990,914</u>	<u>2,159,272</u>	<u>2,473,340</u>	<u>2,688,026</u>
Over/(below) Levy Limit:	\$183,011	\$22,927	\$132,394	\$286,284	\$140,684

INVESTMENT POLICY

Through Chapter 349, Article VIII, of the Town's Code of Ordinances, on January 29, 2014, the Town established, and follows, a formal Investment Policy and, in addition to applicable Maine law [Title 30-A, Section 5706 et seq. of the Maine Revised Statutes, as amended (the "Act")], all investments of the Town will be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the Town's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The Town is invested principally in direct obligations of the United States government and its agencies. The Town is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

FUND BALANCE

	Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Assigned & Unassigned General Fund Balance	\$1,064,946	\$532,582	\$844,453	\$542,408	\$836,919
Total GF Revenues (Current Year)	5,266,991	5,233,119	5,623,900	5,643,123	5,808,257
Fund Bal as % Revenues	20.22%	10.18%	15.02%	9.61%	14.41%
Unassigned General Fund Balance	\$325,989	\$189,880	\$531,726	\$217,813	\$528,006
Total GF Revenues (Current Year)	5,266,991	5,233,119	5,623,900	5,643,123	5,808,257
Fund Bal as % Revenues	6.19%	3.63%	9.45%	3.86%	9.09%

The Town uses available General Fund revenues to fund the Capital Reserve Fund for many annual pay-as-you-go capital projects. The following table shows amounts that were transferred over the last five audited fiscal years.

General Fund Reserves Used For Capital Expenditures

	2011	2012	2013	2014	2015
Revenues					
Appropriations	\$249,500	\$177,000	\$0	\$0	\$0
Other	9,761	19,748	4,416	3,654	8,732
Total Revenues	259,261	196,748	4,416	3,654	8,732
Expenditures	(34,438)	(325,023)	(156,855)	(84,223)	(40,071)
Operating Transfers In (Out)	(24,500)	(42,233)	0	25,500	110,000
Sub-total	200,323	(170,508)	(152,439)	(55,069)	78,661
Cap Res Fund Balance, beginning FY	474,657	674,980	504,472	352,033	296,964
Cap Res Fund Balance, ending FY	\$674,980	\$504,472	\$352,033	\$296,964	\$375,625

CAPITAL IMPROVEMENT PLAN

FUND/PROJECT	Project Estimate	Deposit FY14	Voted FY15	Voted FY16	In Capital Reserve	Proposed FY17
VEHICLES & EQUIP.						
Ambulance	\$150,000	\$15,000	\$25,000	\$25,000	\$128,874	\$25,000
Town Truck/Municipal	40,000	7,500	10,000	10,000	5,888	0
Fire Engine	225,000			25,000	147,555	25,000
Police Cruiser					4,129	0
School Bus/School Funds					12,441	
Public Works/Equip.					7,680	
Landscaping/Grounds					1,416	0
Health Center/Equip.					6,460	
Fire Equipment					3,767	0
Maddy Dodge Field-RES			20,000		30,681	0
PROJECTS:						
Engineering			10,000	10,000	17,763	10,000
Technology/Health CTR		10,000	10,000	10,000	30,368	0
Incline & Floats	15,500	3,000	15,000	15,000	(10,127)	15,000
Boat Ramp Improvement				12,000	0	
Municipal Buildings			5,000	5,000	12,297	5,000
Road Recon./Paving				100,000	181,382	
REPLACEMENT:						
Aging Systems				10,000	34,154	10,000
Library Equip./Repairs			5,000	5,000	11,829	10,000
Technology	15,000		10,000	10,000	11,206	10,000
Tennis Court				17,000	18,347	17,000
TOTAL MUNICIPAL		35,500	110,000	254,000	656,111	127,000
SCHOOL		0	0	0	97,566	0
DHWWTF:						
DHWWTF Plant					3,377	
DHWWTF - Reserve					8,512	10,000
Total DHWWTF		0	0	0	11,889	10,000
Library - Restricted					11,206	
Library - Unrestricted					44,958	
TOTAL LIBRARY		0	0	0	56,164	0
OTHER:						
Cemetery					8,382	0
Emergency Ferry Trips		0	10,000	10,000	20,251	0
TOTAL OTHER		0	10,000	10,000	28,633	0
TOTAL CIP		\$35,500	\$120,000	\$264,000	\$850,364	\$137,000

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Chapter 349, Article VI of the Town's Code of Ordinances provide for independent annual audits of the Town's accounts and establishes procedures for such audits. The Town, in conformance with this statute and its Ordinances, currently engages the services of Berry Talbot Royer, CPAs. The Town's fiscal year 2015 Annual Report, audited by Berry Talbot Royer, CPAs, is presented as APPENDIX A to this Official Statement. The consent of Berry Talbot Royer for the incorporation of the Financial Statements included in APPENDIX A has not been requested by the Town, nor has it been received.

FUNDS

The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Town has the following fund types:

Governmental Funds are used to account for most governmental functions of the Town as follows:

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.

Special Revenue Funds account for revenue sources (not including expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Capital Projects Fund is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

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

Business Activities

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board of Selectmen has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary Funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others as follows:

Private Purpose Trust Funds are used to report any trust arrangements under which principal and income benefit individuals, private organizations, and other governments and that are not accounted for in other fiduciary funds.

TOWN OF ISLESBORO
COMPARATIVE BALANCE SHEET
GENERAL FUND
(As of June 30,)

	2015	2014	2013	2012	2011
ASSETS					
Cash/investments	\$2,089,436	\$1,916,963	\$1,552,295	\$1,789,615	\$1,857,612
Cash held by	4,588	0	0	0	0
Receivables:					
Taxes	0	416	118	8,372	148
Liens	109,070	103,821	82,186	83,820	64,355
Accounts	8,339	20,361	28,499	6,729	6,679
Inventory	136	136	136	136	136
Prepaid expense	1,207	10,766	8,636	233,636	8,636
Tax acquired property	0	1,546	1,546	1,546	1,546
Due from other	0	0	0	0	54,457
TOTAL ASSETS	2,212,776	2,054,009	1,673,416	2,123,854	1,993,569
LIABILITIES					
Accounts payable	462,280	568,760	140,143	309,961	43,272
Accrued wages	178,078	180,146	169,394	153,329	128,073
Tax anticipation note	0	200,000	0	255,000	0
Unearned revenues	11,768	11,184	0	0	0
Due to other funds	624,689	438,815	64,864	76,072	17,498
TOTAL LIABILITIES	1,276,815	1,398,905	374,401	794,362	188,843
DEFERRED REVENUES					
Unavailable (Property Taxes)	89,440	89,362	93,757	88,666	56,028
Prepaid Taxes	6,100	7,697	0	0	0
TOTAL DEFERRED	95,540	97,059	93,757	88,666	56,028
FUND BALANCE					
Non-spendable	1,343	12,448	8,772	233,772	8,772
Restricted	2,159	3,189	0	504,472	0
Committed	0	0	352,033	0	674,980
Assigned	308,913	324,595	312,727	342,702	738,957
Unassigned	528,006	217,813	531,726	189,880	325,989
TOTAL FUND BALANCE	840,421	558,045	1,205,258	1,270,826	1,748,698
TOTAL LIABILITIES AND FUND BALANCE					
	\$2,212,776	\$2,054,009	\$1,673,416	\$2,153,854	\$1,993,569

Prepared from Audited Financial Statements

TOWN OF ISLESBORO
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
(For the Years Ended June 30,)

	2015	2014	2013	2012	2011
REVENUES					
Taxes	\$5,515,816	\$5,360,659	\$5,298,786	\$4,880,530	\$4,873,451
Intergovernmental	56,278	56,426	75,283	57,420	86,790
Charges for services	83,948	84,314	83,422	102,591	83,347
Intergovernmental on behalf	99,988	97,976	109,559	126,942	157,228
Miscellaneous	52,227	43,748	56,850	65,636	66,175
TOTAL REVENUES	5,808,257	5,643,123	5,623,900	5,233,119	5,266,991
EXPENDITURES					
Administration	688,165	646,284	608,903	646,958	603,766
Protection	156,961	156,082	156,527	175,341	147,464
Sanitation	169,328	164,826	156,738	167,886	173,666
Public works	353,875	811,648	614,465	457,460	415,377
Health & welfare	86,352	69,468	60,146	46,775	50,742
Education	2,236,257	2,102,145	2,077,483	2,056,116	1,950,227
Cultural & recreation	124,523	110,837	117,806	112,226	118,094
Fixed charges	953,539	1,077,997	1,088,812	1,051,336	1,054,953
Capital outlays	0	0	135,875	367,256	58,938
MainePERS on behalf	0	97,976	109,559	126,942	157,228
TOTAL EXPENDITURES	4,769,000	5,237,263	5,126,314	5,208,296	4,730,455
EXCESS OF REVENUES OVER EXPENDITURES	1,039,257	405,860	497,586	24,823	536,536
OTHER FINANCING SOURCES:					
Operating transfers in (out)	(756,881)	(1,053,073)	(563,154)	(502,695)	(482,279)
TOTAL OTHER FINANCING:	(756,881)	(1,053,073)	(563,154)	(502,695)	(482,279)
NET CHANGE IN FUND BALANCE	282,376	(647,213)	(65,568)	(477,872)	54,257
FUND BALANCE, BEGINNING OF YEAR	558,045	1,205,258	1,270,826	1,748,698	1,694,441
FUND BALANCE, END OF YEAR	\$840,421	\$558,045	\$1,205,258	\$1,270,826	\$1,748,698

Prepared from Audited Financial Statements

PROPERTY TAXATION

The principal tax of the Town is the tax on real and personal property. A single tax rate applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal 2016/2017 the tax due dates are September 30, 2016 and February 28, 2017. All taxes paid after the due dates are subject to interest, established under Title 39, Section 186 of the Maine Revised Statutes, as amended, currently at the rate of 7.0% per annum.

Real Estate Taxes

Collection of real estate taxes is ordinarily enforced in the Town by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the Town. However, Article 3 of the Town's *Policy for Disposition of Tax Acquired Property*, adopted October 16, 2003, provides for the Town and the property owner of a single residence property to enter into a plan and an installment sales contract in order to waive the foreclosure process, and to secure prompt payment of outstanding and current taxes, related interest and costs.

Business Personal Property Taxes

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, various types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to: Office furniture; Lamps and lighting fixtures used to provide general purpose office or worker lighting; Property owned or used by public utilities and persons providing certain television/telecommunications services; Telecommunications personal property subject to the tax imposed by section 457 of Title 36; Gambling machines or devices and associated equipment; Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

Through the Business Equipment Tax Exemption Program ("BETE") the State will reimburse municipalities with respect to the lost property taxes associated with this new exemption through one of two formulas, whichever is most beneficial to the municipality, as follows:

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement would be 100% for the lost property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.
2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula any year in which the alternative reimbursement formula provides a higher level of reimbursement than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For

example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by this legislation in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property taxes by the State other than property located in, and the assessed value of which is retained in, a tax increment financing district.

The value of all property made exempt by this law in the Town will also be considered part of that municipality's equalized State Valuation to the extent the Town is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district. The law provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

Largest Taxpayers

Taxpayer⁽¹⁾	Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Private Residence	\$3,446,800	\$0	\$3,446,800	\$51,564	0.91%
Private Residence	3,219,600	0	3,219,600	48,165	0.85%
Private Residence	3,039,400	0	3,039,400	45,469	0.80%
Private Residence	2,896,300	0	2,896,300	43,329	0.76%
Private Residence	2,777,000	0	2,777,000	41,544	0.73%
Private Residence	2,600,600	0	2,600,600	38,905	0.68%
Private Residence	2,433,500	0	2,433,500	36,405	0.64%
Private Residence	2,385,600	0	2,385,600	35,689	0.63%
Central Maine Power	2,361,800	9,400	2,371,200	35,473	0.62%
Private Residence	2,362,800	0	2,362,800	<u>35,347</u>	<u>0.62%</u>
Top Ten				411,891	7.24%
Tarratine Club of Dark Harbor	2,343,700	10,000	2,353,700	35,211	0.62%
Private Residence	2,204,800	0	2,204,800	32,984	0.58%
Private Residence	2,164,600	0	2,164,600	32,382	0.57%
Private Residence	2,156,600	0	2,156,600	32,263	0.57%
Private Residence	2,142,400	0	2,142,400	32,050	0.56%
Private Residence	2,126,700	0	2,126,700	31,815	0.56%
Private Residence	2,019,800	0	2,019,800	30,216	0.53%
Private Residence	1,944,800	0	1,944,800	29,094	0.51%
Private Residence	1,941,400	0	1,941,400	29,043	0.51%
Private Residence	1,853,300	0	1,853,300	<u>27,725</u>	<u>0.49%</u>
Top Twenty				724,676	12.74%

NOTE: ⁽¹⁾ Taxpayers are identified on the Town's books and are, therefore, public record. However, for the purpose of this financing the individuals' names are not being published in deference to their privacy.

Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation	Assessed Valuation	Tax Rate	Gross Tax Levy	Collections (after Supplements and Abatements)	
					Year End	% of Levy
2017	NA ⁽¹⁾	\$378,460,500	\$15.74	\$5,956,968	----- In Process -----	
2016	515,750,000	380,085,800	14.96	5,686,084	----- In Process -----	
2015	525,600,000	440,723,900	12.13	5,345,981	\$5,288,003	98.92%
2014	548,400,000	439,871,100	11.87	5,221,270	5,159,536	98.82
2013	595,350,000	437,977,800	11.75	5,146,239	5,084,015	98.80
2012	636,800,000	436,225,200	10.90	4,754,855	4,696,585	98.73
2011	685,700,000	434,097,700	10.93	4,744,688	4,681,024	98.66
2010	667,800,000	428,374,300	10.46	4,480,795	4,436,046	99.99
2009	613,650,000	354,893,600	11.94	4,237,430	4,166,669	99.99
2008	595,700,000	350,116,850	11.53	4,038,313	3,994,401	99.99
2007	615,200,000	348,273,440	10.03	3,493,183	3,459,851	99.99
2006	483,000,000	342,588,620	9.09	3,114,130	3,097,767	99.99

SOURCE: 2006 – 2015, Financial Statements Note 3; 2016-2017, Town Reports.

NOTE: ⁽¹⁾ Pursuant to Title 36, §208 of the Maine Revised Statutes, as amended, the State Tax Assessor equalizes and adjusts the assessment list of each municipality to its just value as of April 1st of each year. Title 36, §305 of the Maine Revised Statutes, as amended provides that the State Tax Assessor must certify to the Secretary of State before the first day of February the equalized just value of all real and personal property in each municipality. Therefore the 2017 equalized valuation will be filed to the Secretary of State, on or before February 1, 2017.

