

TOWN OF LAMOINE, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR
ENDED JUNE 30, 2018*

TOWN OF LAMOINE, MAINE
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

| | PAGE(S) |
|--|----------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-6 |
| | |
| EXHIBIT | |
| <u>BASIC FINANCIAL STATEMENTS</u> | |
| <u>Government-wide Financial Statements</u> | |
| I Statement of Net Position | 7 |
| II Statement of Activities | 8 |
| <u>Governmental Fund Financial Statements</u> | |
| III Balance Sheet | 9 |
| IV Statement of Revenues, Expenditures and Changes in Fund Balances | 10 |
| <u>Fiduciary Fund Financial Statements</u> | |
| V Statement of Fiduciary Net Position | 11 |
| VI Statement of Changes in Fiduciary Net Position | 12 |
| <u>Notes to the Financial Statements</u> | 13-26 |
| | |
| <u>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</u> | |
| VII Budgetary Comparison Schedule - General Fund | 27 |
| VIII Schedule of Proportionate Share of Net Pension Liability | 28 |
| IX Schedule of Employer Contributions | 29 |
| <u>Notes to Historical Pension Information</u> | 30 |
| | |
| <u>SUPPLEMENTARY INFORMATION</u> | |
| A-1 Schedule of Departmental Operations | 31 |
| A-2 Schedule of Changes in Unassigned Fund Balance | 32 |
| A-3 Schedule of Valuation, Commitment and Collections | 33 |
| A-4 Schedule of Reserves | 34 |
| A-5 Schedule of Appropriations | 35 |
| A-6 Schedule of Expenditures of Federal Awards | 36 |

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Selectmen
Town of Lamoine
Lamoine, ME 04605

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Lamoine, Maine (the Town) as of and for the fiscal year ended June 30, 2018, including 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Lamoine, Maine, as of June 30, 2018, and the respective

changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension disclosure schedules on pages 3 through 6 and 27 through 30 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lamoine, Maine's financial statements as a whole. The supplementary information and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the State of Maine Department of Education.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.
January 4, 2019

TOWN OF LAMOINE, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The management of the Town of Lamoine, Maine (the Town) offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net Position – The assets of the Town exceeded its liabilities at the fiscal year ending June 30, 2018 by \$9,572,561 (presented as “net position”). Of this amount, \$1,120,697 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Position – The Town's total net position decreased by \$63,774 (a 0.7% decrease) for the fiscal year ended June 30, 2018.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2018, the Town's governmental funds reported a combined ending fund balance of \$1,945,015, an increase of \$81,925 in comparison with the prior year. Of this total fund balance, \$554,932 represents general unassigned fund balance. This unassigned fund balance represents approximately 16.8% of the total general fund expenditures for the fiscal year.

Long-term Debt:

The Town's total long-term debt obligations decreased \$123,173 (63.7%) during the current fiscal year. There was a new debt obligations issued during the year for a capital lease on school department copiers. Existing debt obligations were retired according to schedule.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three component's: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

Government-wide Financial Statements

The government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting and are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. They distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of net position includes all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt), with the difference between the two reported as net position. The statement of activities shows how the Town's net position changed during the year, regardless of the timing of related cash flows. The government-wide financial statements can be found on pages 7 - 8 of this report.

The government-wide financial statements include not only the Town itself (known as the primary government), but also a legally separate entity - the Lamoine School Patrons - for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information for the primary government itself.

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 fund financial statements include statements for two categories of activities – governmental funds and fiduciary funds.

The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to explain the differences between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 9 - 10 of this report.

The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School Department's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements. The fiduciary fund financial statements can be found on pages 11 – 12 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 13 - 26 of this report.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary), schedule of proportionate share of net pension liability, schedule of employer contributions and notes to historical pension information. Required supplementary information can be found on pages 27 - 30 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The largest portion of the Town's net position (79.0%) reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its 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.

| | Governmental Activities | Business-type Activities | Total 2018 | Total 2017 |
|--|-------------------------|--------------------------|--------------|--------------|
| Current Assets | \$ 2,327,038 | \$ 0 | \$ 2,327,038 | \$ 2,252,095 |
| Capital Assets | \$ 7,655,449 | \$ 0 | \$ 7,655,449 | \$ 7,922,351 |
| <i>Total Assets</i> | \$ 9,982,487 | \$ 0 | \$ 9,982,487 | \$10,174,446 |
| Deferred Outflows | \$ 101,144 | \$ 0 | \$ 101,144 | \$ 58,129 |
| <i>Total Assets and Deferred Outflows</i> | \$10,083,631 | \$ 0 | \$10,083,631 | \$10,232,575 |
| Current Liabilities | \$ 360,349 | \$ 0 | \$ 360,349 | \$ 426,437 |
| Other Liabilities | \$ 111,563 | \$ 0 | \$ 111,563 | \$ 144,422 |
| Deferred Inflows | \$ 39,159 | \$ 0 | \$ 39,159 | \$ 25,381 |
| Net Position; | | | | |
| Invested in Capital Assets | \$ 7,565,352 | \$ 0 | \$ 7,565,352 | \$ 7,728,851 |
| Restricted | \$ 886,511 | \$ 0 | \$ 886,511 | \$ 721,406 |
| Unrestricted | \$ 1,120,697 | \$ 0 | \$ 1,120,697 | \$ 1,186,078 |
| <i>Total Liabilities, Deferred Inflows, and Net Position</i> | \$10,083,631 | \$ 0 | \$10,083,631 | \$10,232,575 |

