

STATE GOAL

To plan for, finance, and develop an efficient system of public facilities and services to accommodate anticipated growth and economic development.

INTRODUCTION

Municipal officials need sufficient knowledge of the town's financial picture to make informed decisions and to assure the voters and taxpayers that the town's money is being handled in a secure, honest and responsible way. In the last decade, officials were presented with some difficult challenges as the Town moved from its traditional way of conducting business, relying on the competence and community spirit of elected treasurer, tax collector and clerk to a centralized office with paid personnel and a computerized accounting system. The transition was not a smooth one and a number of painful learning experiences occurred. Presently, town government and municipal finance are in good condition.

Events of the last decade put pressure on Clifton's finances most directly by the necessity to upgrade infrastructure; namely, to replace the Town Hall and Town Office and to acquire a sand/salt shed. The cost of general government increased due to official salaries and investment in office equipment and furnishings. In the service area, a new line item for expenditures was recycling. Otherwise, Clifton had no significant expansion or addition to the municipal services offered.

ASSESSED VALUE

The basis of a municipality's fiscal health is its assessed property valuation. The greater the valuation, the lower the tax rate needed to raise a given sum of money. Municipalities and the State both track property valuation. The local, or municipal, valuation is determined by the local tax assessor and most closely reflects actual market values only in the years in which a municipality conducts a revaluation and upgrades values to 100% of market value. The State of Maine recommends that a Town should be revalued at least once in every ten-year period. Furthermore, the State requires a community to perform a revaluation if the assessment ratio falls below 70 percent of the market value. Clifton's assessing records indicate that the last total town-wide revaluation was done in 2001 and the 2002 Municipal Valuation Return Statistical Summary indicates that Clifton's certified ratio is 100%.

In 2002, Clifton's top five taxpayers were as follows:

1. R. Leon Williams Lumber Company
2. Bangor Hydro Electric Company
3. Barbara DeBeck Moore
4. G. Pierce Webber et al c/o Prentiss & Carlisle
5. John Williams

STATE VALUATION

The State of Maine places a total valuation on the town. This value is known as the State Valuation. Every year all arms-length sales that have occurred in each community are reviewed by the Maine Revenue Services Property Tax Division. (An arms-length sale is a sale that occurs between a willing seller and a willing buyer without any extenuating circumstances. Examples of non-arms length sales could be estate sales, interfamily transfers, foreclosure sales and auctions.) These sales are compared to the Town's local assessed values to determine the assessment ratio or the percentage of market value that the town is assessing. The State's valuation is used to determine the amount of revenue sharing the town will receive and the portion of the county tax that the municipality will pay.

School Administrative District #63 also uses the most current State Valuations for the towns of Clifton, Eddington and Holden to apportion the District's tax assessment. In 2002, the local District Assessment of \$3,457,196 was apportioned \$1,852,663 (53.59%) to Holden; \$1,084,434 (31.37%) to Eddington; and \$520,099 (15.04%) to Clifton.

The following table (Table 1) shows both the municipal and state valuations from 1993-2002 along with the tax rates and municipal commitment for each of those years. Over the period 1993 to 2002, Clifton's valuation grew at an annual average of 3.27%, or just about the rate of inflation. This suggests that there was no significant broadening of the tax base for the Town. The tax commitment increased at an average of 11.72% per year with a resultant mil rate increase from \$9.80 to \$16.50. In 1993 and 2001 revaluations of the Town boosted valuation and lowered the mil rate; however, in subsequent years the mil rate rose again. The decline of the R. Leon Williams' Mill will have an adverse impact on Clifton's valuation in the near future. The Williams Mill accounted for \$3,323,000 in valuation for 2002, approximately 9% of the Town's total valuation.

Table I-1

TOWN OF CLIFTON ASSESSED VALUES AND TAX RATES								
YEAR	MUNICIPAL VALUATION	RATE OF CHANGE	STATE VALUATION	RATE OF CHANGE	MIL RATE	RATE OF CHANGE	TAX COMMITMENT	RATE OF CHANGE
1993	\$29,315,300		\$25,600,000		9.8		\$287,290	
1994	\$29,323,000	.03%	\$28,550,000	11.52%	12.3	25.51%	\$360,673	25.54%
1995	\$29,898,700	1.96%	\$30,550,000	7.01%	15.5	26.02%	\$463,445	28.49%
1996	\$30,592,300	2.32%	\$30,250,000	(.98)%	13.9	(10.32)%	\$425,233	(8.25)%
1997	\$31,097,900	1.65%	\$30,500,000	.83%	14.8	6.47%	\$460,249	8.23%
1998	\$31,581,700	1.56%	\$32,600,000	6.89%	14.5	(2.03)%	\$437,417	(4.96)%
1999	\$32,485,700	2.86%	\$33,300,000	2.15%	15.2	4.83%	\$478,583	9.41%
2000	\$33,568,600	3.33%	\$34,650,000	4.05%	16.5	8.55%	\$530,667	10.88%
2001	\$38,335,900	14.2%	\$37,150,000	7.22%	15.6	(5.45)%	\$576,964	8.72%
2002	\$38,911,600	1.5%	\$38,100,000	2.56%	16.5	5.77%	\$623,910	8.14%
Change	\$9,596,300	32.73%	\$12,500,000	48.83%	6.70	69.37%	\$336,620	117.17%

Source: Local assessing records, Maine Revenue Service -- Municipal Valuation Return Statistical Summary 1993-2002

MIL RATE

After the Town's budget has been approved and all applicable state and local revenues are deducted from the approved expenditures, the Town arrives at the dollar amount that will be raised through tax revenues. This amount is called the net commitment or appropriation. The local assessor arrives at a valuation for each taxable property in the Town and the taxpayers are assessed their share of the tax burden through a mathematical calculation. The total appropriation is then divided by the total taxable or assessed valuation of the Town to arrive at the minimum tax rate. This rate is usually expressed in dollars per thousand of valuation, or in decimal form, commonly referred to as the mil rate. The mil rate in Clifton for 2002 was \$16.50 per thousand of valuation. Between 1993-2002, Clifton taxpayers experienced an increase of \$6.70 in the mil rate, a 69.37% rise. This was more than twice the rate of increase in valuation of 32.73%.