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enable a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a municipal development and tax increment financing (“TIF”) district or an affordable housing municipal development and tax increment financing district (a “housing district”) for a period of up to 30 years and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicate the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of all TIF districts and the aggregate original assessed value of all housing districts within the municipality as of the April 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot each exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed

value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones, transit-oriented TIF districts or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, Section 3403, Subsection 3 of the Maine Revised Statutes, as amended.

The Town has not designated a tax increment financing district but may consider proposals for districts on an ongoing basis. All districts would be evaluated based upon the Town’s comprehensive plan for economic development, which includes tax increment financing as one of its aspects. In no event will the Town’s districts exceed the statutory limitation of total area and aggregate equalized value within all districts, determined as of their date of designation, as set out above.

REVENUES FROM THE STATE

The State provides revenue to the Town in a number of areas including aid to the Town in areas of education and road maintenance; reimbursement for general assistance, homestead exemption and BETE; and revenue sharing. The amount of revenue in each category is based upon a number of formulas, many of which contain variables that change annually. Further, most categories of State aid are governed by laws that may be changed by the State Legislature and are subject to appropriation by the State Legislature in its budgetary process.

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. Revenues received by the Town from the State in future years could, however, be less than any of the amounts set forth in the following table. The following table displays revenue received by the Town from the State for the last five audited fiscal periods:

Fiscal Yr. End June 30,	State Revenue Sharing	Road Assistance	Homestead Reimbursement	Other State Aid⁽¹⁾	Total From State
2015	\$12,418	\$30,844	\$8,016	\$5,000	\$56,278
2014	11,692	33,632	7,778	3,324	56,426
2013	17,395	49,828	4,778	3,282	75,283
2012	18,842	35,172	0	3,406	57,420
2011	18,679	35,172	0	4,707	58,558

SOURCE: Financial Statements – Schedule 1 or Exhibit 1.

NOTE: ⁽¹⁾ Includes “State Park” and “Veterans Tax Exemption”.

INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, “No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or

amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.”

Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply “... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, chapter 110, subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt.”

On January 1, 2016 the Town’s equalized state valuation (“equalized State Valuation”) was \$515,750,000. The 15% debt limit is \$77,362,500. As of June 30, 2015 the Town’s long-term debt was \$3,640,000 or 0.71% of the equalized State Valuation. The Town will certify on the date of issue of the Bonds that the Town has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the Town to exceed such debt limits.

DEBT SUMMARY

The Town’s general obligation bonds payable at June 30, 2015 (audited) and projected for June 30, 2016 and 2017 (unaudited) are comprised of the following individual issues:

Year Issued	Purpose	Amount Issued	Date of Final Maturity	Balance on June 30, 2015	Balance on June 30, 2016	Balance on June 30, 2017
2009	School	\$4,000,000	11/01/2034	\$3,200,000	\$3,040,000	\$2,980,000
2011	WWTF	700,000	11/23/2020	440,000	370,000	300,000
Sub-total as of June 30,				\$3,640,000	\$3,410,000	\$3,280,000
2016	Broadband	3,800,000	10/15/2036	0	0	3,800,000
Totals				\$3,640,000	\$3,410,000	\$7,080,000

DEBT RATIOS

Fiscal Yr. End June 30,	Population ⁽¹⁾	Equalized State Val. (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2017	566	\$515,750,000 ⁽²⁾	\$7,080,000	1.37%	\$12,508.83
2016	566	515,750,000	3,410,000	0.66%	6,024.73
2015	566	525,600,000	3,640,000	0.69%	6,431.10
2014	566	548,400,000	3,870,000	0.71%	6,837.46
2013	566	595,350,000	5,080,215	0.85%	8,975.64
2012	566	636,800,000	5,866,186	0.92%	10,364.29
2011	566	685,700,000	6,073,573	0.89%	10,730.69

SOURCE: ⁽¹⁾U.S. Department of Commerce, Bureau of the Census.

NOTE: ⁽²⁾ 2017 ESV is not available until February 1, 2017. Therefore, 2016 ESV is used for analysis purposes.

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

Yr. End June 30,	2009 School	2011 WWTF	2016 IMB	Total
2016	\$160,000	\$70,000	\$0	\$230,000
2017	160,000	70,000	0	230,000
2018	160,000	70,000	145,000	375,000
2019	160,000	70,000	145,000	375,000
2020	160,000	70,000	150,000	380,000
2021	160,000	70,000	155,000	385,000
2022	160,000	20,000	160,000	340,000
2023	160,000		160,000	320,000
2024	160,000		165,000	325,000
2025	160,000		170,000	330,000
2026	160,000		175,000	335,000
2027	160,000		175,000	335,000
2028	160,000		185,000	345,000
2029	160,000		195,000	355,000
2030	160,000		200,000	360,000
2031	160,000		205,000	365,000
2032	160,000		215,000	375,000
2033	160,000		220,000	380,000
2034	160,000		230,000	390,000
2035	160,000		240,000	400,000
2036			250,000	250,000
2037			260,000	260,000
Totals	<u>\$3,200,000</u>	<u>\$440,000</u>	<u>\$3,800,000</u>	<u>\$7,440,000</u>

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited			
	2012	2013	2014	2015
Total Current Year Debt Service:	\$1,148,982	\$974,660	\$1,422,674	\$401,961
Budgeted Operating Expense:	5,410,860	5,382,443	5,330,642	5,246,232
Debt Ser as % Oper. Expense:	21.23%	18.11%	26.69%	7.66%

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt			Projected Debt (This Issue)			Projected Total Debt Service
	Principal	Interest	Total Debt	Pro-forma		Total Debt	
				Principal	Interest		
2017	\$230,000	\$76,814	\$306,814	\$0	\$61,133	\$61,133	\$367,947
2018	230,000	132,752	362,752	145,000	128,825	273,825	636,577
2019	230,000	78,657	308,657	145,000	124,475	269,475	578,132
2020	230,000	29,533	259,533	150,000	120,050	270,050	529,583
2021	230,000	14,055	244,055	155,000	115,475	270,475	514,530
2022	180,000	15,410	195,410	160,000	110,750	270,750	466,160
2023	160,000	16,481	176,481	160,000	105,950	265,950	442,431
2024	160,000	36,965	196,965	165,000	101,075	266,075	463,040
2025	160,000	29,438	189,438	170,000	96,050	266,050	455,488
2026	160,000	28,037	188,037	175,000	90,875	265,875	453,912
2027	160,000	13,345	173,345	175,000	85,625	260,625	433,970
2028	160,000	0	160,000	185,000	79,763	264,763	424,763
2029	160,000	0	160,000	195,000	73,113	268,113	428,113
2030	160,000	0	160,000	200,000	66,200	266,200	426,200
2031	160,000	0	160,000	205,000	59,113	264,113	424,113
2032	160,000	0	160,000	215,000	51,763	266,763	426,763
2033	160,000	0	160,000	220,000	43,600	263,600	423,600
2034	160,000	0	160,000	230,000	34,600	264,600	424,600
2035	160,000	0	160,000	240,000	25,200	265,200	425,200
2036	0	0	0	250,000	15,400	265,400	265,400
2037	0	0	0	260,000	5,200	265,200	265,200
TOTAL	\$3,410,000	\$471,485	\$3,881,485	\$3,800,000	\$1,594,233	\$5,394,233	\$9,275,719

OVERLAPPING DEBT

County of Waldo

The Town is subject to an annual assessment of its proportional share of the County of Waldo’s (the “County”) expenses, including debt repayment, as determined by the percentage of the Town’s equalized State Valuation to the County’s equalized State Valuation. At January 1, 2016 the Town’s equalized State Valuation of \$515,750,000 was 11.83% of the County’s equalized State Valuation of \$4,360,250,000. The County has \$0 long-term debt outstanding as of June 30, 2015.

CONTINGENT DEBT

The Town does not have any obligations for which it is responsible for on a contingent basis.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Islesboro (School)	\$3,040,000			\$3,040,000
Town of Islesboro (Enterprise)	370,000			370,000
Town of Islesboro (Municipal)	0			0
County of Waldo		\$0	\$0	0
Total A/O June 30, 2016	\$3,410,000	\$0	\$0	\$3,410,000

FUTURE FINANCING

The Town Manager develops a Capital Improvement Program that is submitted to the Board of Selectmen (see “TOWN FINANCES - CAPITAL IMPROVEMENT PROGRAM” herein). The CIP includes an inventory of possible capital projects, some of which may ultimately be included in the CIP, and is be an indication of future projects that may be financed through the issuance of debt. Through its Town Meeting’s the Town’s voters must approve orders issuing debt. Other than the Bonds of this financing the Town has no authorized but un-issued debt that it expects to finance through bond issues over the next year.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN

For certain employees the Town contributes to the Maine Public Employees Retirement System (“MainePERS”) Consolidated Plan for Local Participating Districts (“PLD Plan”) and MainePERS State Employee and Teacher Plan (“SET Plan”). MainePERS is successor to the Maine State Retirement System (“MSRS”), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS. MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. The CPPLD provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014.

Plan Description

The MainePERS State Employee and Teacher Plan (the Plan) is a multiple-employer cost sharing plan with a special funding situation. As of June 30, 2014 there were 229 employers, including the State of Maine, participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while Towns contribute the normal cost, calculated actuarially, for their teacher members.

Pension Benefits

Benefit terms are established in Maine statute. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 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. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Member and Employer Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Financial Reporting

The Plan issues stand-alone financial reports which can be found online at:
<http://www.maineopers.org/Publications/Publications.htm#Annual Reports>

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

At June 30, 2014, the Town reported a liability for its proportionate share of the net pension liability that reflected reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability:	\$22,622
State's proportionate share of the net pension liability:	<u>436,206</u>
Total:	\$458,828

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating School Administrative Units and the State, actuarially determined. At June 30, 2014, the Town's proportion was 0.002094%, which was a decrease of 0.00016% from its proportion measured as of June 30, 2013.

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The Plan's change in the discount rate from 7.25% to 7.125% was the only change in assumption in the 2014 valuation.

For the year ended June 30, 2015, the Town recognized pension expense of \$6,944 and revenue of \$99,988 for support provided by the State. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	-	\$113
Changes of Assumptions:	\$1,558	-
Net difference between projected and actual earnings on pension investments:	-	9,681
Changes in proportion and differences between contributions and proportionate share of contributions:	12,774	1,696
Contributions subsequent to the measurement date:	25,541	-
Total:	\$39,873	\$11,490

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2014, methodology and assumptions are detailed in “APPENDIX A - TOWN OF ISLESBORO, MAINE, ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015” page 40 et seq., herein.

B. DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan through the International City Manager’s Association Retirement Corporation (“ICMA-RC”) created in accordance with Section 457(k) of the Internal Revenue Code, as amended. The plan, available to all Town employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In applying the provisions of Governmental Accounting Standards Board Statement (“GASB”) No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Town has determined that effective July 1, 1997 it is no longer required to record assets and liability of the plan.

C. OTHER POST EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (“GASB”) promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (“OPEB”). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town reports that is not currently obligated to and it does not provide its retirees with the opportunity to purchase health care benefits through the Town and, therefore, has no OPEB obligation or liability.

ENVIRONMENTAL MATTERS

The Town is subject to a wide variety of federal and State laws and regulations relating to land use, water resources, sewage disposal, the use, storage, discharge, emission and disposal of wastes and other environmental matters. While the Town believes that its properties and operations are presently in material compliance with all land use and environmental laws, failure to comply with such laws could result in the imposition of severe penalties on operations by government agencies or courts that could

adversely affect the Town. The Town is not aware of any environmental conditions or non-compliance, the remediation or correction of which the Town believes would have a material adverse impact on the financial condition of the Town. The Town is not subject to any pending or threatened proceedings or actions involving environmental matters that, if adversely decided, would have a material adverse impact upon the Town's financial condition or ability to pay debt service on the Bonds as and when due. While not having a material adverse impact upon the Town's financial condition, or its ability to meet its debt service obligations, the Town is voluntarily making the following disclosure with respect to environmental liabilities: The Town is not subject to any pending legal proceedings involving environmental matters that would require disclosure under the Regulation were the Town subject to its provisions.

LITIGATION

In the opinion of Town officials there is no litigation pending against the Town which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the Town's financial position or its ability to meet its debt service obligations.

APPENDIX A

**TOWN OF ISLESBORO, MAINE
ANNUAL FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULES
FOR THE
YEAR ENDED JUNE 30, 2015**

(With Report of Independent Auditors' Thereon)

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TOWN OF ISLESBORO
FINANCIAL REPORT



JUNE 30, 2015

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Berry·Talbot·Royer

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

Board of Selectmen
Town of Islesboro
Islesboro, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Islesboro as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Islesboro as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and pension schedules on pages 3-9 and 45-50 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 Islesboro's basic financial statements. The combining and individual nonmajor fund schedules on pages 52 - 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Certified Public Accountants
March 23, 2016

Town of Islesboro
P.O. Box 76 • 150 Main Road • Islesboro, Maine 04848
(207) 734-2253 • Fax (207) 734-8394

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

As management of the Town of Islesboro, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended June 30, 2015. This information in conjunction with the notes to the financial statements should be considered when reading the Town's financial statements.

2015 Financial Highlights

Total assets of the Town of Islesboro exceed its liabilities by \$8,966,547 for the governmental activities. Please note that included in the capital asset total is the valuation of the Town's infrastructure, primarily roads, which is now required by the Governmental Accounting Standards Board (GASB).

The ending fund balance for all governmental funds is \$1,417,787.

The ending fund balance for the general fund is \$840,421, an increase of \$282,376 over the previous year. Of this balance, \$1,343 is in non-spendable form, \$2,159 is restricted for adult education, \$258,913 is assigned to subsequent year's expenditures, and \$50,000 of fund balance to be used in next year's budget. This leaves an undesignated balance of \$528,006.

Overview of Primary Government Financial Statements

The Town of Islesboro's basic financial statements are comprised of three components:

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

Other supplemental information to the basic financial statements is also provided. The Table of Contents in the front section of the audit provides the specific pages where the various statements and exhibits can be found.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the Town of Islesboro's finances, in a manner similar to a private-sector business. Financial information is presented in two statements - Statement of Net Position and Statement of Activities.

The Statement of Net Position presents information about the Town's assets and liabilities with the difference between the two reported as Net Position. Over time, changes in net position (increases or decreases) may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information about how the Town's net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying change or event occurs, regardless of the timing of the related cash flows. This means that revenues and expenses are reported in this statement even if the related cash movement does not occur until future fiscal periods (e.g. uncollected taxes and accounts payable).