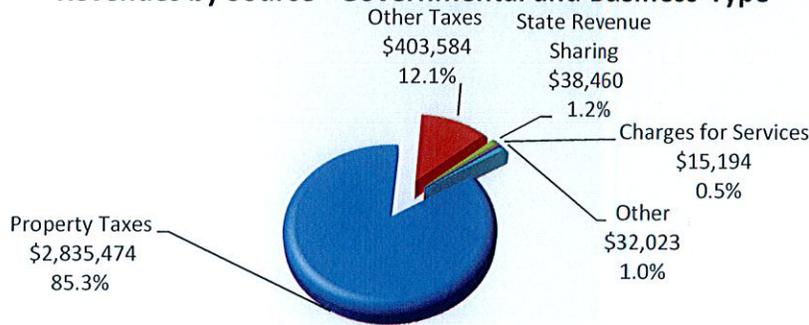
An additional portion of the Town's net position (9.3%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (11.7%) may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Position

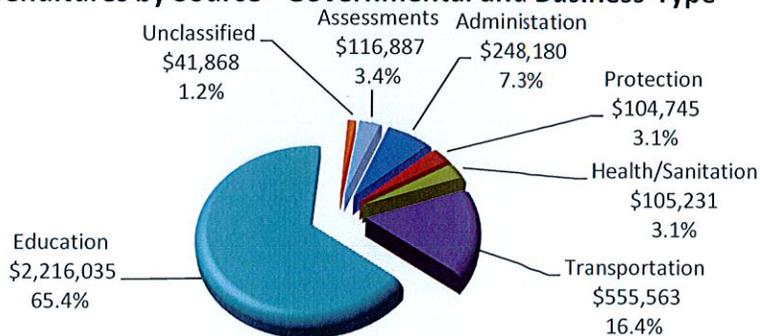
Governmental activities decreased the Town's net position by \$63,774. This decrease was primarily due to conservative budgeting and controlled costs offset by depreciation on capital assets.

| | Governmental Activities | Business-type Activities | Total 2018 | Total 2017 |
|-------------------------|-------------------------|--------------------------|--------------|--------------|
| <i>Revenues;</i> | | | | |
| Tax Revenues | \$ 3,239,058 | \$ 0 | \$ 3,239,058 | \$ 3,043,915 |
| Investments | \$ (13,909) | \$ 0 | \$ (13,909) | \$ (5,884) |
| Revenue Sharing | \$ 38,460 | \$ 0 | \$ 38,460 | \$ 37,550 |
| Other | \$ 61,126 | \$ 0 | \$ 61,126 | \$ 69,013 |
| <i>Total Revenues</i> | \$ 3,324,735 | \$ 0 | \$ 3,324,735 | \$ 3,144,594 |
| <i>Expenses;</i> | | | | |
| Administration | \$ 248,180 | \$ 0 | \$ 248,180 | \$ 221,149 |
| Protection | \$ 104,745 | \$ 0 | \$ 104,745 | \$ 86,315 |
| Health/Sanitation | \$ 105,231 | \$ 0 | \$ 105,231 | \$ 102,059 |
| Transportation | \$ 555,563 | \$ 0 | \$ 555,563 | \$ 546,306 |
| Education | \$ 2,216,035 | \$ 0 | \$ 2,216,035 | \$ 2,124,527 |
| Unclassified | \$ 41,868 | \$ 0 | \$ 41,868 | \$ 25,955 |
| Assessments | \$ 116,887 | \$ 0 | \$ 116,887 | \$ 112,912 |
| <i>Total Expenses</i> | \$ 3,388,509 | \$ 0 | \$ 3,388,509 | \$ 3,219,223 |
| Changes in Net Position | \$ (63,774) | \$ 0 | \$ (63,774) | \$ (74,628) |

Revenues by Source - Governmental and Business-Type



Expenditures by Source - Governmental and Business-Type



FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

Governmental Funds

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

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$1,945,015, an increase of \$81,925 in comparison with the prior fiscal year. Approximately 28.5 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for new spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$28,281 negative variance in real estate and personal property tax revenues. Actual collections were 94.7% of the levy as compared to 95.8% in the prior year. There was an increase in unavailable property tax revenue due to less collections within 60 days of year end.
- \$82,255 positive variance in all other revenues. This is primarily due to conservative budgeting, higher than expected excise tax revenues and unbudgeted donations.
- \$104,678 negative variance in transportation expenditures. This is due to the current year road projects being funded by prior year reserves.
- \$215,892 positive variance in all other expenditures. This is primarily due to conservative budgeting and controlled expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities amounts to \$22,270,511, net of accumulated depreciation of \$14,615,062, leaving a net book value of \$7,655,449. There were current year additions of \$9,380 for school department equipment, \$19,097 of school building improvements, \$10,000 for land purchase, and \$197,374 of road improvements. There were no current year retirements or impairments. Additional information on the Town's capital assets can be found in Note 4 of the notes to the financial statements on page 20 of this report.

Debt

The Town has total capital leases outstanding of \$5,621 and \$84,476 of total outstanding loans that is backed by the full faith and credit of the Town. The outstanding debt decreased \$103,403 during the current fiscal year. Additional information on the Town's long-term debt can be found in Note 7 of the notes to the financial statements on page 21 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Lamoine, 606 Douglas Highway, Lamoine, ME 04605.