Table I-2

TOWN OF CLIFTON TAX BURDEN					
2001 Mil Rate	2001 Commitment	2001 Median Household Income	2001 Average Sale Price	Tax on Median Home	Tax Paid as percent of Median Income
15.6	\$576,964	\$36,111	\$86,755	\$1,353.38	3.75%

Source: *Maine Revenue Service
Maine State Housing Authority*

To measure the tax burden at the community level, the 2001 mil rate of 15.6 is presented in the above table. Two measures are used to illustrate the tax burden on the taxpayer level, tax paid on a median valued home and tax paid on a median valued home as a percent of the median household income. For the hypothetical average Clifton taxpayer with a household income of \$36,111, owning a home with a current market value of \$86,755, that taxpayer would have paid a property tax of \$1,353.38, or 3.75 % of the household's income.

OVERLAY

The difference between the amount that is actually committed to the collector and the total appropriation is called overlay. Overlay is commonly used to pay any tax abatements that are granted during the tax year. The selected amount of overlay cannot exceed 5% of the total appropriations. In the last decade, the largest overlay raised was 3.9% in 1998. In 2002, Clifton's appropriated overlay was \$10,003.52 (1.2% of appropriations). Any unexpended overlay that remains at the end of the year is transferred to the undesignated, unappropriated surplus account.

EXEMPTIONS

Maine State law provides for tax exemptions for certain properties. Table 3 lists exemptions reported by the Town of Clifton. Since exemptions are established by statute, the Town is required to grant all applicable exemptions. The State will reimburse the municipality for a portion of all exemptions or credits that were enacted after April 1, 1978. However, in many communities the number of exempt properties is increasing which decreases the municipal tax

base. If the amount of these exemptions is a significant percentage of a town's valuation or there are sudden increases in exempted properties, it becomes very difficult for the community to maintain a constant tax rate.

Clifton has not experienced many new exempt properties, other than the new municipal structures in 1998 and 1999. The most significant tax exempt property is the Katahdin Area Boy Scout Camp Roosevelt. It's exempt valuation in 2002 was \$1,311,100; \$764,600 for land and \$546,500 for buildings. This was 65.43 % of the exemptions reported for that year.

Table I-3

TOWN OF CLIFTON REPORTED EXEMPTIONS					
	2002	2001	2000	1999	1998
Municipal Corporations	\$357,200	\$357,200	\$320,700	\$241,800	\$126,500
Benevolent and Charitable Organizations	\$1,311,100	\$1,311,100	\$1,056,800	\$1,056,800	\$894,500
Literary and Scientific Organizations	\$38,600	\$38,600	\$35,300	--	--
Churches/Parsonages	\$172,800	\$152,800	\$159,300	\$159,300	\$159,300
Veteran Exemptions	\$120,000	\$120,000	\$144,000	\$149,000	\$130,000
Blind Exemptions	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Total Exemptions	\$2,003,700	\$1,983,700	\$1,721,100	\$1,610,900	\$1,314,300

Source: Maine Revenue Service -- Municipal Valuation Return Statistical Summary

In addition to the exemptions listed in the table above, the State of Maine provides property owners exemptions as an incentive to provide affordable lifestyles and preserve the rural character and maintain the natural beauty and habitat of our state. The Farm Tax Law, the Tree Growth Tax Law and the Homestead Exemption are outlined below.

Farm and Open Space Tax Law

M.R.S.A Title 36 Chapter 105 Subchapter 10 defines the purpose of the Farm and Open Space Tax Law as "It is declared that it is in the public interest to encourage the preservation of farmland and open space land in order to maintain a readily available source of food and farm products close to the metropolitan areas of the State to conserve the State's natural resources and to provide for the welfare and happiness of the inhabitants of the State, that it is in the public interest to prevent the forced conversion of farmland and open space land to more intensive uses as the result of economic pressures caused by the assessment thereof for purposes of property taxation at values incompatible with their preservation as such farmland and open space land, and that the necessity in the public interest of the enactment of this subchapter is a matter of legislative determination."

This law allows for municipal assessors to adjust the 100% valuations per acre for farmland by whatever ratio or percentage of current just value is then being applied to other property within the municipality to obtain the assessed values. For any tax year, the classified farmland value must reflect only the current use value for farm or open space purposes and may not include any increment of value reflecting development pressure. Commencing April 1, 1978, land in the organized areas subject to taxation under this subchapter must be taxed at the property tax rate

applicable to other property in the municipality, which rate must be applied to the assessed values so determined. There are no parcels listed in the Farm and Open Space Program in Clifton.

Tree Growth Tax Law

M.R.S.A Title 36 Chapter 105 Subchapter 2-A defines the purpose of the Tree Growth Tax Law "...to tax all forest lands according to their productivity and thereby to encourage their operation on a sustained yield basis..." The law is in response to the notion that the public interest of the State would be best served by encouraging forest landowners to retain and improve their holdings of forest lands upon the tax rolls of the State. The goal of this law is to promote better forest management and protect the economic and recreational viability of this land.