In the government-wide financial statements, the Town's basic services are reported as Governmental Activities as they are principally supported by taxes and intergovernmental revenues, rather than recovering all, or a significant portion of their costs through user fees and charges. The Town currently reports the activities of the Healthcare Center and the Wastewater Treatment Facility as business-type activities.

Fund Financial Statements

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

Governmental funds are used to report most of the Town's basic operational services. Operating expenses and revenues are recorded and the cumulative leftover balance of these activities, which is available for spending in subsequent years, is reported here. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information can help to determine what financial resources are available in the near future to finance the Town's activities.

Business-type Activities-Proprietary Funds - Proprietary funds are used to account for the Town's activities that are intended to recover all or a significant portion of their costs through user fees and charges.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary Funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Islesboro's own programs.

**Table 1 – Condensed Statement of Net Position
Year Ended June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 2,364,093	\$ 163,609	\$ 2,527,702
Capital assets, net	10,694,884	812,786	11,507,670
Total assets	13,058,977	976,395	14,035,372
Deferred Outflows	39,873	-	39,873
Noncurrent liabilities	3,285,051	457,828	3,742,879
Current liabilities	<u>829,662</u>	<u>(115,337)</u>	<u>714,325</u>
Total liabilities	4,114,713	342,491	4,457,204
Deferred inflows	17,590	-	17,590
Net position			
Investment in capital assets	7,428,049	361,108	7,789,157
Restricted	67,657	80,162	147,819
Unrestricted	<u>1,470,841</u>	<u>192,634</u>	<u>1,663,475</u>
Total net position	<u>\$ 8,966,547</u>	<u>\$ 633,904</u>	<u>\$ 9,600,451</u>

A large portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire these assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the Town investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net position represents resources that are subject to restrictions on how they may be expended. The remaining unrestricted balance of net position may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 2 – Changes in Net Position
Year Ended June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 257,103	\$ 192,926	\$ 450,029
Operating Grants and Contributions	257,982	20,852	278,834
General Revenues:			
Property and Excise Taxes	5,515,894	-	5,515,894
Intergovernmental	20,710	-	20,710
Miscellaneous	18,891	1,339	20,230
Total Revenues	<u>6,070,580</u>	<u>215,117</u>	<u>6,285,697</u>
Expenses			
Administration	681,471	-	681,471
Protection	174,347	-	174,347
Sanitation	169,129	-	169,129
Public Works	414,427	-	414,427
Health and Welfare	94,825	-	94,825
Education	2,382,187	-	2,382,187
Cultural and Recreational	59,072	-	59,072
Fixed Charges	953,538	-	953,538
Program Expenditures	153,674	745,564	899,238
Capital Outlays	72,405	-	72,405
Total Governmental Activities	<u>5,155,075</u>	<u>745,564</u>	<u>5,900,639</u>
Change in Net Position before transfers	915,505	(530,447)	385,058
Transfers	(605,401)	605,401	-
Change in Net Position after transfers	<u>\$ 310,104</u>	<u>\$ 74,954</u>	<u>\$ 385,058</u>

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is provided. Please note that the format differs from that of the Statement of Revenues, Expenditures, and Changes in Fund Balance. Expenses for each activity are listed in the left-most column with revenues generated by that particular activity reported to the right. Subtracting one from the other results in a Net (Expense)/Revenue. This format provides information about the relative financial burden on the Town's taxpayers of each activity. Accordingly, revenues from specific activities are deposited to the Town's general fund, as are all tax payments received. From this fund, the Town makes all its expenditures.

Examples of activities which produce some level of revenue are:

<i>General government</i>	Fees for maps, tax and voter lists; photocopies; faxes; town clerk fees
<i>Public works</i>	Local road assistance
<i>Sanitation</i>	Transfer station fees
<i>Cultural and recreational</i>	Fees for recreation programs

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

The following chart depicts program revenue by source:

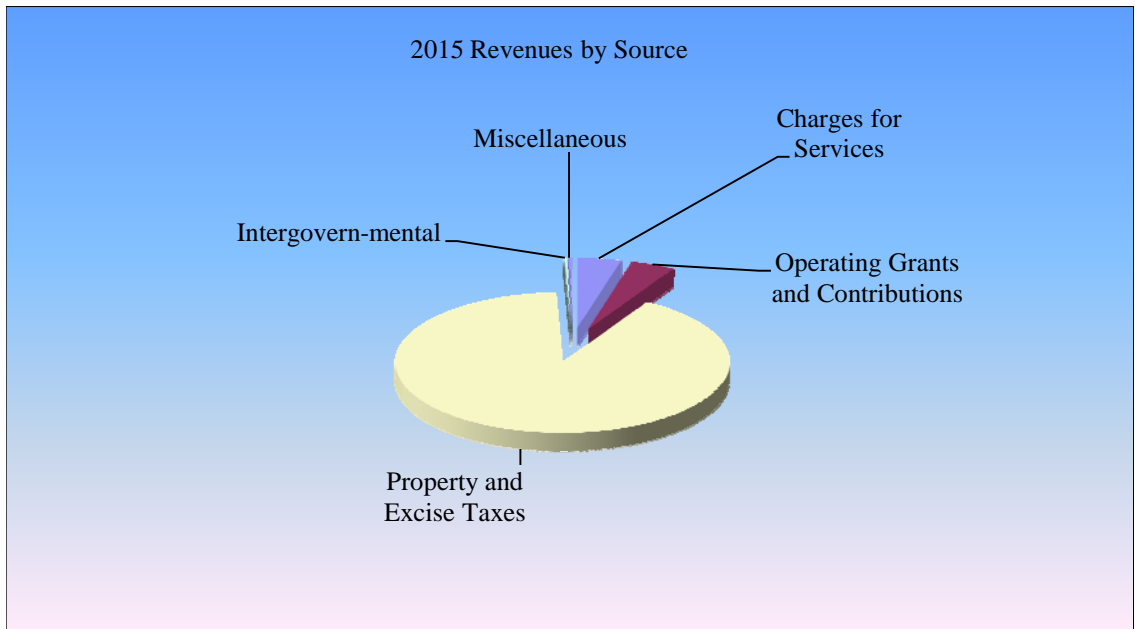


Chart A – 2015 Revenues by Source

Chart B graphically depicts expenditures by function:

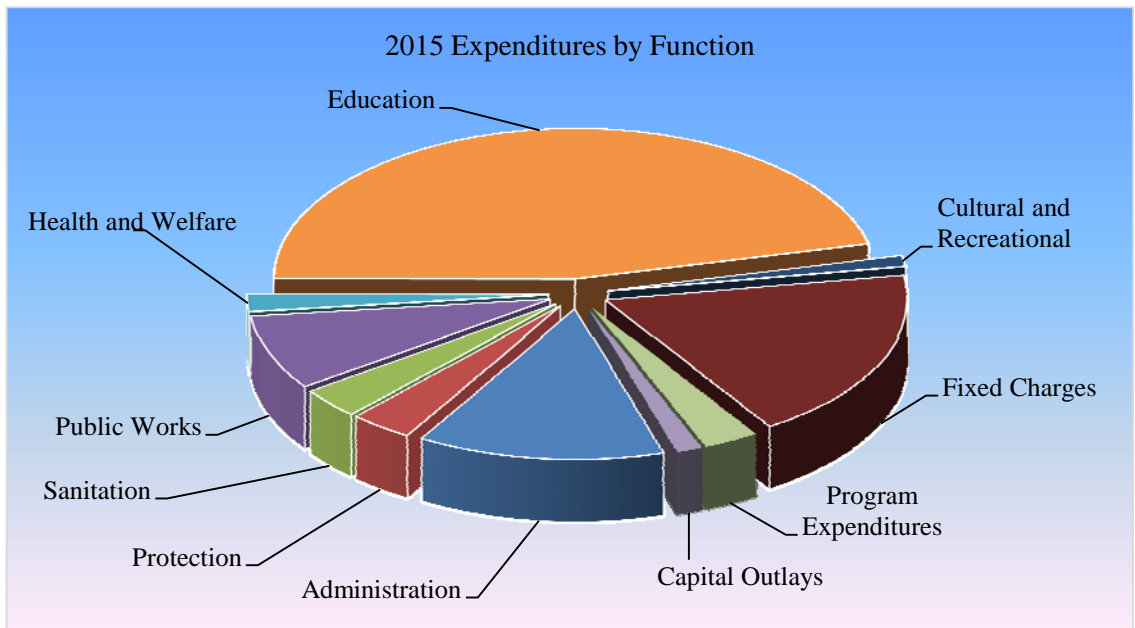


Chart B – 2015 Expenditures by Function

Table 3 shows the total cost of each of the Town's major functional activities:

**Table 3 - Net Cost of Governmental Activities
Fiscal Year Ended June 30, 2015**

Function/Program:	Total Cost of Services	Net Cost of Services
Administration	\$ 681,471	\$ (653,778)
Protection	174,347	(170,297)
Sanitation	169,129	(127,118)
Public Works	414,427	(378,724)
Health and Welfare	94,825	(55,051)
Education	2,382,187	(2,128,715)
Cultural and Recreational	59,072	(55,454)
Fixed Charges	953,538	(953,538)
Program Expenditures	153,674	(55,047)
MainePERS	72,405	(62,268)
Total Governmental Activities	<u>\$ 5,155,075</u>	<u>\$ (4,639,990)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2015, the Town's general fund balance totaled \$840,421.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the town as a whole is reflected in its governmental funds.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets and liabilities as fund balances. Reserved amounts reflect that which is not available to be spent while undesignated amounts reflect amounts that are.

GENERAL FUND BUDGETARY HIGHLIGHTS

The increase in the general fund balance in the amount of \$282,376 was attributable to three factors: savings from the cost of paving project budgeted in FY2014-2015 and completed in FY2013-2014; decrease in county taxes; and revenues exceeding expenditures. Excise tax collection for automobiles and boats, and landfill fees continue to be the largest sources of non-property tax revenue to the Town.

With respect to areas of the 2015 budget where actual revenues exceeded estimated revenues, excise tax collections, ambulance fees, landfill fees, and interest and penalties on delinquent taxes were higher than budgeted.

The Town Meeting is held in May of each year votes on the budget as recommended by the Selectmen for the upcoming fiscal year.

Business-type activities

The Town of Islesboro also has 2 business-type activities which are called proprietary funds. The Health Care Center and the Wastewater Treatment Facility are the two proprietary funds. Highlights: Wastewater Facility has total net position of \$380,158, a decrease in FY 2015 of \$6,303. The Health Care Center had total net position of \$253,746, an increase of \$81,257. This was caused primarily by greater than anticipated revenues. It should be noted that the Health Care had a total operating loss of \$435,984.

Statement of Cash Flow: The Wastewater Treatment Facility operates entirely within its revenues although the town is paying for the new debt instead of the users. The Health Center is subsidized by the Town of Islesboro tax base and does not operate within its own user fees revenue; however, we are reviewing possible methods to lessen the deficit of the Health Center.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the Town had \$10,694,884 net investment in capital assets, and outstanding debt of \$3,242,124. All of the outstanding debt was borrowed to finance the Grindle Point Pier Renovation Project, and the School Renovation project. Although it is not summarized in the table below, the Town had \$361,108 net investment in capital assets associated with the Health Center and Wastewater Treatment Facility activities and \$440,000 of outstanding debt for the Outfall Project.

**Table 4 - Governmental Activities
Capital Assets (Net of Depreciation)**

	<u>2015</u>	<u>2014</u>
Land	\$ 951,100	\$ 951,100
Construction in progress	108,353	39,144
Buildings and improvements	8,066,295	8,269,719
Equipment, furniture, & vehicles	531,149	550,190
Infrastructure	912,380	946,144
Improvements other than buildings	125,607	137,579
	<u>\$ 10,694,884</u>	<u>\$ 10,893,876</u>

The chart below provides a graphic depiction of the distribution of the 2015 net book value of fixed assets (capital assets, net of depreciation) by asset class.

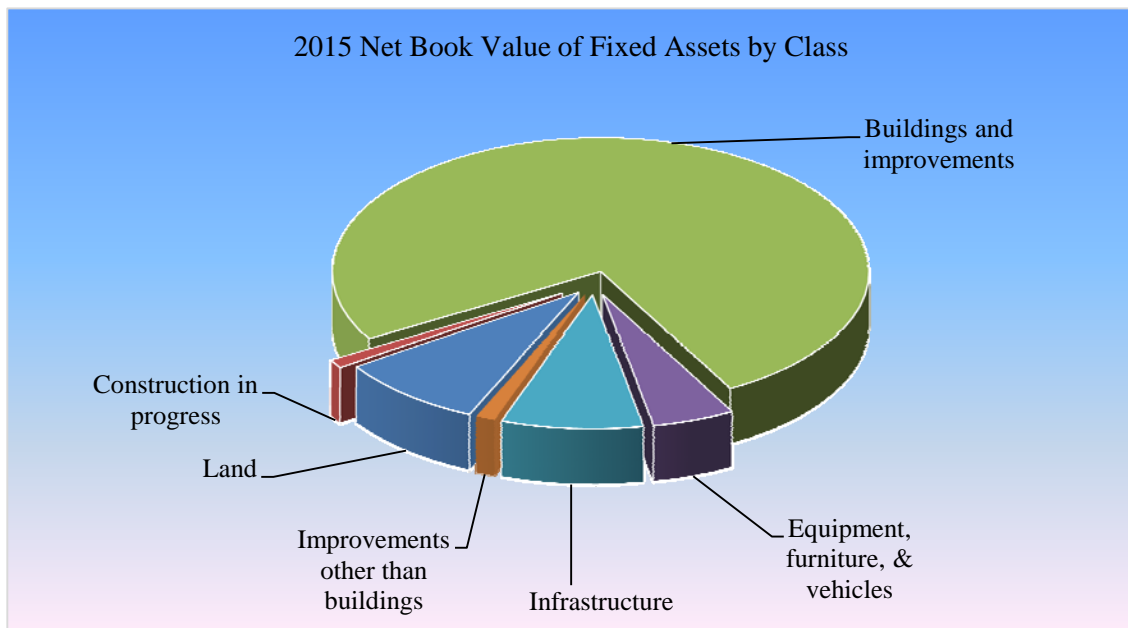


Chart C – 2015 Net Book Value of Fixed Assets by Class

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATE

The 2015-2016 Town expenditure budget increased by \$352,447 over the previous year. Once again this increase was due to a decrease in local road assistance, tree cleanup for storms, increase in the sand budget, cemetery projects, increase in the contingency budget, payment for the Outfall Pipe Project debt, and reduced revenues from the State.