TOWN OF LAMOINE, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2018

(Exhibit I)

| | <u>Governmental Activities</u> | <u>Component Unit Lamoine School Patrons</u> |
|---|------------------------------------|--|
| <i>Assets & Deferred Outflows</i> | | |
| <i>Assets</i> | | |
| Cash and Cash Equivalents | \$131,727 | \$7,754 |
| Investments, at Fair Market Value | \$1,806,449 | |
| Accounts Receivable | \$200,148 | |
| Taxes and Tax Liens Receivable | \$184,221 | |
| School Lunch Inventory, at cost | \$4,493 | |
| <i>Capital Assets</i> | | |
| Land | \$122,029 | |
| Other Capital Assets, net of Accumulated Depreciation | \$7,533,420 | |
| Total Capital Assets | <u>\$7,655,449</u> | <u>\$0</u> |
| <i>Total Assets</i> | <u>\$9,982,487</u> | <u>\$7,754</u> |
| <i>Deferred Outflows of Resources</i> | | |
| Related to Pensions | <u>\$101,144</u> | |
| <i>Total Deferred Outflows of Resources</i> | <u>\$101,144</u> | <u>\$0</u> |
| <i>Total Assets & Deferred Outflows</i> | <u>\$10,083,631</u> | <u>\$7,754</u> |
| <i>Liabilities, Deferred Inflows & Net Position</i> | | |
| <i>Liabilities</i> | | |
| <i>Current Liabilities</i> | | |
| Accounts Payable | \$134,607 | |
| Accrued Salaries & Benefits | \$153,809 | |
| <i>Long-Term Liabilities</i> | | |
| Net Pension Liability | \$79,599 | |
| Compensated Absences | \$13,800 | |
| <i>Loans Payable:</i> | | |
| Payable within 1 year | \$70,138 | |
| Payable in more than 1 year | \$14,338 | |
| <i>Capital Lease Payable:</i> | | |
| Payable within 1 year | \$1,795 | |
| Payable in more than 1 year | <u>\$3,826</u> | |
| <i>Total Liabilities</i> | <u>\$471,912</u> | <u>\$0</u> |
| <i>Deferred Inflows of Resources</i> | | |
| Property Taxes Paid in Advance | \$13,709 | |
| School Lunch Balances Paid in Advance | \$793 | |
| Related to Pensions | <u>\$24,657</u> | |
| <i>Total Deferred Inflows of Resources</i> | <u>\$39,159</u> | <u>\$0</u> |
| <i>Net Position</i> | | |
| Net Investment in Capital Assets | \$7,565,352 | |
| Restricted | \$886,511 | |
| Unrestricted | <u>\$1,120,697</u> | <u>\$7,754</u> |
| <i>Total Net Position</i> | <u>\$9,572,561</u> | <u>\$7,754</u> |
| <i>Total Liabilities, Deferred Inflows & Net Position</i> | <u>\$10,083,631</u> | <u>\$7,754</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF LAMOINE, MAINE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit II)

| <i>Functions/Programs</i> | <i>Expenses</i> | <i>Program Revenues</i> | | <i>Net (Expense) Revenue and Changes in Net Position</i> | |
|---|--------------------|-----------------------------|-------------------------|--|-------------------------------|
| | | <i>Charges for Services</i> | <i>Operating Grants</i> | <i>Primary Government</i> | <i>Component Unit</i> |
| | | | | <i>Governmental Activities</i> | <i>Lamoine School Patrons</i> |
| <u>Primary Government</u> | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Administration | \$248,180 | \$10,744 | | (\$237,436) | |
| Protection | \$104,745 | | | (\$104,745) | |
| Health & Sanitation | \$105,231 | \$1,725 | | (\$103,506) | |
| Transportation | \$555,563 | | | (\$555,563) | |
| Education | \$2,216,035 | | | (\$2,216,035) | |
| Unclassified | \$41,868 | \$2,725 | | (\$39,143) | |
| Assessments and Debt Service | \$116,887 | | | (\$116,887) | |
| <i>Total Governmental Activities</i> | <u>\$3,388,509</u> | <u>\$15,194</u> | <u>\$0</u> | <u>(\$3,373,316)</u> | <u>\$0</u> |
| <i>Total Primary Government</i> | <u>\$3,388,509</u> | <u>\$15,194</u> | <u>\$0</u> | <u>(\$3,373,316)</u> | <u>\$0</u> |
| <u>Component Unit</u> | | | | | |
| School Activities | \$1,626 | | | | (\$1,626) |
| <i>Total Component Unit</i> | <u>\$1,626</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$1,626)</u> |
| <u>General Revenues:</u> | | | | | |
| Tax Revenues, Including Homestead Exemption | | | | \$2,824,869 | |
| Excise Taxes | | | | \$403,584 | |
| State Revenue Sharing | | | | \$38,460 | |
| Investment Earnings | | | | (\$13,909) | |
| Interest and Fees on Delinquent Taxes | | | | \$10,605 | |
| Other Revenues | | | | \$45,932 | \$4,123 |
| <i>Total Revenues</i> | | | | <u>\$3,309,542</u> | <u>\$4,123</u> |
| <i>Changes in Net Position</i> | | | | <u>(\$63,774)</u> | <u>\$2,497</u> |
| <i>Net Position - Beginning</i> | | | | <u>\$9,636,335</u> | <u>\$5,257</u> |
| <i>Net Position - Ending</i> | | | | <u>\$9,572,561</u> | <u>\$7,754</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF LAMOINE, MAINE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