Participation is voluntary and not mandated; however, participation requires "the unanimous consent of all owners of an interest in a parcel, except for the State, which is not subject to taxation ..." Furthermore, if land is withdrawn from the program, penalties will be assessed to the land owner. To participate in the program a property owner of a parcel containing forestland (no less than ten acres) enrolls by filing with the local assessor. For purposes of the program, a parcel is "deemed to include a unit of real estate, notwithstanding that it is divided by a road, way, railroad or pipeline, or by a municipal or county line." A parcel of land used primarily for growth of trees to be harvested for commercial use shall be taxed according to the requirements of M.R.S.A. Title 36 Chapter 105 §574-B.

Unlike, Farm Tax Law, Clifton has a significant amount of its land registered under the Tree Growth Tax Law. Table 4 shows the number of parcels, acres, type of wood and total valuation of all land in the Town enrolled in the tree growth tax program. In 2002, these parcels accounted for 62.71 % of the town's acreage and 7.52% of the Town's valuation. No penalties were listed by the Maine Revenue Service for the years shown. In 2002, Clifton received \$17,398 in tree growth reimbursement, or about \$1.31 per acre registered.

Table I-4

TOWN OF CLIFTON LAND IN TREE GROWTH					
	2002	2001	2000	1999	1998
Acres	13,269	13,254	13,091	13,624.5	13,389.5
Softwood	3,360	3,360	3,013	3,113	3095
Mixed	5,008	5,007	5,358	5,762.8	5710.8
Hardwood	4,901	4,887	4,720	4,748.7	4583.7
Number of Parcels	61	58	58	58	56
Total Valuation	\$1,214,809	\$1,139,588	\$1,271,464	\$1,314,042	\$1,209,399

Source: Maine Revenue Service -- Municipal Valuation Return Statistical Summary

Homestead Exemption

The estate up to the just value of \$7,000 of the homestead of a permanent resident of the State of Maine who has owned a homestead in the State for the preceding 12 months is exempt from taxation except for assessments for special benefits. In determining the local assessed value of the exemption, the assessor multiplies the amount of the exemption by the ratio of current just value upon which the assessment is based.

The municipal assessor will annually evaluate the eligibility of property for which a homestead exemption has been approved. The evaluation is based on the status of the property on April 1 of the year in which the homestead exemption is based. If the assessor determines that the property is no longer entitled to an exemption under State law, the assessor will notify the owner that the property is no longer entitled to an exemption. In 2002, the Town of Clifton received \$22,638 in reimbursement from the State for homestead exemptions. Table 5 shows the Town's homestead exemptions from 1999 to 2002.

Table I-5

TOWN OF CLIFTON HOMESTEAD EXEMPTIONS				
	2002	2001	2000	1999
Homestead Valuation	\$1,372,000	\$1,351,000	\$1,407,000	\$1,421,000
Number of Homestead Exemptions	196	193	201	203

Source: Maine Revenue Service -- Municipal Valuation Return Statistical Summary

MUNICIPAL APPROPRIATIONS

Municipal appropriations are monies raised to support town government and deliver the services residents expect. Table 6 shows that over the past decade, this total increased from \$119,864 to \$271,799, an annual average increase of 12.68%. The major category of increased budget was in general government, rising from \$23,640 in 1993 to \$114,748 in 2002. This is a direct result of there being no Town Office open for the public and there were no municipal employees in 1993 and by 2002, the Town had acquired a modern municipal building where two employees are available 38 hours per week for citizens needing to conduct business with the Town.

The Health and Sanitation budget went from \$21,000 in 1994 to \$41,678 in 2003, an average annual increase of 9.85% (as shown in Table 6). Collection costs experienced modest increases while disposal costs rose due both to increased tonnage collected and increased tipping fees at PERC. However, under contract terms with PERC, through affiliation with MRC, solid waste disposal tipping fees have been negotiated at \$45 per ton until 2018. Additional bulky waste clean-ups also increased the Waste budget.

Public Works appropriations had major increases in the last two years as the Town tried to improve its roads. The Protection budget comprises the Fire and EMS contract, street lighting, hydrant rental fees, animal contract, and the forest fire account. The 8.14% annual increase reflects the increase in the Fire and EMS contract from \$7,000 in 1993 to \$12,000 in 2002. (In 2001, there was an unbudgeted supplemental appropriation of \$5,036 for forest fire expenditures.)

General Assistance has remained at \$2,500. Social Services consists mainly of appropriated donations to the Clifton Public Library, the Clifton Historical Society, the Eddington/Clifton Civic Center and small donations to several not-for-profit entities. This budget item showed little increase. Since 2001, the Recreation budget has included an appropriation for the Clifton Area Snowmobile Club as well as the long-standing Holbrook Recreation League. Snowmobile license fees collected by the Town are transferred annually to the Club for expenses related to safety programs and trail maintenance.

The Cemeteries budget increased 300% over the ten years due to two major factors -- the Town now contracts for maintenance and the Town has been trying to expand and improve the cemeteries.

It has been the accounting practice of the Town to include capital improvement items within the municipal appropriation. Prior to 1998, most of the appropriations were for monies to be added to capital reserve accounts. Appropriations for capital road projects were often buried within general maintenance monies, or occasionally funded as a special project. Recent improvements to the Town's accounting practices will make it easier to track capital improvement appropriations and expenditures and remove them from operating budgets. In 2002, the Town raised no money for capital reserve accounts or for special projects.