The Town of Islesboro is a residential community on an island. The Town does not have any significant commercial or industrial sector to support the cost of municipal government. The presence of a large number of seasonal homes, most of which are owned by nonresidents, provides a significant source of property tax revenue for the Town. This benefit, however, is counterbalanced by paying a high percentage of the overall county tax bill and the high cost of maintaining an island school. Market prices for waterfront and water view real estate have driven the rising Town valuation. The real estate market continues to stay strong on the island even though the number of actual sales has diminished. Not all residents of the Town, however, have incomes that keep pace with the rate of property valuations.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager's Office at 150 Main Road, P.O. Box 76, Islesboro, Maine 04848, or by phone at (207) 734-2253.

FINANCIAL STATEMENTS

TOWN OF ISLESBORO, MAINE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash/Investments	\$ 2,148,643	\$ 37,415	\$ 2,186,058
Cash Held by Third Party	7,603	73,753	81,356
Receivables (Net of Allowance for Uncollectibles):			
Liens	109,070	-	109,070
Accounts	51,025	38,714	89,739
Pledges Receivable	45,815	-	45,815
Prepaid Expense	1,207	1,116	2,323
Deferred Benefits	-	650	650
Inventory	730	11,961	12,691
Capital Assets:			
Land, Land Improvements and Construction	164,750	-	164,750
Other Capital Assets, Net of Depreciation	10,530,134	812,786	11,342,920
Total Capital Assets	<u>10,694,884</u>	<u>812,786</u>	<u>11,507,670</u>
TOTAL ASSETS	<u>13,058,977</u>	<u>976,395</u>	<u>14,035,372</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows-Pensions	39,873	-	39,873
LIABILITIES			
Liabilities:			
Accounts Payable	466,268	5,421	471,689
Accrued Wages	178,078	2,872	180,950
Unearned Revenues	11,768	-	11,768
Accrued Interest	24,711	11,678	36,389
Internal Balances	148,837	(135,308)	13,529
Long-term Liabilities:			
Accrued Compensated Absences	20,305	17,828	38,133
Net Pension Liability	22,622	-	22,622
Due within One Year	175,157	70,000	245,157
Due in More than One Year	3,066,967	370,000	3,436,967
Total Long-Term Liabilities	<u>3,285,051</u>	<u>457,828</u>	<u>3,742,879</u>
TOTAL LIABILITIES	<u>4,114,713</u>	<u>342,491</u>	<u>4,457,204</u>
DEFERRED INFLOWS			
Prepaid Property Taxes	6,100	-	6,100
Deferred Inflows-Pensions	11,490	-	11,490
Total Deferred Inflows	<u>17,590</u>	<u>-</u>	<u>17,590</u>
NET POSITION			
Net Investment in Capital Assets	7,428,049	361,108	7,789,157
Restricted for:			
Special Revenues	6,291	-	6,291
Adult Education	2,159	-	2,159
Nonexpendable Trust Principal	13,252	-	13,252
Permanent Funds	45,955	-	45,955
Other Purposes	-	80,162	80,162
Unrestricted	1,470,841	192,634	1,663,475
TOTAL NET POSITION	<u>\$ 8,966,547</u>	<u>\$ 633,904</u>	<u>\$ 9,600,451</u>

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS						
Primary Government						
Governmental Activities						
Administration	\$ 681,471	\$ 22,869	\$ 4,824	\$ (653,778)	\$ -	\$ (653,778)
Protection	174,347	1,050	3,000	(170,297)	-	(170,297)
Sanitation	169,129	42,011	-	(127,118)	-	(127,118)
Public Works	414,427	4,859	30,844	(378,724)	-	(378,724)
Health and Welfare	94,825	39,774	-	(55,051)	-	(55,051)
Education	2,382,187	99,162	154,310	(2,128,715)	-	(2,128,715)
Cultural and Recreational	59,072	3,288	330	(55,454)	-	(55,454)
Fixed Charges	953,538	-	-	(953,538)	-	(953,538)
Program Expenditures	153,674	44,090	54,537	(55,047)	-	(55,047)
Capital Outlays	72,405	-	10,137	(62,268)	-	(62,268)
Total Governmental Activities	<u>5,155,075</u>	<u>257,103</u>	<u>257,982</u>	<u>(4,639,990)</u>	<u>-</u>	<u>(4,639,990)</u>
Business-type Activities						
Health Care Center	612,096	176,112	20,852	-	(415,132)	(415,132)
Wastewater Treatment Facility	133,468	16,814	-	-	(116,654)	(116,654)
Total Business-type Activities	<u>745,564</u>	<u>192,926</u>	<u>20,852</u>	<u>-</u>	<u>(531,786)</u>	<u>(531,786)</u>
TOTAL PRIMARY GOVERNMENT	\$ 5,900,639	\$ 450,029	\$ 278,834	\$ (4,639,990)	\$ (531,786)	\$ (5,171,776)
General Revenues:						
Property Taxes		\$ 5,345,981		\$ 5,345,981	\$ -	\$ 5,345,981
Excise Taxes		169,913		169,913	-	169,913
Intergovernmental		20,710		20,710	-	20,710
Unrestricted Investment Earnings		18,891		18,891	2,373	21,264
Loss on Disposal of Assets		-		-	(1,034)	(1,034)
Transfers		(605,401)		(605,401)	605,401	-
Total General Revenues, Special Items and Transfers		<u>4,950,094</u>		<u>606,740</u>	<u>606,740</u>	<u>5,556,834</u>
		310,104		74,954		385,058
Net Position - July 1, 2014, as restated (for Governmental Activities)		8,656,443		558,950		9,215,393
Net Position - June 30, 2015		\$ 8,966,547		\$ 633,904		\$ 9,600,451

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF ISLESBORO, MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash/Investments	\$ 2,089,436	\$ 59,207	\$ 2,148,643
Cash Held by Third Party	4,588	3,015	7,603
Receivables:			
Liens	109,070	-	109,070
Accounts	8,339	42,686	51,025
Inventory	136	594	730
Prepaid Expense	1,207	-	1,207
Due from Other Funds	<u>-</u>	<u>506,919</u>	<u>506,919</u>
TOTAL ASSETS	<u>\$ 2,212,776</u>	<u>\$ 612,421</u>	<u>\$ 2,825,197</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 462,280	\$ 3,988	\$ 466,268
Accrued Wages	178,078	-	178,078
Unearned Revenues	11,768	-	11,768
Due to Other Funds	<u>624,689</u>	<u>31,067</u>	<u>655,756</u>
Total Liabilities	<u>1,276,815</u>	<u>35,055</u>	<u>1,311,870</u>
DEFERRED INFLOWS:			
Unavailable Revenues-Property Taxes	89,440	-	89,440
Prepaid Property Taxes	<u>6,100</u>	<u>-</u>	<u>6,100</u>
Total Deferred Inflows	<u>95,540</u>	<u>-</u>	<u>95,540</u>
Fund Balances:			
Nonspendable:			
Prepaid Expenses & Inventory	1,343	594	1,937
Nonexpendable Trust Principal	-	13,252	13,252
Restricted for:			
Special Revenues	-	5,697	5,697
Adult Education	2,159	-	2,159
Other Purposes	-	45,955	45,955
Committed For:			
Capital Projects	-	509,934	509,934
Assigned for:			
Special Revenues	-	1,934	1,934
Subsequent Years' Expenditures	258,913	-	258,913
Use of Fund Balance	50,000	-	50,000
Unassigned	<u>528,006</u>	<u>-</u>	<u>528,006</u>
Total Fund Balances	<u>840,421</u>	<u>577,366</u>	<u>1,417,787</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,212,776</u>	<u>\$ 612,421</u>	<u>\$ 2,825,197</u>

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

Total fund balances - total governmental funds (from Statement 3)		\$ 1,417,787
Amounts reported for governmental activities in the Statement of Net Position (Statement 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (Note 5)		10,694,884
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		135,254
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	\$ (3,200,000)	
Capital Leases Payable	(42,125)	
Accrued Interest	(24,709)	
Accrued Compensated Absences Payable	<u>(20,305)</u>	(3,287,139)
Adjustments related to pensions		
Unamortized deferred outflows of resources - pensions	39,873	
Unamortized deferred inflows of resources - pensions	(11,490)	
Net pension liability	<u>(22,622)</u>	<u>5,761</u>
Net Position of Governmental Activities (Statement 2)		<u>\$ 8,966,547</u>

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

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Taxes	\$ 5,515,816	\$ -	\$ 5,515,816
Intergovernmental	56,278	64,674	120,952
Charges for Services	83,948	19,642	103,590
Intergovernmental on Behalf Payments	99,988	-	99,988
Miscellaneous	52,227	24,448	76,675
Total Revenues	<u>5,808,257</u>	<u>108,764</u>	<u>5,917,021</u>
EXPENDITURES:			
Administration	688,165	-	688,165
Protection	156,961	-	156,961
Sanitation	169,328	-	169,328
Public Works	353,875	-	353,875
Health and Welfare	86,352	-	86,352
Education	2,236,257	-	2,236,257
Cultural and Recreational	124,523	-	124,523
Fixed Charges	953,539	-	953,539
Program Expenditures	-	153,674	153,674
Capital Outlays	-	72,405	72,405
Total Expenditures	<u>4,769,000</u>	<u>226,079</u>	<u>4,995,079</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,039,257</u>	<u>(117,315)</u>	<u>921,942</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	171,014	171,014
Transfers Out	(776,415)	-	(776,415)
Capital Lease Proceeds	19,534	-	19,534
Total Other Financing Sources (Uses)	<u>(756,881)</u>	<u>171,014</u>	<u>(585,867)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	282,376	53,699	336,075
FUND BALANCES - JULY 1, 2014	<u>558,045</u>	<u>523,667</u>	<u>1,081,712</u>
FUND BALANCES - JUNE 30, 2015	<u>\$ 840,421</u>	<u>\$ 577,366</u>	<u>\$ 1,417,787</u>

TOWN OF ISLESBORO, MAINE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds (from Statement 5)	\$ 336,075
 Amounts reported for governmental activities in the statement of activities (Statement 2) are different because (see Note 1, also):	
 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 and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
Capital Outlay	115,763
Depreciation	(314,755)
	(198,992)
 Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond 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 by which the long-term debt and capital lease repayments exceeded the capital lease proceeds in the current period:	
Capital Lease Proceeds	(19,534)
Long-Term Debt Repayments	160,000
Capital Lease Repayments	14,430
	154,896
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(9,924)
 Certain expenses and expense adjustments reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Decrease in Accrued Compensated Absences	8,318
Decrease in Accrued Interest Expense	1,133
School Department's Pension Contribution	25,541
Cost of benefits net of employee contributions	(6,943)
	28,049
 Change in net position of governmental activities (see Statement 2)	\$ 310,104

TOWN OF ISLESBORO, MAINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Funds		
	Health Care Center	Wastewater Treatment Facility	Total
ASSETS			
Cash/Cash Equivalents	\$ -	\$ 10,799	\$ 10,799
Accounts Receivable	21,415	17,299	38,714
Due from Other Funds	122,110	13,198	135,308
Prepaid Expenses	1,116	-	1,116
Inventory	11,961	-	11,961
Deferred Benefits	650	-	650
Total Current Assets	<u>157,252</u>	<u>41,296</u>	<u>198,548</u>
Other Special Funds			
Cash/Cash Equivalents			
Equipment Fund	6,409	-	6,409
Technology Fund	20,207	-	20,207
Cash Held by Third Party			
Endowment Fund	73,753	-	73,753
	<u>100,369</u>	<u>-</u>	<u>100,369</u>
Utility Plant			
Utility Plant, Placed In Service	145,249	1,175,784	1,321,033
Accumulated Depreciation	(123,406)	(384,841)	(508,247)
	<u>21,843</u>	<u>790,943</u>	<u>812,786</u>
TOTAL ASSETS	<u>279,464</u>	<u>832,239</u>	<u>1,111,703</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	5,018	403	5,421
Accrued Wages	2,872	-	2,872
Accrued Interest	-	11,678	11,678
Current Portion of Long-Term Debt	-	70,000	70,000
Total Current Liabilities	<u>7,890</u>	<u>82,081</u>	<u>89,971</u>
Noncurrent Liabilities			
Accrued Compensated Absences	17,828	-	17,828
Long-Term Debt, Net of Current Portion	-	370,000	370,000
Total Non-current Liabilities	<u>17,828</u>	<u>370,000</u>	<u>387,828</u>
TOTAL LIABILITIES	<u>25,718</u>	<u>452,081</u>	<u>477,799</u>
NET POSITION			
Net Investment in Capital Assets	21,843	339,265	361,108
Restricted	80,162	-	80,162
Unrestricted	151,741	40,893	192,634
TOTAL NET POSITION	<u>\$ 253,746</u>	<u>\$ 380,158</u>	<u>\$ 633,904</u>

TOWN OF ISLESBORO, MAINE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		Total
	Health Care Center	Wastewater Treatment Facility	
OPERATING REVENUES:			
Charges for Services	\$ 176,112	\$ 16,814	\$ 192,926
Total Operating Revenues	<u>176,112</u>	<u>16,814</u>	<u>192,926</u>
OPERATING EXPENSES			
Salaries and Benefits	457,740	-	457,740
Physicians' Contract and Substitute Coverage	47,133	-	47,133
Supplies	43,396	-	43,396
Maintenance and Repairs	2,494	80,648	83,142
Laboratory Services	2,588	4,500	7,088
Utilities (Net)	5,426	1,295	6,721
Depreciation	7,265	25,338	32,603
Insurance	12,849	-	12,849
Rent	10,558	-	10,558
Professional Fees	14,838	-	14,838
Other	7,809	3,174	10,983
Total Operating Expenses	<u>612,096</u>	<u>114,955</u>	<u>727,051</u>
OPERATING LOSS	<u>(435,984)</u>	<u>(98,141)</u>	<u>(534,125)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest and Realized Gains	2,203	170	2,373
Donations	20,852	-	20,852
Interest Expense	-	(18,513)	(18,513)
Loss on Disposal of Assets	(1,034)	-	(1,034)
Total Nonoperating Revenues	22,021	(18,343)	3,678
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(413,963)</u>	<u>(116,484)</u>	<u>(530,447)</u>
OPERATING TRANSFERS IN	<u>495,220</u>	<u>110,181</u>	<u>605,401</u>
CHANGES IN NET POSITION	81,257	(6,303)	74,954
TOTAL NET POSITION - JULY 1	<u>172,489</u>	<u>386,461</u>	<u>558,950</u>
TOTAL NET POSITION - JUNE 30	<u>\$ 253,746</u>	<u>\$ 380,158</u>	<u>\$ 633,904</u>