(Exhibit III)

| <u>Assets</u> | <u>General Fund</u> | <u>Permanent Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------|---|
| Cash On Hand and On Deposit | \$131,727 | | \$131,727 |
| Investments, at Fair Value | \$1,771,091 | \$35,358 | \$1,806,449 |
| Accounts Receivable | \$200,148 | | \$200,148 |
| Property Taxes Due | \$184,221 | | \$184,221 |
| School Lunch Inventory, at cost | \$4,493 | | \$4,493 |
| Due from Other Funds | \$3,499 | \$9,882 | \$13,381 |
| Total Assets | \$2,295,179 | \$45,240 | \$2,340,419 |
| <u>Liabilities, Deferred Inflows & Fund Balances</u> | | | |
| <u>Liabilities:</u> | | | |
| Accounts Payable | \$134,607 | | \$134,607 |
| Accrued Salaries | \$153,809 | | \$153,809 |
| Due to Other Funds | \$9,882 | \$3,499 | \$13,381 |
| Total Liabilities | \$298,298 | \$3,499 | \$301,796 |
| <u>Deferred Inflows of Resources</u> | | | |
| Property Taxes Paid in Advance | \$13,709 | | \$13,709 |
| School Lunch Balances Paid in Advance | \$793 | | \$793 |
| Unavailable Property Tax Revenue | \$79,105 | | \$79,105 |
| Total Deferred Inflows of Resources | \$93,607 | \$0 | \$93,607 |
| <u>Fund Balance:</u> | | | |
| Nonspendable | | \$9,677 | \$9,677 |
| Restricted | \$862,449 | \$31,297 | \$893,746 |
| Committed | \$331,287 | | \$331,287 |
| Assigned | \$154,606 | \$767 | \$155,373 |
| Unassigned | \$554,932 | | \$554,932 |
| Total Fund Balance | \$1,903,274 | \$41,741 | \$1,945,015 |
| Total Liabilities, Deferred Inflows & Fund Balance | \$2,295,179 | \$45,240 | \$2,340,419 |
| <u>Total Fund Balance - Governmental Funds</u> | | | \$1,945,015 |
| <i>Net position reported for governmental activities in the statement of net position is different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | | | \$7,655,449 |
| Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are reported as unavailable revenue (a deferred inflow) in governmental funds | | | \$79,105 |
| Deferred outflows of resources related to pension plans | | | \$101,144 |
| Deferred inflows of resources related to pension plans | | | (\$24,657) |
| Some liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds, including: | | | |
| Net Pension Liability | | | (\$79,599) |
| Compensated Absences | | | (\$13,800) |
| Loans/Capital Leases Payable | | | (\$90,097) |
| Net Position of Governmental Activities | | | \$9,572,561 |

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF LAMOINE, MAINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit IV)

| | <u>General</u> <u>Fund</u> | <u>Permanent</u> <u>Fund</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|---|-------------------------------|---------------------------------|---|
| <u>Revenues:</u> | | | |
| Tax Revenues, Including Homestead Reimbursement | \$2,797,062 | | \$2,797,062 |
| Excise Taxes | \$403,584 | | \$403,584 |
| State Revenue Sharing | \$38,460 | | \$38,460 |
| Investment Earnings (Includes Unrealized Gains / (Losses)) | (\$13,634) | (\$275) | (\$13,909) |
| Interest and Fees on Delinquent Taxes | \$10,605 | | \$10,605 |
| Intergovernmental Revenues | \$7,832 | | \$7,832 |
| State Retirement and Post-Employment Benefit Contributions | \$99,537 | | \$99,537 |
| Other Revenues | \$28,219 | \$9,882 | \$38,101 |
| <u>Total Revenues</u> | <u>\$3,371,665</u> | <u>\$9,607</u> | <u>\$3,381,272</u> |
| <u>Expenditures (Net of Departmental Revenues):</u> | | | |
| <u>Current</u> | | | |
| Administration and Planning | \$231,346 | | \$231,346 |
| Protection | \$68,201 | | \$68,201 |
| Health & Sanitation | \$103,348 | | \$103,348 |
| Highways & Bridges | \$134,204 | | \$134,204 |
| Education | \$2,154,920 | | \$2,154,920 |
| Unclassified | \$37,191 | | \$37,191 |
| Assessments | \$115,353 | | \$115,353 |
| State Retirement and Post-Employment Benefit Contributions | \$99,537 | | \$99,537 |
| <u>Capital Outlay</u> | <u>\$250,308</u> | | <u>\$250,308</u> |
| <u>Debt Service</u> | <u>\$114,317</u> | | <u>\$114,317</u> |
| <u>Total Expenditures</u> | <u>\$3,308,726</u> | <u>\$0</u> | <u>\$3,308,726</u> |
| <u>Excess Revenues Over Expenditures</u> | <u>\$62,938</u> | <u>\$9,607</u> | <u>\$72,546</u> |
| <u>Other Financing Sources (Uses)</u> | | | |
| Capital Lease Proceeds | \$9,380 | | \$9,380 |
| Operating Transfers In | \$5,000 | | \$5,000 |
| Operating Transfers Out | | (\$5,000) | (\$5,000) |
| <u>Excess Revenues and Other Sources</u> <u>Over Expenditures and Other Uses</u> | <u>\$77,318</u> | <u>\$4,607</u> | <u>\$81,925</u> |
| <u>Beginning Fund Balances</u> | <u>\$1,825,956</u> | <u>\$37,134</u> | <u>\$1,863,090</u> |
| <u>Ending Fund Balances</u> | <u>\$1,903,274</u> | <u>\$41,741</u> | <u>\$1,945,015</u> |
| <u>Reconciliation to Statement of Activities, changes in Net Position:</u> | | | |
| Net Change in Fund Balances - Above | | | \$81,925 |
| Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are recorded as unavailable revenue (a deferred inflow) in governmental funds | | | \$27,807 |
| Some expenses 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, including: | | | |
| Compensated Absences | | | \$14,717 |
| Pension Plan (Deferred Outflows, Net Pension Liability, Deferred Inflows) | | | (\$24,724) |
| Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position | | | |
| This amount represents long-term debt proceeds | | | (\$9,380) |
| This amount represents long-term debt payments | | | \$112,782 |
| Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. | | | \$250,308 |
| Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. | | | (\$517,209) |
| <u>Changes in Net Position of Governmental Activities</u> | | | <u>(\$63,774)</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF LAMOINE, MAINE
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