Table I-6

TOWN OF CLIFTON MUNICIPAL APPROPRIATIONS												
Fiscal Year Ended	GENERAL GOV'T	HEALTH AND SANITATION	PUBLIC WORKS	PROTECTION	WELFARE	SOCIAL SERVICES	RECREATION	CEMETARIES	CAPITAL PROJECTS	SPECIAL PROJECTS	UN-CLASSIFIED	TOTAL
1994	23,640	21,000	54,000	9,007	2,500	1,614	1,103	500	5,000	0	1,500	119,864
1995	25,388	23,000	61,000	10,650	3,800	1,292	1,343	500	10,000	0	5,333	142,306
1996	35,648	29,000	65,000	11,302	3,800	1,425	1,394	500	5,000	3,765	4,570	161,404
1997	44,957	28,900	66,500	9,663	2,500	1,475	1,400	1,000	12,500	4,000	0	172,895
1998	49,941	25,000	59,500	13,326	2,500	1,710	1,400	1,000	15,000	0	0	169,377
1999	55,596	27,500	59,000	13,467	2,500	2,210	1,400	1,200	15,000	0	4,965	182,838
2000	61,085	32,392	56,500	15,467	2,500	1,925	1,400	1,200	21,000	9,993	4,715	208,177
2001	75,226	29,200	57,000	12,296	2,500	2,725	1,564	1,200	13,000	6,700	0	201,411
2002	105,900	31,975	82,000*	20,500**	2,500	1,350	1,564	2,000	8,285	0	0	256,074
2003	114,748	41,678	90,546*	16,340	2,500	1,750	2,237	2,000	0	0	0	271,799
10-YEAR increase or (decrease)	91,108	20,678	36,546	7,333	0	136	1,134	1,500				151,935
Percentage increase or (decrease)	+385.40%	+98.47%	+67.68%	+81.41%	+0%	+8.43%	+102.81%	+300.00%				+126.76%
Average annual change	+38.54%	+9.85%	+6.77%	+8.14%	+0%	+0.84%	+10.28%	+30.00%				+12.68%

Source: Annual Town Reports and Annual Audits

TOTAL APPROPRIATIONS

Clifton appropriates money in the three principal categories of county tax assessment, education assessment and the municipal budget. As seen in Table 7, in the 10-year span, the total appropriation averaged an annual increase of 13.05%. This increase was driven by a 135.37% increase in the education assessment. In 93-94, that assessment accounted for 61.63% of the appropriation. In 02-03, education was 62.92% of the appropriation. During the period shown, The County Tax increased by 99.12% and the Municipal appropriations increased by 126.76%.

Table I-7

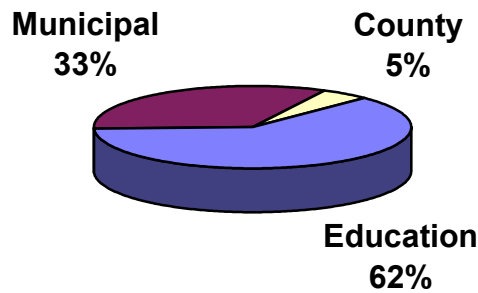
TOWN OF CLIFTON TOTAL APPROPRIATIONS				
Fiscal Year	Municipal Appropriation	County Tax	Education Appropriation	Total Appropriations
1993	\$119,864	\$20,378	\$225,222	\$365,464
1994	\$142,306	\$24,125	\$275,816	\$442,247
1995	\$161,404	\$26,517	\$357,135	\$545,056
1996	\$172,895	\$26,741	\$370,059	\$569,695
1997	\$169,377	\$26,627	\$352,682	\$548,686
1998	\$182,838	\$28,851	\$352,682	\$564,371
1999	\$208,177	\$29,903	\$352,683	\$590,763
2000	\$201,411	\$32,225	\$428,665	\$662,301
2001	\$256,074	\$36,222	\$472,860*	\$765,156
2002	\$271,799	\$40,577	\$530,100*	\$842,476
10-year increase	\$151,935	\$20,199	\$304,878	\$477,012
Rate of Change	126.76%	99.12%	135.37%	130.52%
Average annual change	12.68%	9.91%	13.54%	13.05%

Source: Annual Town Reports and Annual Audits.

*These totals each include \$10,000 above the SAD #63 assessment for that year.

Chart I-1

**Appropriations by Percent
FY 2002**



MUNICIPAL REVENUES

The data in Table 8 indicate that total revenues of the Town increased by an annual average rate of 9.22% over the 10 years. The amount of money from property taxes collected increased at rate of 8.12% while excise taxes collected grew by an average of 20.04% per year. State revenue sharing is distributed to municipalities based on a formula proscribed in Title 30-A. Money from the Local Government Fund and the Disproportionate Tax Burden Fund is distributed in proportion to the population of the municipality multiplied by the municipality's property tax burden and disproportionate tax burden. The amount Clifton received in Municipal Revenue Sharing nearly doubled over the period.

Local Road Assistance from the State showed a modest 2.11% rise on average. Tree Growth Reimbursement increased by nearly 300%. This reflects increased funds from the State more than increased acreage registered. The inception of the Homestead Exemption in 1998 has added over \$20,000 to the revenue in each year since. General Assistance reimbursements provide a match for Town expenditures. Interest income has fluctuated with the amount of funds that the Town has invested. The figure cited represents interest collected on overdue taxes and on General Fund money invested in interest bearing accounts. It does not include interest acquired on reserve and trust accounts.