TOWN OF ISLESBORO, MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Health Care Center	Wastewater Treatment Facility	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 174,995	\$ 17,774	\$ 192,769
Payments to Suppliers	(105,018)	(90,553)	(195,571)
Payments to Employees	(517,798)	-	(517,798)
Other Payments	(45,507)	(1,446)	(46,953)
Net Cash Provided (Used) by Operating Activities	(493,328)	(74,225)	(567,553)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Expenditures for Utility Plant	(3,534)	-	(3,534)
Repayment of Long-Term Debt	-	(70,000)	(70,000)
Interest Paid	-	(20,182)	(20,182)
Net Cash Used by Capital Financing Activities	(3,534)	(90,182)	(93,716)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers from Other Funds	495,220	110,181	605,401
Donations	20,852	-	20,852
Net Cash Provided by Non-Capital Financing Activities	516,072	110,181	626,253
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	2,203	170	2,373
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,413	(54,056)	(32,643)
CASH AT BEGINNING OF YEAR	78,956	64,855	143,811
CASH AT END OF YEAR	\$ 100,369	\$ 10,799	\$ 111,168
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Loss	\$ (435,984)	\$ (98,141)	\$ (534,125)
Depreciation Expense	7,265	25,338	32,603
Change in Assets and Liabilities			
(Increase) Decrease in:			
Receivables, Net	(1,117)	960	(157)
Inventory	(139)	-	(139)
Increase (Decrease) in:			
Accounts and Other Payables	(4,921)	(936)	(5,857)
Accrued Payroll and Compensated Absences	(12,925)	-	(12,925)
Due From Other Funds	(45,507)	(1,446)	(46,953)
NET CASH USED BY OPERATING ACTIVITIES	\$ (493,328)	\$ (74,225)	\$ (567,553)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Restricted:			
Endowment Fund	\$ 73,753	\$ -	\$ 73,753
Equipment Fund	6,409	-	6,409
Technology Fund	20,207	-	20,207
	100,369	-	100,369
Unrestricted:			
Operating	-	10,799	10,799
	\$ 100,369	\$ 10,799	\$ 111,168

TOWN OF ISLESBORO, MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private-purpose Trusts</u>	<u>Agency Funds</u>
ASSETS:		
Cash	\$ 1,207	\$ 56,443
Due from General Fund	<u>-</u>	<u>13,529</u>
TOTAL ASSETS	<u>1,207</u>	<u>69,972</u>
LIABILITIES:		
Due to Other Groups	<u>-</u>	<u>69,972</u>
NET POSITION:		
Held in Trust for Other Purposes	<u>\$ 1,207</u>	<u>\$ -</u>

TOWN OF ISLESBORO, MAINE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Private-purpose Trusts</u>
ADDITIONS:	
Investment Earnings	\$ 10
Donations	<u>1,470</u>
	<u>1,480</u>
DEDUCTIONS:	
Program Expenditures	<u>3,321</u>
DECREASE IN NET POSITION	(1,841)
NET POSITION - JULY 1	<u>3,048</u>
NET POSITION - JUNE 30	<u><u>\$ 1,207</u></u>

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

The Reporting Entity

The Town of Islesboro, Maine, incorporated in 1789, currently operates under a Board of Selectmen-Town Manager-Town Meeting form of government. The Board consists of five members elected by the registered voters for overlapping terms of three years. The financial statements of the Town of Islesboro conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing accounting principles generally accepted in the United States of America 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) (when applicable) that do not conflict with or contradict GASB pronouncements. The most significant accounting policies used by the Town are discussed below.

Principles Determining Scope of Reporting Entity

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. In accordance with Governmental Accounting Standards Board (GASB), the Town (the primary government) is financially accountable if it appoints a voting majority of the organizations governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements, comprised of the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the Town. Governmental activities which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities points out the extent to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a function, service, program, or department. The Town has elected not to allocate indirect costs among the programs and functions. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements

Fund financial statements report detailed information about the Town. Separate financial statements are provided for governmental funds, enterprise funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Since the focus is on major funds rather than reporting funds by type, each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. GASB sets forth minimum criteria for the determination of major funds. Fiduciary funds are reported by fund type.

The Town's major governmental funds are the General Fund and Renovation Fund. The non-major funds are combined in the "Other Governmental Funds" column in the fund financial statements.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The accounting and reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flow takes place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized (recorded) in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within 60 days after the end of the fiscal year. Property taxes, licenses, and interest associated with the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures are recognized when the corresponding liabilities are incurred, except for principal and interest on general long-term debt, which are recognized when due, and compensated absences, which are recognized when paid to the employees. General capital asset acquisitions are reported as expenditures. Allocations of cost, such as depreciation, are not recognized in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds are reported using the economic resources measurement focus. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are the health care center, and sewer service charges. Operating expenses for the Town's enterprise funds include contracted services, salaries and benefits, supplies, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

Governmental Activities

Governmental funds are identified as either general fund, special revenue, capital projects, or permanent funds based upon specific guidelines. The measurement focus is upon determination of net income. The following fund types are used by the Town:

The General Fund is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Business type Activities

Proprietary Funds are used to account for the Town's ongoing activities, which are similar to those often found in the private sector. The following is the Town's proprietary fund type:

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust Funds are used to account for assets received by the Town and held in the capacity of trustee, custodian or agent. Non-expendable trust funds are those whose principal must be preserved intact. Expendable are those whose principal and income may be expended in the course of their designated operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements or results of operations. These funds are not incorporated into the Government-wide statements.

Cash and Investments

The Town's cash and investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return. Investments are reported at fair value. Money market investments that have a remaining maturity at time of purchase of one year or less are stated at amortized cost.

Cash Held by Third Parties

Cash held by third parties includes amounts held in trust for the Town by the Maine School Management Association's (MSMA) Unemployment Compensation Trust Fund (UCTF). It also includes amounts held by the Maine Community Foundation (MCF) for the Health Center Endowment Fund and for collecting and distributing pledges for the school renovation project.

Receivables

Receivables consist of all revenues recognized by year-end (on the applicable basis of accounting) but not yet received. Management's estimation for allowances for uncollectible accounts is based on historical collection rates or, where appropriate, collection experience with specific payers.

Pledges Receivable

In the government-wide financial statements, pledges receivable are the amounts pledged to the Town by private sources. Management deems them fully collectible as of year-end and, therefore, has made no allowance for uncollectible pledges. In the fund financial statements, pledges receivable are not considered available and, therefore, are not reported.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Inventory

Inventory is considered to be expenditures at the time of purchase and is not included in the general fund balance sheet, except for museum inventory. School lunch inventory is valued at the lower of cost (first-in, first-out basis) or market. The Health Center inventory is valued at cost.

Interfund Activity

Interfund activity within and among the funds is classified as either reciprocal or nonreciprocal interfund activity. Reciprocal interfund activity is an exchange or exchange-like transaction between two funds and includes interfund loans and interfund services provided and used. These types of activities result in an exchange of resources among funds or results in interfund receivables and liabilities labeled "Due from other funds" and "Due to other funds." Nonreciprocal interfund activity is a non-exchange transaction between two funds and includes interfund transfers and interfund reimbursements. These types of activities result in a flow of resources without equivalent flows of resources in return and without a requirement for repayment and are labeled "Transfers in (out)".

Prepaid Expenses

Payments made to vendors that will benefit periods beyond June 30, 2015, are recorded as prepaid expenses.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

Property, Plant and Equipment of the primary government are depreciated using the straight-line method over the assets' estimated lives, ranging from 5 to 50 years. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

As permitted by GASB, capitalization of interest cost is applied on new construction, when applicable.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition. Fixed assets are not capitalized and related depreciation is not expensed in the fund financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bond issuance costs are reported as expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Compensated Absences

Pursuant to the terms of the personnel policy, employees can accumulate earned but unused vacation pay benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee retirements.

Landfill Closure and Post closure Care Cost

GASB requires the Town to record a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities.

State and federal regulations require that the Town perform certain maintenance and monitoring functions at the site for a period of thirty years after closure. The Town has one landfill, closure of which is complete. Some monitoring costs will be required in the future. However, these costs are not deemed to be material and were therefore not recorded as a liability.

Net Position and Fund Equity Classifications

Net position is required to be classified into the following three components:

Net investment in capital assets - This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

	Governmental Activities	Business-type Activities
Capital assets	\$ 16,741,182	\$ 1,321,033
Accumulated depreciation	(6,046,298)	(508,247)
Bonds, notes, and leases payable	(3,242,124)	(440,000)
Accrued interest	(24,711)	(11,678)
Net investment in capital assets	\$ 7,428,049	\$ 361,108

Restricted - This component consists of constraints placed on the use of net position which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Balance

In the fund financial statements, governmental fund balance is presented in five possible categories that comprise a hierarchy based on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The categories are as follows:

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

Restricted - represents those portions of fund equity that have externally enforceable legal restrictions.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Committed - describes the portion of the fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner. The Board of Selectmen have the authority to commit amounts to be used for specific purposes.

Assigned - This classification reflects the amounts constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen and town manager have the authority to assign amounts to be used for specific purposes.

Unassigned - represents amounts that are available for any purpose.

The Town has no formal revenue spending policy for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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/expenditure) until then. The Town currently has no transactions that meet the definition of deferred outflows of resources.

In addition to liabilities, the statement of financial 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. In the government-wide financial statements, the Town's deferred inflows of resources consist of prepaid property taxes.

In the fund financial statements, due to differences in the modified accrual basis of accounting, deferred inflows also include deferred (unavailable) property taxes.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the bank's failure, the Town will not be able to recover the value of its deposits and investments that are in the possession of an outside party.

Deposits

The Town has a deposit policy for custodial credit risk. Deposits and investments of funds can only be made in highly capitalized and highly rated financial institutions. Any funds deposited or invested over the \$250,000 insurance limit should be collateralized by the financial institution. As of June 30, 2015, the Town reported deposits of \$1,648,313 with a bank balance of \$1,751,094. Of the Town's bank balances, \$250,000 was covered by FDIC insurance and \$1,501,094 was exposed to custodial credit risk. Of the balance exposed to custodial credit risk, \$1,436,333 was collateralized by government securities held by the pledging bank, but not in the Town's name and \$64,761 was uninsured and uncollateralized.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury, U.S. Agencies, and repurchase agreements. The Town's investment policy does not further limit its investment choices. As of June 30, 2014, the Town's investment balance of \$595,395 was exposed to custodial credit risk. The balance exposed to custodial credit risk was placed in securities held by the related trust department, but not in the Town's name.

At June 30, 2015, the Town's governmental fund had the following investments and maturities:

	Fair Value	Not Applicable	< 1	1 - 5
Cash and cash equivalents	\$ 35,473	\$ 35,473	\$ -	\$ -
US agencies	559,922	-	91,316	468,606
	\$ 595,395	\$ 35,473	\$ 91,316	\$ 468,606

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value on an investment.

Credit Risk

Maine statutes authorize the Town to invest in obligations of the U.S. Government and U.S. Agencies and instrumentalities, repurchase agreements, and certain corporate stocks and bonds. The Town follows Maine statutes. As of June 30, 2015, the Town's investment in debt securities was rated by Moody's as follows:

Credit Risk Rating:

US agencies with AA ratings \$ 559,922

Cash Held by Third Parties

The Town owns assets held by the Maine Community Foundation (MCF) and by the Maine School Management Association (MSMA UTCF). These amounts are invested by the custodians in money market accounts or similar very low risk investment vehicles that invest in US government obligations. Management believes the custodial credit risk of these assets to be low. As of June 30, 2015, the carrying value of amounts held by the MCF and the MSMA UCTF were \$76,768 and \$4,588, respectively. Carrying value approximates fair value. None of the underlying securities are in the Town's name.

NOTE 3 ACCOUNTS, LIENS RECEIVABLE, AND TAX ACQUIRED PROPERTY

Accounts receivable for the general fund as of June 30, 2015 is \$51,025. Of this amount, approximately 77% are amounts due from the State of Maine for various grants. Management believes the collectability of all remaining receivables is reasonably assured and, therefore, has not provided for an allowance for uncollectible accounts.

Tax acquired properties receivables are amounts on foreclosed properties that are long past due. For these amounts, management has estimated an allowance for uncollectible accounts. Taxes receivable are reported net of this allowance on the financial statements. The net amount is calculated as follows:

Tax acquired property	\$ 1,546
Allowance for uncollectible accounts	(1,546)
Tax acquired property (net)	\$ -

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 ACCOUNTS, LIENS RECEIVABLE AND TAX ACQUIRED PROPERTY (Continued)

Liens receivable as of June 30, 2015 is \$109,070. Management believes the collectability of these accounts is reasonably assured and, therefore, has not provided for an allowance for uncollectible accounts.

Accounts receivable for the health center include patient receivables that are long past due. Management has estimated an allowance for uncollectible accounts. Management believes the collectability of the accounts receivable for the Dark Harbor Wastewater Treatment Facility is reasonably assured and, therefore, has not provided for an allowance for uncollectible accounts. Accounts receivable are reported net of this allowance on the financial statements. The net amount is calculated as follows:

	Health Center	Treatment Facility	Total
Accounts receivable	\$ 26,865	\$ 17,299	\$ 44,164
Allowance for uncollectible accounts	(5,450)	-	(5,450)
Accounts receivable (net)	<u>\$ 21,415</u>	<u>\$ 17,299</u>	<u>\$ 38,714</u>

NOTE 4: PROPERTY TAX

The Town's property taxes for the current year were committed August 22, 2014 on the assessed value listed as of April 1 for all real estate and personal property located in the Town. Assessed values are periodically established by the assessors at 85% of assumed market value. The assessed value for real estate and personal property taxes, upon which the levy for the period ended June 30, 2015 was based, was \$440,723,900. Taxes were due semi-annually on September 30, 2014 and February 28, 2015. Interest was charged at 7% on all unpaid taxes from October 1, 2014 and March 1, 2015.

The following summarizes the levy:

Valuation:	
Real estate	\$ 440,245,500
Personal property	<u>478,400</u>
Total valuation	440,723,900
Tax rate per thousand	<u>12.13</u>
Tax commitment	<u>\$ 5,345,981</u>
Original commitment	\$ 5,345,981
Less: collection in current year (net of adjustments and refunds)	5,282,303
Abatements	5,700
Transferred to liens	<u>57,978</u>
	<u>5,345,981</u>
Taxes receivable - June 30, 2015	<u>\$ -</u>

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4: PROPERTY TAX (Continued)

The Town is permitted by the laws of the State of Maine to levy taxes to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$111,063, for the year ended June 30, 2015. Property taxes levied are recorded as receivables at the time the levy is made. The taxes collected during the year, and in the first sixty (60) days subsequent to the fiscal year, have been recorded as revenues. The remaining receivables estimated to be collectible subsequent to the sixty (60) day period are recorded as deferred revenues.