(Exhibit V)

| | <u>Assets</u> | <u>Student Activity & Principal's Funds</u> |
|---------------------------|---------------------|---|
| Cash and Cash Equivalents | | \$11,528 |
| <u>Total Assets</u> | | <u>\$11,528</u> |
| | <u>Net Position</u> | |
| Unrestricted | | \$11,528 |
| <u>Total Net Position</u> | | <u>\$11,528</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF LAMOINE, MAINE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit VI)

| | <u>Student Activity & Principal's Funds</u> |
|--------------------------------|---|
| <u>Additions</u> | |
| Fundraising, etc. | <u>\$17,523</u> |
| <u>Deductions</u> | |
| Student Activities, etc. | <u>\$16,591</u> |
| <u>Changes in Net Position</u> | \$932 |
| <u>Beginning Net Position</u> | <u>\$10,596</u> |
| <u>Ending Net Position</u> | <u><u>\$11,528</u></u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF LAMOINE, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Lamoine, Maine (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the governmental accounting and financial reporting principles. The more significant of the Town's accounting principles are described below.

A. Financial Reporting Entity

The accompanying financial statements present the government of the Town of Lamoine, Maine, which is identified based upon the criteria identified in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, as amended. The Town is governed under an Administration Assistant/Selectmen form of government. The Town engages in a comprehensive range of municipal services, including administrative services, public safety, health and sanitation, transportation, education and cultural services. The financial statements include all operations of the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

The accompanying financial statements present the government and its component unit, and entity for which the government is considered to be financially accountable. The component unit, although a legally separate entity, is, in substance, part of the government's operations. The School Department's discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely presented component unit: The Lamoine School Patrons is responsible for acting as a parent/teachers organization for the school and fund raises money for the benefit of the school and its programs. The Lamoine School Patrons fund raising activities are solely for the benefit of the school.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Fiduciary activities, whose resources are not available to finance the Town's programs are excluded from the government-wide statements. The effect of material interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and the fiduciary fund. Major individual governmental funds and the fiduciary fund are reported as separate columns in the respective fund financial statements.

For the year ended 6/30/18, the Town has implemented GASB Statement #75, which accounts for the School Department's proportionate share of net other post employment benefit liability for the Maine Public Employees Retirement System.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*. Revenues and additions are recognized when transactions occur and expenses and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants are recognized as revenue as soon as all eligibility requirements have been met.

In the Statement of Activities, amounts reported as program revenues include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports unavailable revenue on its governmental fund financial statements. Unavailable revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unavailable revenue is removed from the balance sheet and the revenue is recognized.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Permanent funds are used to account for assets held in perpetuity and therefore cannot be used to support the Town's own programs, but the investment earnings may be used for designated purposes.

The Town also reports the following fiduciary funds:

The Student Activity Fund accounts for the receipt and disbursement of funds from student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by the School Committee.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Inflows/Outflows and Net Position or Fund Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of one year or less from the date of acquisition. These investments are not specifically identified with any one fund.

The Town may invest in certificates of deposit, in time deposits, and in any securities in which State of Maine Statutes authorize them to invest in.

Investments are carried at fair value. Income from investments held by the individual funds are recorded in the respective funds as it is earned.

Accounts Receivable and Payable

All material receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are accounted for using the consumption method. Under this method, inventories are recorded as expenditures when used rather than when purchased. Inventory in the School Lunch Program consist of food, supplies and U.S.D.A. Donated Commodities.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The prepayments are charged to expenditures on the governmental fund financial statements over the period of their economic benefit. Amounts of governmental fund inventories are offset by a fund balance reserve account to indicate that they do not represent "available spending resources".

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------|--------------|
| Buildings | 50 |
| Infrastructure | 30-50 |
| Sewer Lines | 40 |
| Equipment | 5-10 |

Interfund Activity

Interfund receivables and payables arise from interfund activity and are recorded by all funds effected in the period in which transactions are executed.

Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet will report a separate section for deferred outflows and/or inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until then. Deferred inflows or resources represent and acquisition of net position that applies to future period(s) and therefore will not be recognized as revenue until that time. The Town has an item that qualifies as deferred outflows of resources and it has three items that qualify as deferred inflows. The deferred outflow and one of the deferred inflows are related to pensions. One of the other deferred inflows is related to prepaid property taxes and the other deferred inflow is related to prepaid lunch balances. These amounts are considered unavailable and will be recognized as an outflow of resources (expenditure) and inflows of resources (revenue) in the period that the amounts become available.

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (System) and additions to / deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income

is recognized when earned and investment expenses are recorded when incurred.

Accrued Compensated Absences

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability in the governmental fund that will pay it. Vested or accumulated vacation and sick leave in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrued to employees. In accordance GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

The Town administrative assistant, by contract, may accumulate 90 days of sick leave at the rate of 12 days per year and may accumulate all unused vacation time at the rate of 15 days per year. Upon termination of employment, the accumulated sick and vacation days will be compensated at the same pay rate in effect when the days were accumulated. An obligation for accrued compensated absences under this contract provision has been recorded on the government-wide financial statements in the past but there was a new contract drawn up with the administrative assistant during the current year and as part of that, the accumulated portion of this contract provision was paid out in part. Therefore, there is no provision for compensated absences in the current year.