The remaining revenue column includes fees collected on hunting and fishing licenses, permit fees, fees charged for copies, etc. It also includes reimbursements that may have more properly been grouped with intergovernmental revenue; such as, veterans' exemptions and snowmobile reimbursement. The current categories do not lend themselves to revealing what, if any, grant monies were received.

Table I-8

TOWN OF CLIFTON MUNICIPAL REVENUES										
Fiscal Year Ended	LOCAL TAXATION		INTERGOVERNMENTAL REVENUE				INTEREST	OTHER	TOTAL	
	PROPERTY TAXES	EXCISE TAXES	REVENUE SHARING	LOCAL ROAD ASSISTANCE	TREE GROWTH	HOMESTEAD EXEMPTION	GENERAL ASSISTANCE	INVESTMENTS AND TAXES	FEES AND REIMBURSEMENTS	ALL REVENUES
1994	\$333,125	\$29,003	\$25,173	\$12,144	\$4,454	-----	\$2,452	\$5,385	\$23,096	\$434,832
1995	\$303,937	\$52,266	\$23,123	\$12,466	\$2,851	-----	*	\$4,514	\$13,895	\$416,399
1996	\$453,799	\$42,138	\$25,834	\$12,144	\$6,945	-----	*	\$15,581	*	\$592,393
1997	\$388,534	\$50,072	\$31,524	*	*	-----	*	\$17,869	*	\$520,351
1998	\$440,214	\$44,945	\$35,227	*	*	-----	*	\$28,662	*	\$577,496
1999	\$425,618	\$54,556	\$36,539	*	*	\$20,503	*	\$18,515	*	\$588,109
2000	\$508,457	\$66,302	\$40,602	*	*	\$21,599	*	\$5,876	*	\$674,111
2001	\$493,961	\$68,217	\$41,595	\$15,348	\$18,150	\$23,216	\$162	\$13,038	\$12,910	\$686,597
2002	\$539,207	\$77,367	\$47,705	\$15,329	\$18,328	\$21,082	\$107	\$21,922	\$11,367	\$752,414
2003	\$603,598	\$87,136	\$49,740	\$14,708	\$17,398	\$22,638	\$40	\$21,782	\$18,556	\$835,596
10-YEAR increase or (decrease)	\$270,473	\$58,133	\$24,567	\$2,564	\$12,944	\$22,638	(2,412)%	\$16,397	\$(4,450)	\$400,764
Percentage increase or (decrease)	81.19%	200.44%	97.59%	21.11%	290.62%	10.41%	(98.37)%	304.49%	(19.66)%	92.17%
Annual average change	8.12%	20.04%	9.76%	2.11%	29.06%	1.04%	(9.84)%	30.45%	(1.97)%	9.22%

Source: Annual reports and annual audits

*Data not available

MUNICIPAL EXPENDITURES

Table 9 shows that for the 10-year span from 1994-2003, actual municipal expenditures averaged an annual 9.29% increase. General government expense exceeded its budget in fiscal years ending 1995, 1996, 1998, 1999 and 2000. The largest deficit was in fiscal year ending 1998 with an overdraft of \$11,562. That year the annual audit of the 1997 Town books cost \$12,415 and an unfavorable court settlement cost the Town \$20,713 in legal fees. In fiscal year ended 1999, the Town incurred an additional \$31,883 in legal fees for the same case. And again, the Town exceeded the auditing budget in an attempt to construct and reconstruct the Town books. The sum of \$23,385 was taken from funds reserved for capital expenses to pay legal fees.

Expenditures for solid waste accounts exceeded the budget in five of the ten years. The road account expenditures exceeded budget in six of the ten years. The expenditures for Protection have followed the budget except for unanticipated forest fire expenses. With the exceptions of fiscal years ended 1994 and 1999, general assistance expenditures have been well under budget. Social Services and Recreation expenditures have matched appropriations. When income from trust funds have been taken into account, the Cemetery expenditures have heeded the budget. Increased compensation for mowing and repair has caused this category to increase.

It is no longer the practice to include unclassified and miscellaneous expenses on the Town books. Special project expenses have typically been for one-time purchases with estimated costs that are known in advance. The considerable cost of the 1993 revaluation bill was paid out of funds raised in 1992. This effort extensively revised the tax maps and assessing records. The cost of the revaluation in 2001 was not extensive and was included in general government expenses. Computers, software, copy machines and other office equipment were included as special projects.

Prior to 1999, most capital project expenditures were for the appropriation of money to be placed in capital reserve accounts. Projects budgeted for this way included the sand shed and the municipal building. In fiscal years ending 1999 and 2000, these two projects were completed. Loan payments of \$12,802 were made in 2000 and in 2001, and a final payment of \$6,285 in 2002 closed out the \$30,000 debt incurred to complete the municipal building project. Fund transfers from surplus to the education account of \$10,000 in 2001, 2002, 2003, and 2005 will close out the obligation to restore that account.

In fiscal year ended 2003, \$1,180 was taken from the balance of \$4,147 left in the Municipal Building Reserve Account for capital expenditures related to the building, such as lighting, ramps and partitions. In fiscal years ended 2002 and 2003, capital road account expenditures of \$979 and \$27,956 respectively, were accounted for apart from the General Fund by the auditor. This method makes it much easier to track money raised and expended for road maintenance and capital improvements.