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

Property acquired by foreclosure for non-payment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same parcel are not included as part of the tax acquired property account until expiration of statutory time limits.

NOTE 5: INTERFUND ACTIVITY

Due to Other Funds and Due from Other Funds balances at June 30, 2015 were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 624,689
Special revenue funds		
School categorical grants	-	31,067
Capital project fund		
Capital improvement fund	506,919	-
Enterprise fund		
Wastewater treatment facility	13,198	-
Health care center	122,110	-
Agency funds		
Fireworks fund	11,773	-
Library fund	21	-
Centennial fund	1,735	-
	\$ 655,756	\$ 655,756

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

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: INTERFUND ACTIVITY (Continued)

Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 776,415
Health care center	495,220	-
DWWTF	110,181	-
School lunch program	54,184	-
School bus fund	4,100	-
Adult education enrichment	2,730	-
Library equipment and repairs	5,000	-
Municipal building	5,000	-
Engineering architect	10,000	-
Emergency ferry trips	10,000	-
Town truck	10,000	-
Technology	10,000	-
Maddie dodge field	20,000	-
Incline and float reserve	15,000	-
Ambulance reserve	25,000	-
Total	<u>\$ 776,415</u>	<u>\$ 776,415</u>

Budgeted transfers were made to the health care center, treatment plant, adult education enrichment, and school lunch program to help defray costs and to the capital projects to fund future projects.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was:

	<u>Balance</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2015</u>
Capital assets not being depreciated				
Land	\$ 951,100	\$ -	\$ -	\$ 951,100
Construction in progress	39,144	69,209	-	108,353
Capital assets being depreciated				
Buildings	10,222,842	-	-	10,222,842
Improvements other than buildings	242,006	-	-	242,006
Vehicles and equipment	1,657,847	46,554	(34,000)	1,670,401
Infrastructure	<u>3,546,479</u>	<u>-</u>	<u>-</u>	<u>3,546,479</u>
Total capital assets	16,659,418	115,763	(34,000)	16,741,181
Less: accumulated depreciation				
Buildings	1,953,123	203,424	-	2,156,547
Improvements other than buildings	104,427	11,972	-	116,399
Vehicles and equipment	1,107,657	65,595	(34,000)	1,139,252
Infrastructure	<u>2,600,335</u>	<u>33,764</u>	<u>-</u>	<u>2,634,099</u>
Total accumulated depreciation	<u>5,765,542</u>	<u>314,755</u>	<u>(34,000)</u>	<u>6,046,297</u>
Total net capital assets	<u>\$ 10,893,876</u>	<u>\$ (198,992)</u>	<u>\$ -</u>	<u>\$ 10,694,884</u>
Depreciation was charged to functions as follows:				
Administration	\$ 1,866			
Protection	16,110			
Sanitation	1,561			
Public works	65,525			
Health and welfare	8,473			
Education	201,128			
Cultural and recreational	<u>20,092</u>			
Total depreciation	<u>\$ 314,755</u>			

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6: CAPITAL ASSETS (Continued)

Property, plant and equipment maintained in the enterprise fund are valued at cost. Depreciation of all exhaustible fixed assets is charged as an expense against their operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for the Wastewater Treatment Plant and the Health Care Center as follows:

		Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015
Wastewater treatment facility	Years	Cost			Cost
Utility plant in service	50	\$ 1,119,882	\$ -	\$ -	\$ 1,119,882
Various equipment	10-20	55,902	-	-	55,902
		1,175,784	-	-	1,175,784
Less: accumulated depreciation		359,503	25,338	-	384,841
Total capital assets, net		<u>\$ 816,281</u>	<u>\$ (25,338)</u>	<u>\$ -</u>	<u>\$ 790,943</u>

		Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015
Health care center	Years	Cost			Cost
Various equipment	10-20	\$ 148,630	\$ 3,534	\$ (6,915)	\$ 145,249
Less: accumulated depreciation		122,022	7,265	(5,881)	123,406
Total capital assets, net		<u>\$ 26,608</u>	<u>\$ (3,731)</u>	<u>\$ (1,034)</u>	<u>\$ 21,843</u>

Depreciation expense has been recorded for the Wastewater Treatment Facility and Health Care Center at \$25,338 and \$7,265, respectively.

External contributions of capital relating to the acquisition of plant and equipment for the Wastewater Treatment Facility are being amortized over periods equal to the lives of assets acquired with such contributions of capital.

NOTE 7: LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES

The following is a summary of the long-term liabilities of the Town's governmental activities for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds and notes payable:					
General obligation bonds	\$ 3,360,000	\$ -	\$ (160,000)	\$ 3,200,000	\$ 160,000
Capital leases payable	37,020	19,534	(14,430)	42,124	15,157
Net pension liability	12,837	9,785	-	22,622	-
Compensated absences (net increase)	28,622	-	(8,317)	20,305	-
	<u>\$ 3,438,479</u>	<u>\$ 29,319</u>	<u>\$ (182,747)</u>	<u>\$ 3,285,051</u>	<u>\$ 175,157</u>

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

Long-term debt payable at June 30, 2015, is comprised of the following:

Maine Municipal Bond Bank

2009 School General Obligation Bond, maturing November 1, 2034, with annual principal payments of \$160,000 and semi-annual interest payments; variable interest rates between 2.08% and 5.58%, authorized and issued \$4,000,000. \$ 3,200,000

The annual requirement to amortize debt outstanding as of June 30, 2015, is as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>			
2016	\$ 160,000	\$ 140,889	\$ 300,889
2017	160,000	131,962	291,962
2018	160,000	123,033	283,033
2019	160,000	114,106	274,106
2020	160,000	105,177	265,177
2021-2025	800,000	391,968	1,191,968
2026-2030	800,000	171,370	971,370
2031-2035	800,000	41,600	841,600
	<u>\$ 3,200,000</u>	<u>\$ 1,220,105</u>	<u>\$ 4,420,105</u>

Interest expense paid during 2015 for long-term debt and capital leases totaled \$169,401.

Capital Lease Obligations

The following is a summary of capital-lease obligation transactions of the School Department for the year ended June 30, 2015:

	Year Ending	Amount
	<u>June 30</u>	
	2016	\$ 15,922
	2017	15,922
	2018	4,154
	2019	4,154
	2020	<u>4,153</u>
Total minimum lease payments		44,305
Amount representing interest		<u>(2,181)</u>
Present value of net minimum lease payments		42,124
Current maturities of capital lease obligations		<u>(15,157)</u>
Long-term capital lease obligations		<u>\$ 26,967</u>

The copiers are included in capital assets with a purchase price of \$19,534 and accumulated depreciation of \$1,953 and the school bus with a purchase price of \$83,928 and accumulated depreciation of \$22,381.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8: LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES (Continued)

The following is a summary of the long-term liabilities of the Town's Dark Harbor Wastewater Treatment Plant for the year ended June 30, 2015:

Business-type activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
General obligation bonds	\$ 510,000	\$ -	\$ (70,000)	\$ 440,000	\$ 70,000
Compensated absences (net increase)	13,541	4,287	-	17,828	-
	<u>\$ 523,541</u>	<u>\$ 4,287</u>	<u>\$ (70,000)</u>	<u>\$ 457,828</u>	<u>\$ 70,000</u>

Camden National Bank

2011 General Obligation Bond, maturing November 23, 2020, with annual principal payments of \$70,000 and semi-annual interest payments; interest rate of 3.90%; Authorized and issued \$700,000.

\$ 440,000

Year Ending June 30	Principal	Interest	Total
2016	\$ 70,000	\$ 19,376	\$ 89,376
2017	70,000	16,653	86,653
2018	70,000	13,840	83,840
2019	70,000	11,072	81,072
2020	70,000	8,304	78,304
2021-2022	90,000	8,319	98,319
	<u>\$ 440,000</u>	<u>\$ 77,564</u>	<u>\$ 517,564</u>

NOTE 9: STATUTORY DEBT LIMIT

The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. The Town's total outstanding debt of \$3,640,000 at June 30, 2015, was \$75,200,000 below the Town's statutory debt limit.

A summary of the Town's legal debt margin is as follows:

	Outstanding Bonds & Notes	State Assessed Value of \$525,600,000	Debt Limit	Margin
Municipal purposes	<u>\$ 3,640,000</u>	15%	<u>\$ 78,840,000</u>	<u>\$ 75,200,000</u>

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10: SHORT-TERM DEBT OBLIGATIONS

In May 2014, the Board of Selectmen authorized the issuance of tax anticipation notes not to exceed \$200,000 for a paving project.

Short-term debt activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation note	\$ 200,000	\$ -	\$ (200,000)	\$ -

NOTE 11: CONTINGENT LIABILITIES AND OTHER DISCLOSURES

Litigation

The Town is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the Town has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the Town.

State and Federal Grants

The Town and School Department participate in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined basic financial statements for such contingencies.

Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, or participates in a public entity risk pool. Currently, the Town participates in several public entity risk pools sponsored by the Maine Municipal Association. Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2015. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12: COMPONENTS OF FUND BALANCE

The General Fund's unassigned fund balance as of June 30, 2014 is \$526,460. The remainders of the governmental fund's balances are classified in the following table.

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Prepaid Expenses	\$ 1,207	\$ -	\$ -	\$ -
Inventory	136	-	-	-
Adult Education	-	2,159	-	-
Subsequent Years Expenditures:				
General Education	-	-	-	141,884
General Administration	-	-	-	7,487
Public Works	-	-	-	101,076
Health and Welfare	-	-	-	8,466
2016 Use of Fund Balance	-	-	-	50,000
Total General Fund	<u>1,343</u>	<u>2,159</u>	<u>-</u>	<u>308,913</u>
Capital Projects Fund:				
Reserves for Capital Expenditures:				
Police Cruiser	-	-	4,097	-
Aging System Replacement	-	-	23,884	-
Library Equipment and Repairs	-	-	6,736	-
Fire Engine	-	-	121,585	-
Municipal Building	-	-	7,200	-
Fire Equipment	-	-	2,863	-
Road Construction	-	-	3,367	-
Engineering Architect	-	-	10,127	-
Emergency Ferry Trips	-	-	10,092	-
Town Truck	-	-	41,815	-
Technology	-	-	1,119	-
Landscaping & Grounds Keeping Equipment	-	-	1,405	-
Maddie Dodge Field	-	-	29,089	-
Capital Project Reserve	-	-	127	-
Public Works Equipment and Repair	-	-	7,619	-
Incline and Flood Reserve	-	-	468	-
Ambulance Reserve	-	-	102,828	-
Tennis Court	-	-	1,204	-
School Bus Reserve	-	-	8,046	-
School Capital Improvement	-	-	96,794	-
Renovation Fund	-	-	18,428	-
Small Community Program	-	-	11,041	-
Total Capital Projects Funds	<u>-</u>	<u>-</u>	<u>509,934</u>	<u>-</u>

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12: COMPONENTS OF FUND BALANCE (Continued)

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Special Revenue Funds				
School Categorical Grants	\$ 594	\$ 5,697	\$ -	\$ 1,934
Permanent Funds				
Idella M. Wentworth Fund	100	430		
Livona Williams Fund	300	975	-	-
Villatoro Fund	1,500	412	-	-
Kathleen Kerr Fund	350	90	-	-
Library Fund	8,989	41,902	-	-
Henry P. Hatch Fund	100	20	-	-
Flora & Floyd holmes, Jr. Fund	150	380	-	-
Marshall Fund	300	892	-	-
C.C. Hatch Fund	150	49	-	-
Simon S. Sprague Fund	268	206	-	-
Justina I. Thomas Fund	45	66	-	-
Mildred Stanley Fund	1,000	533	-	-
Total Permanent Funds	<u>13,252</u>	<u>45,955</u>	-	-
Total Governmental Funds	<u>\$ 15,189</u>	<u>\$ 53,811</u>	<u>\$ 509,934</u>	<u>\$ 310,847</u>

NOTE 13: RETIREMENT PLANS

Defined Benefit Plan

General Information about the Pension Plan

Plan Description

The MainePERS State Employee and Teacher Plan (the Plan) is a multiple-employer cost sharing plan with a special funding situation. As of June 30, 2014 there were 229 employers, including the State of Maine, participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

Pension Benefits

Benefit terms are established in Maine statute. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 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. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 13: RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

General Information about the Pension Plan (Continued)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Member and Employer Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Financial Reporting

The Plan issues stand-alone financial reports which can be found online at:

<http://www.mainepeps.org/Publications/Publications.htm#Annual Reports>

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

At June 30, 2014, the Department reported a liability for its proportionate share of the net pension liability that reflected reduction for State pension support provided to the Department. The amount recognized by the Department 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 Department were as follows:

Department's proportionate share of the net pension liability	\$	22,622
State's proportionate share of the net pension liability associated with the Department		436,206
Total	\$	458,828

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0.002094%, which was a decrease of .00016% from its proportion measured as of June 30, 2013.

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The Plan's change in the discount rate from 7.25% to 7.125% was the only change in assumption in the 2014 valuation

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13: RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2015, the Department recognized pension expense of \$6,944 and revenue of \$99,988 for support provided by the State. At June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 113
Changes of assumptions	1,558	-
Net difference between projected and actual earnings on pension plan investments	-	9,681
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,774	1,696
District contributions subsequent to the measurement date	25,541	-
Total	\$ 39,873	\$ 11,490

\$25,541 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Fiscal year 2016	\$ 3,841
Fiscal year 2017	3,841
Fiscal year 2018	(2,420)
Fiscal year 2019	(2,420)
Total	\$ 2,842

Actuarial Methods and Assumptions

The collective total pension liability for the Plans was determined by an actuarial valuation as of June 30, 2014 and 2013, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13: RETIREMENT PLANS (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial Cost Method (Continued)

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2014 and June 30, 2013 are as follows:

Investment Rate of Return – 7.125% per annum for the year ended June 30, 2014 and 7.25% for the year ended June 30, 2013, compounded annually.

Salary Increases, Merit and Inflation – State employees, 3 .50% to 10.50% per year; Teachers, 3 .50% to 13.5% per year.