Teachers may accumulate 120 days of sick leave at the rate of 15 days per year. Full time employees other than teachers accrue vacation and sick leave in varying amounts based on length of service. Vacation pay accumulation does not exceed a normal year's allowance. An obligation for compensated absences is recorded in the general fund balance sheet for compensated sick pay for employees eligible for retirement. Under the current contract provisions, teachers who have 25 years of creditable teaching service with at least 10 of those years being at the Lamoine School Department are entitled to thirty days of compensated sick pay at their per diem rate.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

Governmental Fund Balances

The Town has identified June 30, 2018 fund balances on the balance sheet as follows:

| | <u>General Fund</u> | <u>Permanent Fund</u> | <u>Total</u> |
|----------------------------------|-------------------------|---------------------------|--------------|
| <u>Nonspendable</u> | | | |
| Cemetery Trust Principal | | \$9,677 | \$9,677 |
| <u>Restricted</u> | | | |
| Restoration Fund-Goodwin | \$4,512 | | \$4,512 |
| Restoration Fund-Gott (Smith BH) | \$5,727 | | \$5,727 |
| Restoration - MacQuinn | \$1,338 | | \$1,338 |
| Restoration - Jordan | \$221 | | \$221 |
| Restoration - Fowler | \$324 | | \$324 |
| Gravel Escrow-Jordan | \$505 | | \$505 |
| Education Fund | \$497,937 | | \$497,937 |
| Special Education Reserve | \$150,000 | | \$150,000 |
| Secondary Tuition Reserve | \$35,000 | | \$35,000 |
| Facilities Maintenance Reserve | \$127,884 | | \$127,884 |
| Sesquicentennial Fund | \$23,638 | | \$23,638 |
| Heating Assistance Fund | \$15,363 | | \$15,363 |
| Hodgkin's Trust | | \$31,297 | \$31,297 |
| <u>Committed</u> | | | |
| Code Enforcement Fund | \$58,803 | | \$58,803 |
| Road Fund | \$55,627 | | \$55,627 |
| Education Capital Fund | \$9,991 | | \$9,991 |
| Revaluation Fund | \$108,390 | | \$108,390 |
| Veteran's Memorial Fund | \$5,368 | | \$5,368 |

| | | | |
|-------------------------------|--------------------|-----------------|--------------------|
| Capital Improvement Fund | \$52,032 | | \$52,032 |
| Town Hall Restoration | \$40,492 | | \$40,492 |
| Land Conservation Fund | \$584 | | \$584 |
| <i>Assigned</i> | | | |
| Flag Program Fund | \$1,372 | | \$1,372 |
| Transfer Station Capital Fund | \$9,613 | | \$9,613 |
| Fire Truck Fund | \$1,510 | | \$1,510 |
| Animal Control Fund | \$3,245 | | \$3,245 |
| Recreation Fund | \$21,379 | | \$21,379 |
| Parks & Recreation Fund | \$3,672 | | \$3,672 |
| Cemetery Care Fund | \$5,993 | | \$5,993 |
| Cable TV Equipment Fund | \$29,903 | | \$29,903 |
| Insurance Deductible Fund | \$8,041 | | \$8,041 |
| Harbor Fund | \$25,838 | | \$25,838 |
| Conservation Commission Fund | \$2,900 | | \$2,900 |
| Reserve for Encumbrances | \$41,141 | | \$41,141 |
| Cemetery Trust Income | | \$767 | \$767 |
| <i>Unassigned</i> | \$554,932 | | \$554,932 |
| <i>Total Fund Balances</i> | <u>\$1,903,274</u> | <u>\$41,741</u> | <u>\$1,945,015</u> |

In accordance with GASB Statement 54, the Town classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Town through formal action at the highest level of decision making authority and does not lapse at the end of the year.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered Restricted or Committed.

Unassigned - includes fund balance amounts that are not considered to be Non-spendable, Restricted, Committed or Assigned.

The Town considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

The Board of Selectmen are authorized to make assignments pursuant to their appointment. Committed fund balances are determined based on the need of town meeting votes.

Net Position

Net position is required to be classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

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

Restricted - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulation of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$886,511 of restricted net position, of which enabling legislation restricts \$0.

Unrestricted - This component consists of net position that do not meet the definition of "restricted" or "net investment in capital asset".

E. Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised at the selectman level, since individual department heads do not exist. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

F. Endowments

In the permanent funds, there are established endowment funds of \$9,677 for the Cemetery Trust Funds. The investment earnings of these funds are used for the specific purposes that the funds were established for and shall be paid out by order of those persons responsible for administering the funds. State law directs that, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established. The current amount available for expenditure is \$767 from the Cemetery Trust Funds, which is reported as unrestricted net position in the statement of net position. The initial endowment principal is reported as part of the restricted net position in the statement of net position.

F. Estimates

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

Note 2 - Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town's deposit policy for custodial credit risk requires compliance with the provisions authorized by Maine State Statutes. The Town requires that, at the time funds are deposited, there is collateral in place to cover the deposits in excess of the FDIC insurance limits.