Table I-9

TOWN OF CLIFTON MUNICIPAL EXPENDITURES												
Fiscal Year Ended	GENERAL GOVERNMENT	HEALTH AND SANITATION	PUBLIC WORKS	PROTECTION	WELFARE	SOCIAL SERVICES	RECREATION	CEMETARIES	CAPITAL PROJECTS	SPECIAL PROJECTS	UNCLASSIFIED	TOTAL EXPENDITURES
1994	\$21,485	\$19,509	\$53,463	\$7,423	\$3,709	\$1,615	\$1,103	\$500	\$5,000	\$20,074	\$1,167	\$135,048
1995	\$27,441	\$26,298	\$74,574	\$8,631	\$2,124	\$1,042	\$1,103	\$500	\$10,000	\$0	\$4,613	\$156,326
1996	\$36,780	\$31,419	\$65,148	\$8,301	\$1,377	\$1,425	\$1,394	\$500	\$5,000	\$2,500	\$5,446	\$159,290
1997	\$44,855	\$22,544	\$64,415	\$8,364	\$1,094	\$1,475	\$1,394	\$1,000	\$4,840	\$10,127	\$0	\$160,108
1998	\$61,503	\$27,189	\$61,234	\$10,050	\$1,623	\$1,718	\$1,394	\$1,000	\$5,227	\$30,086	\$0	\$201,024
1999	\$56,788	\$29,504	\$67,460	\$10,054	\$3,612	\$2,290	\$1,394	\$2,377	\$125,889**	\$0	\$3,963	\$288,331**
2000	\$65,738	\$31,907	\$38,890	\$12,028	\$701	\$1,930	\$1,394	\$581	\$223,502**	\$16,040	\$5,165	\$376,876**
2001	\$67,973	\$29,869	\$59,352	\$12,967	\$507	\$1,100	\$1,564	\$1,200	\$12,802	\$7,315	\$0	\$194,439
2002	\$89,876	\$42,597	\$68,999	\$20,675*	\$75	\$1,350	\$1,564	\$1,164	\$6,123	\$0	\$0	\$232,423
2003	\$101,334	\$41,761	\$93,644	\$14,800	\$336	\$1,750	\$2,728	\$2,087	\$1,180	\$845	\$0	\$260,465
10-YEAR increase or (decrease)	\$79,849	\$22,252	\$40,181	\$7,377	\$(3,373)	\$135	\$1,625	\$1,587				\$125,417
Percentage increase or (decrease)	371.65%	114.06%	75.16%	99.38%	(90.94)%	8.36%	147.33%	317.40%				92.87%
Annual average change	37.17%	11.41%	7.52%	9.94%	(9.09)%	0.84%	14.73%	31.74%				9.29%

Source: Annual town reports and annual audits.

*includes a forest fire expenditure from a supplemental appropriation

**includes capital expenditures for the municipal building and the sand shed

LONG-TERM DEBT

Clifton taxpayers have been reluctant to borrow in order to fund capital improvements to facilities. Through creative uses of its resources, \$313,391 of capital expenditures for the municipal building and sand/salt shed were met with only the necessity of a 30-month \$30,000 bank loan. Dedicated capital reserve accounts contributed \$102,500 in principle and \$33,218 in interest. Also, \$31,173 was raised by selective cutting of the 56 acre “town lot” and \$71,531 by selling parcels of tax-acquired property. In addition, \$40,000 was transferred from the Designated Appropriation balance in the Education account to the sand shed account.

Other than Clifton’s share of the SAD #63 debt, the Town has no long-term debt at the present time. State law permits a municipality to borrow up to 7 ½% of its last full state valuation, or any lower percentage or amount that a municipality may set. When debt for school purposes and storm or sanitary sewer purposes are included, a municipality may borrow up to 15% of its last full state valuation.

FISCAL RESPONSIBILITY

A look at the history of end-of-the-year fund balances reveals the progress the Town made over the last decade toward better fiscal management. Table 10 tracks the end-of-the-year balances in the General Fund, the Town’s main operating fund, and its component parts. Also included is the Cash Balance and the ratio of cash balance to general fund balance. This is a measure of how well tax and other revenues were collected during that period.

With one exception, 1999, the general fund balance increased every year, with an average increase of 10.23%. At the beginning of the period, there was only 68.5% (a ratio of 0.685) of the General Fund balance on hand at the end of the fiscal year. The balance dropped to 44.7% in 1995. In the last three years cited, there were cash balances of 96.0%, 91.2% and 95.2% of the general fund balance on hand at the close of the books, indicating a high percentage of tax collection.

The General Fund balance comprises three individual fund balances. The “Designated Appropriation” fund represents money that has been raised with specific intention and set aside at the end of the year for future spending. This money is usually in the carried forward balances of continuing accounts. For the year ending in 2003, continuing accounts included Assessor Revaluation, Municipal Building Repair, Cemetery Maintenance, Winter Road Maintenance, Trash Collection, Trash Disposal (PERC), Recycling, Comprehensive Planning, and Education.

The last of these continuing accounts, Education, carries a fairly large balance due to the difference between the Town’s fiscal year and that of SAD#63. At the end of the Town’s fiscal year on January 31, the Town has traditionally kept a balance equal to five (5) months of the District’s assessment to carry the Town through to June 30 and the new fiscal year and the new education assessment.