Mortality Rates – For active State employee members and non-disabled retirees of the State employee plan, participating local districts, legislative and judicial plans, the RP2000 Tables projected forward to 2015 using Scale AA are used; for active members and non-disabled retirees of the teachers' plan, the ages are set back two years; for all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

Cost of Living Benefit Increases – 2.55% per annum for State employees and teachers, and 3.12% for participating local districts.

The long-term expected rate of return on pension plan assets 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 class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2014 are summarized in the following table:

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13: RETIREMENT PLANS (Continued)

Actuarial Methods and Assumptions (Continued)

Amortization (Continued)

	Target Allocation	Long-Term Expected Real Rate of Return
US equities	20%	2.5%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.0%

Discount Rate

The discount rate used by the Plan to measure the collective total pension liability was 7.125% for 2014 and 7.25% for 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.125% , as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.125%) or 1 percentage point higher (8.125%) than the current rate.

	1% Decrease (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
Department's proportionate share of the net pension liability	\$ 43,331	\$ 22,622	\$ 5,294

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MainePERS financial report.

TOWN OF ISLESBORO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14: OTHER RETIREMENT PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457.

The deferred compensation plan is available to all employees of the Town. Under the plan, employees may elect to defer a portion of their salary and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The Town's computed contribution to this plan for the year ended June 30, 2015 was approximately \$33,444. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

As part of its fiduciary role, the Town has an obligation of due care in selecting the third party administrator. In the opinion of the Town's legal counsel, the Town has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

NOTE 15: CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014 has been restated as follows for implementation of the Government Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net position at June 30, 2014, as previously reported	\$ 8,669,280
Prior period adjustment due to:	
Department's net pension liability, measured at June 30, 2013	(35,835)
Deferred outflows of resources for the Department's contributions made during fiscal year 2014	<u>22,998</u>
Net position at June 30, 2014, as restated	<u><u>\$ 8,656,443</u></u>

NOTE 16: SUBSEQUENT EVENTS

In preparing these financial statements, the town has evaluated events and transactions for potential recognition or disclosure through March 23, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes the Budgetary Comparison Schedule - Budget and Actual - General Fund - Budgetary Basis.

TOWN OF ISLESBORO, MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes:			
Property	\$ 5,345,981	\$ 5,345,981	\$ -
Change in Deferred Property Taxes	-	(78)	(78)
Excise	<u>144,000</u>	<u>169,913</u>	<u>25,913</u>
	<u>5,489,981</u>	<u>5,515,816</u>	<u>25,835</u>
Intergovernmental:			
State Revenue Sharing	6,889	12,418	5,529
State Park	3,027	4,724	1,697
Local Road Assistance	30,605	30,844	239
Veterans Tax Exemption	300	276	(24)
Homestead Reimbursement	<u>14,661</u>	<u>8,016</u>	<u>(6,645)</u>
	<u>55,482</u>	<u>56,278</u>	<u>796</u>
Other:			
Interest on Invested Moneys	1,000	2,161	1,161
Interest and Penalties on Delinquent Taxes	8,000	16,730	8,730
Miscellaneous	13,025	16,137	3,112
Rent	11,058	10,178	(880)
Sale of Recyclables	3,500	3,691	191
Donations	<u>7,400</u>	<u>3,330</u>	<u>(4,070)</u>
	<u>43,983</u>	<u>52,227</u>	<u>8,244</u>
Charges for Services:			
Fees:			
Landfill	33,600	39,224	5,624
Ambulance	20,000	30,096	10,096
Planning Board	3,000	2,655	(345)
Plumbing	1,250	2,078	828
Grindle Point Stickers	600	627	27
Other	<u>9,100</u>	<u>9,268</u>	<u>168</u>
	<u>67,550</u>	<u>83,948</u>	<u>16,398</u>
TOTAL REVENUES	<u>\$ 5,656,996</u>	<u>\$ 5,708,269</u>	<u>\$ 51,273</u>

TOWN OF ISLESBORO, MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
TOTAL REVENUES (Forward)	\$ 5,656,996	\$ 5,708,269	\$ 51,273
EXPENDITURES:			
Administration	725,056	688,165	36,891
Protection	167,367	156,961	10,406
Sanitation	170,601	169,328	1,273
Public Works	643,945	553,875	90,070
Health and Welfare	98,022	86,352	11,670
Education	2,260,778	2,116,735	144,043
Cultural and Recreational	123,636	124,523	(887)
Fixed Charges	1,056,827	953,539	103,288
TOTAL EXPENDITURES	5,246,232	4,849,478	396,754
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	410,764	858,791	448,027
OTHER FINANCING SOURCES (USES):			
Budgeted Use of Surplus	160,000	-	(160,000)
2014 Carry Forwards	207,784	-	(207,784)
Transfer to Health Care Center	(495,220)	(495,220)	-
Transfer to DWWWTF	(112,144)	(110,181)	1,963
Transfer to Capital Projects Fund	(114,000)	(114,100)	(100)
Transfer to Special Revenues	(57,184)	(56,914)	270
	(410,764)	(776,415)	(365,651)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ 82,376	\$ 82,376

Town of Islesboro School Department

Schedule of the Department's Proportionate Share of the Net Pension Liability
 MainePERS State Employee and Teacher Plan
 Employer ID: TCISL

For the Fiscal Year Ended	Department's	Department's	State's	Department's	Department's	Department's	Plan Fiduciary
	Proportion of the Net Pension Liability	Share of the Net Pension Liability Associated with the Department	Share of the Net Pension Liability Associated with the Department	Total	Covered- employee Payroll	Share of the Net Pension Liability as a Percentage of its Covered- employee Payroll	Net Position as a Percentage of the Total Pension Liability
2014	0.002094%	\$ 22,622	\$ 436,206	\$ 458,828	\$ 749,769	3.02%	83.91%
2013	0.002254%	35,835	673,317	709,152	696,419	5.15%	76.85%

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, the Department will present information for those years for which information is available.

Islesboro School Department
 Schedule of the Department's Employer Contributions
 MainePERS State Employee and Teacher Plan
 Employer ID: TCISL

<u>For the Fiscal Year Ended</u>	<u>Contractually Required Contributions</u>	<u>Department's Contributions in Relation to the Contractually Required Contributions</u>	<u>Department's Contribution Deficiency (Excess)</u>	<u>Department's Covered- employee Payroll</u>	<u>Department's Contributions as a Percentage of its Covered- employee Payroll</u>
2014	\$ 23,112	\$ 23,112	\$ -	\$ 749,769	3.08%
2013	4,166	4,166	-	696,419	0.60%

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, the Department will present information for those years for which information is available.

TOWN OF ISLESBORO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

Budgetary Accounting

Budgets are adopted for the general fund only on a basis consistent with generally accepted accounting principles.

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

In the second half of the last fiscal year, the Town prepared a budget for this fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

After giving public notice of the meeting, the inhabitants of the Town voted in June for the purpose of adopting the proposed budget.

The budget was adopted subsequent to the vote by the inhabitants of the Town.

Formal budgetary integration is employed as a management control device during the year for the general fund. A comparison of budget to actual is presented in the financial statements.

NOTE 2: BUDGETARY ACCOUNTING VS. GAAP BASIS OF ACCOUNTING

As required by generally accepted accounting principles (GAAP), the School Department has recorded a revenue and an expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under generally accepted accounting principles of \$99,988. These amounts have been included as intergovernmental revenue and as education expenditure in the General Fund on Statements 2 and 5. There is no effect on the fund balance at the end of the year.

As required by generally accepted accounting principles (GAAP), the Town has recorded an expenditure for paving expense in the prior year basic financial statements. These amounts are budgeted in the General Fund in the current year and result in a difference in reporting on a budgetary basis of accounting vs. reporting under generally accepted accounting principles of \$200,000. These amounts have reduced Public Works expenditure in the General Fund on Statements 2 and 5. The General Fund GAAP fund balance and the budgetary basis fund balance are \$852,067.

Explanation of the Differences between General Fund Budgetary Comparison Schedule Revenues and Expenditures (Schedule 1) and General Fund GAAP Revenues and Expenditures (Statement 5) are as follows:

Revenues	
Total revenues as reported on Budgetary Comparison Schedule	
Budget and Actual- Budgetary Basis (Schedule 1)	\$ 5,708,269
Differences-budget to GAAP	
On behalf payments for Maine State Retirement Contributions made by the State of Maine	99,988
Total Revenues as reported on Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds (Statement 5)	\$ 5,808,257

TOWN OF ISLESBORO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 2: BUDGETARY ACCOUNTING VS. GAAP BASIS OF ACCOUNTING (Continued)

Expenditures

Total Expenditures as reported on Budgetary Comparison Schedule	
Budget and Actual- Budgetary Basis (Schedule 1)	\$ 4,849,478
Differences-budget to GAAP	
Capital Lease Outlay	(180,466)
On behalf payments for Maine State Retirement Contributions made by the State of Maine	99,988
Total Expenditures as reported on Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds (Statement 5)	\$ 4,769,000

Other Financing Sources (Uses)

Total other financing sources (uses) as reported on Budgetary Comparison Schedule - Budget and Actual- Budgetary Basis (Schedule 1)	\$ (776,415)
Differences-budget to GAAP	
Capital Lease Proceeds	19,534
Total Other Financing Sources (Uses) as reported on Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds (Statement 5)	\$ (756,881)

NOTE 3: BUDGETED USE OF SURPLUS

During the year ended June 30, 2015, the Town budgeted to utilize \$160,000 of the year's 2015 unassigned fund balance, and \$207,784 of 2015 assigned fund balance, as budgeted use of surplus.

NOTE 4: EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year, expenditures exceeded appropriations in the following budget articles:

	Amount Overexpended
Administration	\$ 4,720
Protection	1,463
Sanitation	4,126
Public works	16,979
Health and welfare	3,739
Cultural and recreational	10,077
Fixed expenses	528
Total	\$ 41,632

NOTE 4 CHANGE IN ASSUMPTIONS RELATED TO PENSIONS

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For the MainePERS State Employee and Teacher Plan, the change in the discount rate from 7.25% to 7.125% was the only change in assumption in the 2014 valuation.

OTHER SUPPLEMENTAL DATA

TOWN OF ISLESBORO, MAINE
COMBINING BALANCE SHEET
OTHER NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	ASSETS				LIABILITIES AND FUND BALANCE				Total Liabilities and Fund Balance
	Cash and Cash Held by Third Party	Accounts Receivable	Inventory	Due From General Fund	Accounts Payable	Due To General Fund	Fund Balance	Total	
Special Revenue Funds	\$ -	\$ 42,686	\$ 594	\$ -	\$ 3,988	\$ 31,067	\$ 8,225	\$ 43,280	
School Categorical Grants	-	-	-	-	-	-	-	-	
Capital Project Funds	-	-	-	11,041	-	-	11,041	11,041	
Small Community Program	-	-	-	4,097	-	-	4,097	4,097	
Police Cruiser	-	-	-	23,884	-	-	23,884	23,884	
Aging System Replacement	-	-	-	6,736	-	-	6,736	6,736	
Library Equipment & Repairs	-	-	-	121,585	-	-	121,585	121,585	
Fire Engine Reserve	-	-	-	7,200	-	-	7,200	7,200	
Municipal Building	-	-	-	2,863	-	-	2,863	2,863	
Fire Equipment	-	-	-	3,367	-	-	3,367	3,367	
Road Construction	-	-	-	10,127	-	-	10,127	10,127	
Engineering, Architect Survey	-	-	-	10,092	-	-	10,092	10,092	
Emergency Ferry Trips	-	-	-	-	-	-	-	-	
Landscaping & Groundskeeping	-	-	-	-	-	-	-	-	
Equipment	-	-	-	1,405	-	-	1,405	1,405	
Town Truck	-	-	-	41,815	-	-	41,815	41,815	
Technology	-	-	-	1,119	-	-	1,119	1,119	
Maddie Dodge Field	-	-	-	29,089	-	-	29,089	29,089	
Capital Projects Reserve	-	-	-	127	-	-	127	127	
Public Works Equipment and Repairs	-	-	-	7,619	-	-	7,619	7,619	
Incline and Float Reserve	-	-	-	468	-	-	468	468	
Subtotal Capital Projects Fund	-	-	-	282,634	-	-	282,634	282,634	

TOWN OF ISLESBORO, MAINE
COMBINING BALANCE SHEET
OTHER NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	ASSETS				LIABILITIES AND FUND BALANCE				
	Cash and Cash Held by Third Party	Accounts Receivable	Inventory	Due From General Fund	Total Assets	Accounts Payable	Due To General Fund	Fund Balance	Total Liabilities and Fund Balance
Ambulance Reserve	\$ -	\$ -	\$ -	\$ 102,828	\$ 102,828	\$ -	\$ -	\$ 102,828	\$ 102,828
Tennis Court Reserve	-	-	-	1,204	1,204	-	-	1,204	1,204
Renovation Fund	3,015	-	-	15,413	18,428	-	-	18,428	18,428
Bus Fund	-	-	-	8,046	8,046	-	-	8,046	8,046
Capital Improvements Fund	-	-	-	96,794	96,794	-	-	96,794	96,794
Total Capital Projects Funds	3,015	-	-	506,919	509,934	-	-	509,934	509,934
Permanent Funds									
Library Funds	50,891	-	-	-	50,891	-	-	50,891	50,891
Cemetery Funds									
Henry P. Hatch Fund	120	-	-	-	120	-	-	120	120
Flora & Floyd Holmes, Jr. Fund	530	-	-	-	530	-	-	530	530
Marshall Fund	1,192	-	-	-	1,192	-	-	1,192	1,192
CC Hatch Fund	199	-	-	-	199	-	-	199	199
Simon S. Sprague Fund	474	-	-	-	474	-	-	474	474
Justina I. Thomas Fund	111	-	-	-	111	-	-	111	111
Mildred Stanley Fund	1,533	-	-	-	1,533	-	-	1,533	1,533
Idella M. Wentworth Fund	530	-	-	-	530	-	-	530	530
Livona Williams Fund	1,275	-	-	-	1,275	-	-	1,275	1,275
Villatoro Fund	1,912	-	-	-	1,912	-	-	1,912	1,912
Kathleen Kerr Fund	440	-	-	-	440	-	-	440	440
Total Permanent Funds	59,207	-	-	-	59,207	-	-	59,207	59,207
Total	\$ 62,222	\$ 42,686	\$ 594	\$ 506,919	\$ 612,421	\$ 3,988	\$ 31,067	\$ 577,366	\$ 612,421