State Statutes require banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the Town in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

The financial institution holding the Town's cash accounts is participating in the FDIC Transaction Account Guarantee Program. Under the program, all accounts, including non-interest bearing accounts, are aggregated and are insured up to \$250,000 in total by the FDIC. Any cash deposits, including certificates of deposit, in excess of the \$250,000 FDIC limits are not covered by collateral and thus, custodial credit risk could exist. In order to avoid exceeding the \$250,000 FDIC limits, the Town deposits excess funds into an investment account, which invests funds in certificates of deposit and other fixed income securities.

At year end, the carrying value of the Town's deposits was \$151,008 and the bank balance was \$228,655. The Town has no uninsured and uncollateralized deposits as of June 30, 2018.

Investments

Investments are separated into short-term and long-term categories. Within the investment account, the short-term investments are held in a brokerage account containing a money market fund and certificates of deposit. The long-term investments are held invested in certificates of deposit and bond funds. All short-term and long-term investments are recorded based on level 1 inputs and measure on a recurring basis.

| | |
|------------------------------|------------------|
| Short-term investments | |
| Money Market Fund | \$191,156 |
| Certificates of Deposit | \$47,824 |
| Total short-term investments | <u>\$238,979</u> |

| | |
|--|--------------------|
| Long-term investments | |
| Certificates of deposit and bond funds | \$1,567,469 |
| Total long-term investments | <u>\$1,567,469</u> |

The investments are managed by a broker to maximize long-term gain while minimizing volatility. These investments are maintained as a funding source for the reserve funds within the Town. Of the total \$1,806,449 held in this investment account, \$1,771,091 represents general fund reserves and \$35,358 represents permanent fund reserves.

Investment returns were as follows:

| | <u>General Fund</u> | <u>Permanent Fund</u> | <u>Total</u> |
|--------------------------|---------------------|-----------------------|--------------|
| Investment income (loss) | (\$13,634) | (\$275) | (\$13,909) |

Return Objectives

In support of the mission of the Town, the investment assets are to be invested to provide sufficient growth in the form of total return from dividends, income, earnings and price appreciation to meet the Town's requirements and to maintain a balance within the investment account for growth and earnings to fund the reserve funds within the Town.

Risk Parameters

To meet the stated objectives, the entirety of the Town's portfolio is dedicated to an equity position in order to produce long-term appreciation of principal. The allocation of holdings should reasonably attempt to reduce overall portfolio volatility.

Fair Value

Certain assets are recorded at fair value to provide additional insight into the Town's financial position. These certain assets are measured on a recurring basis. Assets are grouped in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine value. A brief description of each follows:

Level 1 - Valuation is based on quoted prices for identical instruments in active markets

Level 2 - Valuation is based on quoted prices for similar instruments or on prices determined from inactive markets or on model-based techniques

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market.

Fair values of assets at June 30, 2018 measured on a recurring basis are as follows:

| | <i>2018</i> <i>Fair Value</i> |
|--|----------------------------------|
| <u>Quoted prices in active markets (Level 1)</u> | |
| Certificates of Deposit and Bond Funds | \$1,615,293 |
| Total certificates of deposit and bond funds | <u>\$1,615,293</u> |
| <u>Model-based techniques not observable in the market (Level 3)</u> | |
| Money Market Fund | \$191,156 |
| Total money market fund | <u>\$191,156</u> |

Note 3 - Property Taxes

Property taxes were assessed on April 1, 2017 and committed on July 18, 2017. Interest of 7.0% per annum is charged on delinquent taxes. Tax liens are recorded on property taxes remaining unpaid eight to twelve months after the commitment date. Tax liens unpaid for a period of eighteen months expire and the property becomes tax acquired by the Town. For governmental funds, only property taxes which are intended to finance the current fiscal year and collected within 60 days subsequent to year-end are recorded as revenue. Accordingly, \$79,105 of the property taxes receivable have been classified as unavailable property tax revenue on the general fund balance sheet.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | |
| <u>Capital assets not being depreciated</u> | | | | |
| Land | \$122,029 | \$10,000 | | \$132,029 |
| <u>Capital assets being depreciated</u> | | | | |
| Buildings / Improvements | \$2,570,978 | \$19,097 | | \$2,590,075 |
| Equipment | \$1,205,917 | \$23,837 | | \$1,229,754 |
| Infrastructure | \$18,121,279 | \$197,374 | | \$18,318,653 |
| <u>Total capital assets being depreciated</u> | <u>\$21,898,175</u> | <u>\$240,308</u> | <u>\$0</u> | <u>\$22,138,483</u> |
| <u>Less accumulated depreciation for</u> | | | | |
| Buildings | \$1,068,275 | \$55,607 | | \$1,123,883 |
| Equipment | \$683,247 | \$44,044 | | \$727,291 |
| Infrastructure | \$12,346,330 | \$417,558 | | \$12,763,889 |
| <u>Total accumulated depreciation</u> | <u>\$14,097,853</u> | <u>\$517,209</u> | <u>\$0</u> | <u>\$14,615,062</u> |
| <u>Net capital assets being depreciated</u> | <u>\$7,800,322</u> | <u>(\$276,901)</u> | <u>\$0</u> | <u>\$7,523,420</u> |
| <u>Governmental Activities, Capital Assets, net</u> | <u>\$7,922,350</u> | <u>(\$266,901)</u> | <u>\$0</u> | <u>\$7,655,449</u> |

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

Governmental Activities

| | |
|---|------------------|
| Administration | \$6,090 |
| Protection | \$36,544 |
| Health & Sanitation | \$158 |
| Education | \$51,107 |
| Unclassified | \$1,951 |
| Highways, including depreciation of general infrastructure assets | \$421,358 |
| <u>Total Depreciation Expense - Governmental Activities</u> | <u>\$517,209</u> |

Note 5 - Interfund Activity

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. At June 30, 2018, the offsetting receivable and payable balances were \$13,381. The balances represent amounts due to the general fund from the cemetery care and amounts due to the Hodgkin's Trust from the general fund. These amounts are expected to be repaid when the funds are needed. The change during the current year represents cemetery maintenance costs paid by the general fund on behalf of the cemetery trust and amounts received from the Hodgkin's Trust to fund the current year budget.