The second component of the General Fund is the “Designated Revenue Fund.” In 2003, the accounts this fund included were ‘State Revenue Sharing,’ “Local Road Assistance” and “Dog

Fees.” It has been the practice for the Town to not spend these revenues in the year received, but to vote on a sum to be taken from the end-of-year balance in the account. This amount is applied to reduce the tax commitment in the following year. This practice serves the Town well and contributes greatly to its favorable cash flow balance while waiting for tax revenues to come in late summer and early fall. To date, the Town has never had to borrow in anticipation of tax revenue. For fiscal years ending in 1994 to 2001, the Local Road Assistance Account balance was included as designated appropriation in some years and as undesignated surplus in others. Since 2001, the Road Assistance balance is now correctly titled ‘Capital Road Account’ and the balance is included as designated revenue.

The third component, and often least well understood, is the “Undesignated Fund Balance,” or “Surplus.” Formerly, state statute required an audited accounting of the Undesignated Fund in the Annual Report. Unfortunately, that requirement was dropped and Clifton’s auditors stopped including such a statement. At the same time, Clifton’s Treasurer also stopped reporting the year’s activity in the Surplus Account. Lacking a general ledger for several years as well, some data has been difficult or impossible to retrieve, particularly some revenue amounts. The current Treasurer has been providing a surplus fund accounting in the Annual Report. (Please see the 02-03 Surplus Fund Balance in Appendix F.) Although the audit lacks details, it does provide beginning and ending Undesignated Fund Balances. Where these balances are at variance (auditor and treasurer), one must choose which figure is the ‘true’ one. With so many continuing accounts and close planning of budgeted amounts, unexpended appropriations do not contribute significantly to the surplus fund balance.

Since the Town relies heavily on using a significant amount of ‘Surplus’ to offset the tax appropriation, it is important for the members of the Select Board to understand the function of this fund account and how best to keep it healthy. Accounting Standards for municipalities recommend that towns have a surplus on hand of at least 8.3 % (1/12th) of the total appropriation. Table 10 shows the Undesignated Fund varied from a low of 11.53% in 1999 to a high of 27.06% of appropriations in 1998.

Close budget management can ‘grow’ surplus and maintain a healthy balance to offset the tax commitment and be available for emergency expenditures through supplemental appropriations. Improved accounting methods and record keeping are likely to prevent a replay of some of the shortcomings of the period 1993 to 2002. However, the Select Board has statutory requirements to examine the general ledger throughout the year and verify that the Town’s employees are following accounting standards and financial records are being secured and accurately preserved.

Table I-10

TOWN OF CLIFTON END-OF-YEAR FUND BALANCES							
Fiscal year ended	Cash Balance	General Fund Balance	Ratio of Cash Balance to General Fund Balance	Designated Appropriations Balance	Designated Revenue Balance (Revenue Sharing*)	Undesignated Surplus Balance	Surplus as percentage of Total Appropriations
1994	\$159,367	\$232,565	0.685	\$134,276	\$12,498	\$85,791	23.47%
1995	\$120,360	\$268,981	0.447	\$155,933	\$25,621	\$87,427	19.77%
1996	\$198,454	\$333,711	0.595	\$165,405	\$31,752	\$136,554	25.05%
1997	\$257,286	\$335,386	0.767	\$171,646	\$30,320	\$133,418	23.42%
1998	\$236,917	\$335,684	0.706	\$141,642	\$45,547	\$148,495	27.06%
1999	\$216,969	\$322,700	0.672	\$205,552	\$52,087	\$65,061	11.53%
2000	\$307,498	\$370,934	0.829	\$196,910	\$62,688	\$111,059	18.80%
2001	\$385,897	\$401,780	0.960	\$178,164	\$64,283	\$142,117	21.46%
2002	\$383,081	\$420,007	0.912	\$199,772	\$77,534	\$142,701	19.07%
2003	\$448,219	\$470,578	0.952	\$252,067	\$66,884	\$151,627	18.37%
10-year increase or (decrease)	+\$288,852	+\$238,013		+\$117,791	+\$54,386	+65,836	
Percentage increase or (decrease)	+181.25%	+102.34%		+87.72%	+435.16%	+76.74%	
Average Annual Change	+18.13%	+10.23%		+8.77%	+43.52%	+7.67%	

Source: Town Audits and town records.

General Fund = Designated Appropriations + Designated Revenue + Undesignated Surplus

*In 2002 and 2003, this balance also included Local Road Assistance

CAPITAL INVESTMENT STRATEGY

The Growth Management Act requires municipalities to include in their comprehensive planning a capital investment plan for financing the replacement and expansion of public facilities and services required to meet projected growth and development. Many of the policies and implementation strategies identified in this document propose new or increased capital investments. The Capital Investment Strategy (CIS), as shown in Table 11, was derived by identifying the projected needs for new or expanded facilities. The CIS items were grouped by planning area. Each was assigned a responsible official or board for implementation, assigned a priority rating, an implementation timeframe, and an estimated cost. Finally, possible funding sources were identified.

The Town's intention is to base an initial Capital Improvement Plan for the next three to five years on the Capital Investment Strategy detailed here. The Plan (CIP) will propose selected projects with detailed costs and expected project completion dates. The Capital Investment Strategy adopted with this Comprehensive Plan will be flexible enough to allow town officials to adjust priorities in keeping with the economic and political realities that may exist. At the same time, the Strategy is specific and focused enough to guide officials in their fiscal decision-making. The Strategy will ensure that capital expenditures are made in the long-term interests of the Town and are relevant to the goals that Clifton has set for itself.