TOWN OF ISLESBORO, MAINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Fund balances beginning of year	Intergovern- mental	Program Revenues Charges for Services	Other	Transfers In (Out)	Program Expenditures	Fund balances end of year
Special Revenue Funds							
School Categorical Grants	\$ 12,697	\$ 64,674	\$ 19,642	\$ 3,747	\$ 56,914	\$ 149,449	\$ 8,225
Capital Project Funds							
Small Community Program	11,041	-	-	-	-	-	11,041
Police Cruiser	4,061	-	-	36	-	-	4,097
Aging System Replacement	23,677	-	-	207	-	-	23,884
Library Equipment & Repairs	1,680	-	-	56	5,000	-	6,736
Fire Engine Reserve	120,531	-	-	1,054	-	-	121,585
Municipal Building	7,227	-	-	91	5,000	5,118	7,200
Fire Equipment	2,070	-	-	793	-	-	2,863
Road Construction	3,337	-	-	30	-	-	3,367
Engineering, Architect Survey	44	-	-	83	10,000	-	10,127
Emergency Ferry Trips	9	-	-	83	10,000	-	10,092
Landscaping & Groundskeeping Equipment	1,813	-	-	12	-	420	1,405
Town Truck	31,457	-	-	358	10,000	-	41,815
Technology	1,070	-	-	49	10,000	10,000	1,119
Maddie Dodge Field	7,132	-	-	1,957	20,000	-	29,089
Capital Projects Reserve	2,117	-	-	10	-	2,000	127
Public Works Equipment and Repairs	15,305	-	-	113	-	7,799	7,619
Incline and Float Reserve	109	-	-	93	15,000	14,734	468
Subtotal Capital Projects Fund	232,680	-	-	5,025	85,000	40,071	282,634

TOWN OF ISLESBORO, MAINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Fund balances beginning of year	Program Revenues			Transfers In (Out)	Program Expenditures	Fund balances end of year
		Intergovern- mental	Charges for Services	Other			
Ambulance Reserve	\$ 74,232	\$ -	\$ -	\$ 3,596	\$ 25,000	\$ -	\$ 102,828
Tennis Court Reserve	1,093	-	-	111	-	-	1,204
Renovation Fund	40,625	-	-	10,137	-	32,334	18,428
Bus Fund	3,882	-	-	64	4,100	-	8,046
Capital Improvements Fund	95,954	-	-	840	-	-	96,794
Total Capital Projects Funds	448,466	-	-	19,773	114,100	72,405	509,934
Permanent Funds							
Library Funds	54,260	-	-	856	-	4,225	50,891
Cemetery Funds							
Henry P. Hatch Fund	119	-	-	1	-	-	120
Flora & Floyd Holmes, Jr. Fund	525	-	-	5	-	-	530
Marshall Fund	1,181	-	-	11	-	-	1,192
CC Hatch Fund	197	-	-	2	-	-	199
Simon S. Sprague Fund	469	-	-	5	-	-	474
Justina I. Thomas Fund	111	-	-	-	-	-	111
Mildred Stanley Fund	1,519	-	-	14	-	-	1,533
Idella M. Wentworth Fund	526	-	-	4	-	-	530
Livona Williams Fund	1,265	-	-	10	-	-	1,275
Villatoro Fund	1,895	-	-	17	-	-	1,912
Kathleen Kerr Fund	437	-	-	3	-	-	440
Total Permanent Funds	62,504	-	-	928	-	4,225	59,207
Total	\$ 523,667	\$ 64,674	\$ 19,642	\$ 24,448	\$ 171,014	\$ 226,079	\$ 577,366

TOWN OF ISLESBORO, MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private-Purpose Trust						Agency			Total Fiduciary
	School Trust Fund	Bettie McRae Scholarship	Blue Sky Memorial	Fireworks Fund	Library Fund	Centennial Fund	School Agency Fund	Developer Escrow Account		
ASSETS										
Cash and Investment	\$ 1,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,443	\$ -	\$ 57,650	
Due from General Fund	-	-	-	11,773	21	1,735	-	-	13,529	
TOTAL ASSETS	1,207	-	-	11,773	21	1,735	56,443	-	71,179	
LIABILITIES										
Due to Other Groups	-	-	-	11,773	21	1,735	56,443	-	69,972	
NET POSITION	\$ 1,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,207	

TOWN OF ISLESBORO, MAINE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30,2015

	<u>Private-Purpose Trust</u>			<u>Totals</u>
	<u>School Trust Fund</u>	<u>Bettie McRae Scholarship</u>	<u>Blue Sky Memorial</u>	
ADDITIONS:				
Investment Earnings	\$ -	\$ 5	\$ 5	\$ 10
Donations	-	930	540	1,470
	-	935	545	1,480
DEDUCTIONS:	-	1,897	1,424	3,321
INCREASE IN NET POSITION	-	(962)	(879)	(1,841)
NET POSITION - JULY 1	1,207	962	879	3,048
NET POSITION - JUNE 30	\$ 1,207	\$ -	\$ 0	\$ 1,207

TOWN OF ISLESBORO, MAINE
STATEMENT OF DEPARTMENTAL OPERATIONS
YEAR ENDED JUNE 30, 2015

	Balances Forward	Appropriations	Other Credits	Total Available	Expenditures	Balances Lapsed	Balances Carried
						Overdrawn	Unexpended
ADMINISTRATION:							
Administration	\$ -	\$ 228,638	\$ -	\$ 228,638	\$ 230,761	\$ 2,123	\$ -
Selectmen's Compensation	-	4,100	-	4,100	3,891	-	209
Code Enforcement	-	101,604	-	101,604	91,509	-	10,095
Major Subdivision	-	4,000	-	4,000	2,500	-	1,500
Insurance/Retirement	-	277,820	-	277,820	263,636	-	14,184
Municipal Building	-	38,900	-	38,900	38,902	2	-
Internet Project	6,245	15,000	53,950	75,195	69,208	-	-
Board of Appeals	-	5,749	-	5,749	1,055	-	4,694
Groundwater	-	3,000	-	3,000	-	-	3,000
Professional Services and Consultation	-	25,000	-	25,000	27,595	2,595	-
Contingency	-	15,000	-	15,000	13,058	-	1,942
	<u>6,245</u>	<u>718,811</u>	<u>53,950</u>	<u>779,006</u>	<u>742,115</u>	<u>4,720</u>	<u>34,124</u>
PROTECTION:							
Fire Protection	-	54,042	-	54,042	50,153	-	3,889
Public Safety Office	-	99,105	-	99,105	92,085	-	7,020
Water Rescue	-	2,215	-	2,215	2,734	519	-
Street Lights	-	8,500	-	8,500	9,165	665	-
Communications	-	2,830	-	2,830	1,870	-	960
EMA Training	-	675	-	675	954	279	-
	-	<u>167,367</u>	-	<u>167,367</u>	<u>156,961</u>	<u>1,463</u>	<u>11,869</u>
SANITATION:							
Septage Field	-	1,250	-	1,250	5,376	4,126	-
Transfer Station	-	169,351	-	169,351	163,952	-	5,399
	-	<u>170,601</u>	-	<u>170,601</u>	<u>169,328</u>	<u>4,126</u>	<u>5,399</u>
PUBLIC WORKS:							
Cemeteries Maintenance	-	8,000	-	8,000	5,447	-	2,553
Personnel and Supplies	-	103,245	-	103,245	106,769	3,524	-
Winter Roads	-	192,400	-	192,400	197,018	4,618	-
Road Maintenance	-	317,100	-	317,100	212,604	-	101,076
Building Repair and Maintenance	-	23,200	-	23,200	32,037	8,837	-
	-	<u>643,945</u>	-	<u>643,945</u>	<u>553,875</u>	<u>16,979</u>	<u>5,973</u>

TOWN OF ISLESBORO, MAINE
STATEMENT OF DEPARTMENTAL OPERATIONS
YEAR ENDED JUNE 30, 2015

	Balances Forward	Appropriations	Other Credits	Total Available	Expenditures	Overdrawn	Balances Lapsed Unexpended	Balances Carried
HEALTH AND WELFARE:								
Ambulance	\$ -	\$ 51,063	\$ -	\$ 51,063	\$ 54,802	\$ 3,739	\$ -	\$ -
General Assistance	-	20,000	-	20,000	13,057	-	6,943	-
Deer Reduction Committee	10,459	16,500	-	26,959	18,493	-	-	8,466
	<u>10,459</u>	<u>87,563</u>	<u>-</u>	<u>98,022</u>	<u>86,352</u>	<u>3,739</u>	<u>6,943</u>	<u>8,466</u>
EDUCATION:								
General Education	187,891	2,067,998	153,484	2,409,373	2,267,489	-	-	141,884
Adult Education	3,189	1,700	-	4,889	2,730	-	-	2,159
	<u>191,080</u>	<u>2,069,698</u>	<u>153,484</u>	<u>2,414,262</u>	<u>2,270,219</u>	<u>-</u>	<u>-</u>	<u>144,043</u>
CULTURAL AND RECREATIONAL:								
Recreation Program	-	14,170	-	14,170	12,146	-	2,024	-
Library	-	71,683	-	71,683	65,922	-	5,761	-
Memorial Museum	-	7,325	-	7,325	6,740	-	585	-
Memorial Day	-	550	-	550	480	-	70	-
Harbor Facilities	-	13,115	-	13,115	23,192	10,077	-	-
Shell Fish Conservation	-	600	-	600	-	-	600	-
Fireworks	-	150	-	150	-	-	150	-
Provider Agencies	-	16,043	-	16,043	16,043	-	-	-
	<u>-</u>	<u>123,636</u>	<u>-</u>	<u>123,636</u>	<u>124,523</u>	<u>10,077</u>	<u>9,190</u>	<u>-</u>
FIXED CHARGES:								
Overlay	-	111,063	-	111,063	7,247	-	103,816	-
Upstairs Renovation Loan	-	1,000	-	1,000	1,528	528	-	-
County Tax	-	944,764	-	944,764	944,764	-	-	-
	<u>-</u>	<u>1,056,827</u>	<u>-</u>	<u>1,056,827</u>	<u>953,539</u>	<u>528</u>	<u>103,816</u>	<u>-</u>
TOTAL	\$ 207,784	\$ 5,038,448	\$ 207,434	\$ 5,453,666	\$ 5,056,912	\$ 41,632	\$ 177,314	\$ 261,072

TOWN OF ISLESBORO, MAINE
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

	<u>Federal CFDA Number</u>	<u>State Passthrough Number</u>	<u>Expenditure</u>
U.S. Department of Education			
Passed through Maine Department of Education:			
Special Education-Grants to States (IDEA , Part B)	84.027	013-05A-3046-12	\$ 23,711
Special Education-Preschool Grants (IDEA Preschool)	84.173	013-05A-6241-23	<u>450</u>
Special Education Cluster (IDEA)			24,161
Title I Grants to Local Educational Agencies	84.010	013-05A-3057-13	11,424
Rural Education	84.358	013-05A-3004-03	14,790
Improving Teacher Quality State Grants	84.367	013-05A-3042-11	<u>2,600</u>
Total Unclustered Grants			<u>28,814</u>
Total Education Programs			52,975
U.S. Department of Agriculture			
Passed through Maine Department of Education:			
National School Lunch Program - Cash Assistance	10.555	013-05A-3020-05	10,089
National School Lunch Program - Non-Cash Assistance	10.555	013-05A-3020-05	<u>2,471</u>
Total Food Programs			<u>12,560</u>
Total Expenditures of Federal Awards			<u><u>\$ 65,535</u></u>

APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINION**

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Upon delivery of the Bonds described herein, Jensen Baird Gardner & Henry, Portland, Maine, Bond Counsel, proposes to issue its opinion in substantially the following form:

[Dated Date of Delivery]

Town of Islesboro
150 Main Road
Islesboro, ME 04848

Ladies and Gentlemen:

We have acted as bond counsel to the Town of Islesboro, Maine (the "Issuer") in connection with the issuance of its \$3,800,000 2016 General Obligation Bonds (Federally Taxable), dated as of the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, adequacy or completeness of any offering material relating to the Bonds, and we express no opinion relating thereto. Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All taxable property in the territory of the Issuer is subject to the levy of ad valorem taxation to pay the Bonds, which ad valorem taxes are limited as to rate and amount unless certain requirements set forth in Title 30-A, section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may be levied without limitation regarding rate or amount to pay the Bonds, except to the extent that the Issuer is now or hereafter becomes a party to any agreement under Subchapter V of Chapter 223 of Title 30-A of the Maine Revised Statutes, as amended, to share any portion of its assessed valuation with another municipality and except to the extent that the Issuer has created or hereafter creates municipal development or tax increment financing districts or affordable housing development districts under Chapter 206 or Chapter 207 of Title 30-A of the Maine Revised Statutes, the captured tax increment of which may not be available for the payment of the Bonds.

3. Interest on the Bonds is included in gross income of Bondholders for federal income tax purposes pursuant to the Internal Revenue Code.

~ Over 60 Years of Service ~

4. Pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest paid on the Bonds is exempt from income tax within the State of Maine under existing statutes, regulations and decisions.

Except as expressly stated above, we express no opinion regarding any federal or state tax consequences of acquiring, carrying, owning, or disposing of the Bonds. Bondholders should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements. Bondholders should be aware that ownership of the Bonds may result in certain other federal income tax consequences to certain taxpayers, including, without limitation, individual recipients of Social Security and Railroad retirement benefits, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain Subchapter S corporations with excess passive income, and taxpayers who incur or continue indebtedness to purchase or carry the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

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**TOWN OF ISLESBORO, MAINE
PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

In connection with the issuance by the Town of Islesboro, Maine (the "Issuer") of its \$3,800,000 2016 General Obligation Bonds (Federally Taxable), dated as of October __, 2016 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1,2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated September __, 2016 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto ("MSRB"): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2014, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner not in excess of ten (10) business days after the occurrence of an event listed in this Section 2 to the MSRB established under the Securities and Exchange Act of 1934, as amended, or any successor thereto, notice of the occurrence of any of the following events with respect to the Bonds:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
 - g. Modifications to the rights of securities holders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. The release, substitution, or sale of property securing repayment of the Bond, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the Issuer; for the purposes of the event identified in paragraph l, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement

- or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);
- m. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Bonds, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

- 3. The Issuer will provide, in a timely manner, to the MSRB and to the SID, if any, notice of a failure to satisfy the requirements of Paragraph 1 herein.
- 4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
- 5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
- 6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB to: <http://emma.msrb.org/submission>.
- 7. The Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure in connection with the Rule

8. The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Janet R. Anderson, Treasurer, Town of Islesboro, 150 Main Road, PO Box 76, Islesboro, ME 04848; Telephone: (207) 734-2253; Facsimile: (207) 734-8394; e-mail: *manager@townofislesboro.com*

TOWN OF ISLESBORO, MAINE

By: _____

Its: _____

Dated: _____, 2016

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