CAPITAL INVESTMENT STRATEGY 2005 – 2015

SB= Select Board, PB=Planning Board, RC=Road Commissioners, FC=Fire Chief, CB=Cemetery Board, EMO=Emergency Management Officer, CEO=Code Enforcement Officer, AA= Assessor’s Agent, CPC=Comprehensive Planning Committee

Regional coordination, 1=Eddington, 2=XXXXXXX, 3=Eddington, Holden (SAD #63), 4=MDOT, Eddington, Otis, Amherst, 5=Mariaville, 6=Otis

Near-term=accomplish within one or two years; Short-term=accomplish within three to five years; Long-term=accomplish within five to ten years; Undetermined=unable to set a timetable for implementation at this point

Table I-11

Planning area of identified need	Identified need	Official(s) responsible for addressing need		Priority of addressing need				Timing of addressing need				Estimated cost of addressing need	Possible funding sources for addressing need						
		Local	Regional	Urgent	Necessary	Desirable	Deferrable	Near-term	Short-term	Long-term	Undetermine		General Fund	Gov. grants	Borrowing	User fees	Impact fees	Gift	Reserve Account
PUBLIC FACILITIES AND SERVICES																			
Municipal Lot and Building																			
	Parking area paved	SB			X				X			\$20,000	X	X					
	Town signs and landscaping	SB				X		X				\$3,000	X	X					
	More planning and assessing space	SB, CEO, AA, PB, CPC				X				X		\$10,000+		X	X			X	
	More town meeting space	SB					X				X	\$20,000+			X			X	
	Fire proof safe	SB		X				X				\$1,000 - \$1,500	X					X	

EMERGENCY MANAGEMENT																	
	Designate and equip an emergency shelter	SB, EMO	1	X				X				\$5,000 - \$15,000		X			X
	Emergency generator for municipal building	SB, EMO			X			X				\$5,000 - \$8,000	X	X			X
	Emergency potable water source	SB, EMO		X				X				\$500 - \$8,000	X	X			
WATER & SEWER																	
	Extension of Bangor water district line and additional hydrants	SB				X				X		\$100 - \$120 PER FOOT		X		X	X
PROTECTION																	
	Fire substation	SB, FC	1			X			X			\$50,000		X			X
	Rescue equipment; ATV, Boat, Snow sled etc.	SB, FC	1			X			X			\$20,000+		X			X
SOLID WASTE MANAGEMENT																	
	Regional transfer station feasibility study	SB	2			X				X		\$10,000 - \$15,000		X			X
CEMETERIES																	
	Cemetery fences	SB, CB			X					X		\$5 PER FOOT	X	X			X
	Expansion and development of cemeteries	SB, CB		X				X				\$35,000 - \$40,000	X	X		X	X
EDUCATION																	
	Designate site for future elementary school	SB	3			X			X			\$5,000 - \$10,000	X				X

TRANSPORTATION																			
	Acquire legal title to town maintained roads	SB, RC		X				X				\$30,000	X				X	X	
	Bike paths and lanes	SB, RC	4			X			X			\$20,000		X				X	X
	Improvements to town maintained roads	SB, RC			X						X	\$50,000	X	X					X
	Improvements to minor collector Route 180	SB, RC			X						X	30% of total project cost							X
RECREATION*																			
	Playground	SB				X				X		\$10,000		X				X	X
	Ball field	SB				X				X		\$10,000		X				X	X
	Nature walk and pedestrian ways	SB				X				X		\$10,000		X		X		X	X
	Boat launch @ Chemo Pond	SB				X				X		\$30,000		X		X		X	X
	Boat launch @Parks Pond	SB				X				X		\$30,000		X		X		X	X
	Boat launch @Hopkins Pond	SB	5			X				X		\$30,000		X		X		X	X
	Boat launch @ Springy Pond	SB	6			X				X		\$30,000		X		X		X	X
	Informational kiosk	SB		X						X		\$1,500 - \$3,500		X				X	X
	Trail head access	SB				X				X		\$10,000		X		X		X	X
	Public beach area(s)	SB				X					X	\$40,000		X		X		X	X

* All recreation projects would include necessary parking areas and, in addition, rest rooms where feasible.

FISCAL CAPACITY POLICIES AND STRATEGIES

In order to plan for, finance and develop an efficient system of public facilities and services to accommodate anticipated growth and economic development the Town of Clifton has developed the following policies:

II. Policy

The Town will control expenditures, maximize revenues and minimize the tax burden so as to maintain a fiscally responsible town government.

Near-Term Implementation Strategies

A. The Select Board, or their designee, will provide SAD #63 Board of Directors feedback on the Visionary Design Statements for SAD #63 on an annual basis; and communicate, in writing, any issues or concerns Town of Clifton may have with the SAD #63 budgeting process.

B. The Select Board, or their designee, will aggressively seek out and utilize alternative revenue sources to lighten the burden of the property tax. Such sources may include, but are not limited to governmental and foundational grants, individual gifts and donations, user fees, impact fees, selective harvesting of the town lot, sale of tax acquired property, and fundraising activities.

C. The Select Board will propose, for adoption by the Town, a 3- to 5-year Capital Improvement Plan (CIP) that is consistent with the Capital Investment Strategy, which will be reviewed and updated on an annual basis. After each annual review, the Select Board will propose a sum of money to be invested in capital reserve accounts designated for projects identified as necessary or desirable for managing the Town's growth.

D. The Select Board will provide whatever supervision and require whatever experience and training are necessary to guarantee that Clifton's accounting practices and procedures meet generally accepted standards and that any deviation from those standards are remedied promptly.

Short-Term Implementation Strategies

E. The Town will broaden its tax base and stabilize its mil rate by including provisions in the future land use ordinance to allow for and encourage residential and commercial development in appropriate growth areas, and value added recreational development in its rural areas.