Note 6 - Obligation Under Contracted Services

An obligation for July 2018 and August 2018 salaries for school employees under September 2017 through August 2018 contracts is being recorded on the general fund balance sheet. This obligation, along with the obligation for compensated absences, represents GAAP reporting for the Town.

Note 7 - Long-Term Debt

The following is a summary of long-term debt transactions of the Town of Lamoine, Maine for the fiscal year ended June 30, 2018:

| | | |
|---|------------------------|--------------------|
| <u>Long-Term Debt payable at July 1,</u> | | \$193,500 |
| | Long-Term Debt Issued | \$9,380 |
| | Long-Term Debt Retired | <u>(\$112,782)</u> |
| <u>Long-Term Debt payable at June 30,</u> | | <u>\$90,097</u> |

General Obligation bonds and notes are direct obligations and pledge the full faith and credit of the Town of Lamoine, Maine. Outstanding bonds at June 30, 2018 are as follows:

In June 2013, the Town issued bonds for a fire truck purchase with The First, N.A.. The bonds were authorized by the Town for \$196,000. The entire amount was borrowed during the fiscal year. The bonds are to be repaid over a 5 year period with yearly principal payments of \$39,200 plus interest at the rate of 1.92%. The principal balance outstanding at June 30, 2018 is \$0.

In June 2007, the Lamoine School Department entered into a revolving loan general obligation bond with Maine Municipal Bond Bank for the purpose of performing school renovations. The total debt is for \$652,300. As part of the revolving loan fund, 30% of the debt is forgiven at issuance, therefore \$195,690 of the debt was forgiven. The remaining \$456,610 is payable in ten annual payments of \$45,661 with interest at 0%. The balance at June 30, 2018 is \$45,661.

In November 2008, the Lamoine School Department entered into an additional revolving loan general obligation bond with Maine Municipal Bond Bank for the purpose of performing school renovations. The total debt is for \$273,700. As part of the revolving loan fund, 30% of the debt is forgiven at issuance, therefore \$82,110 of the debt was forgiven. The remaining \$191,590 is payable in ten annual payments of \$19,159 with interest at 0%. In 2013, the Maine Municipal Bond Bank informed RSU #24, the holder of the debt at that point, that an additional \$60,095 of the debt was being forgiven, therefore, the remaining 6 annual payments were reduced to \$9,143 with interest at 0%. The balance at June 30, 2018 is \$9,143.

In May 2015, the Town issued a loan for the purchase of a rescue watercraft with The First, N.A.. The loan was authorized by the Town for \$75,000. The loan is to be repaid over a 5 year period with monthly installments of \$1,316.78, including interest at the rate of 2.04%. The principal balance outstanding at June 30, 2018 is \$29,672.

In June 2016, the School Department entered into a financing agreement with U.S. Bank for the purpose of upgrading photocopiers. The debt is for five years with interest at 4.241%. The annual payment for the lease is \$2,038, including interest. The balance at June 30, 2018 was \$5,621. This lease is accounted for as a capital lease.

Annual debt service requirements to maturity of the general obligation bonds including estimated interest are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------|-----------------|-----------------|
| 2019 | \$71,933 | \$470 | \$72,403 |
| 2020 | \$16,211 | \$314 | \$16,525 |
| 2021 | \$1,954 | \$84 | \$2,038 |
| | <u>\$90,097</u> | <u>\$869</u> | <u>\$90,966</u> |

Note 8 - Defined Benefit Employee Pension Plan

A. Plan Description

Qualifying personnel of the Department participate in the Maine Public Employees Retirement System (System) State Employee and Teacher (SET) Plan. The plan is a multiple-employer, cost-sharing pension plan with a special funding situation. The State of Maine is the non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school systems contribute the normal cost, calculated actuarially, for their teacher members.

B. Pension Benefits

Benefit terms are established in Maine Statute. The System's retirement programs provide defined retirement benefits based on member's 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 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.

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 interest credited to members' accounts is set by the System's Board of Trustees.

C. 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. For the year ended June 30, 2018, the member contribution rate was 7.65% and the employer contribution rate was 3.97% of applicable member compensation. The employer is also responsible for contributing 11.68% of all federally funded member compensation. The State of Maine, as a non-employer contributing entity, pays 11.08% of the applicable member compensation into the System.

The required contributions paid into the System for the year ended June 30, 2018 and the previous two years are as follows:

| <i>For the year ended June 30,</i> | <i>Employee Contributions</i> | <i>Employer Contributions</i> | <i>State of Maine Contributions</i> | <i>Applicable Member Compensation</i> |
|------------------------------------|-----------------------------------|-----------------------------------|---|---|
| 2018 | \$69,584 | \$39,855 | \$97,231 | \$909,595 |
| 2017 | \$72,053 | \$38,709 | \$87,680 | \$941,863 |
| 2016 | \$63,725 | \$32,667 | \$94,177 | \$833,011 |

D. Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred. For the teacher group, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by local school systems on behalf of their employees. This leaves contributions toward the net pension liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those School Systems contributing towards the net pension liability of the Plan using grant funding.

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

At June 30, 2018, the School Department reported a net pension liability of \$79,599. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The School Department's proportion of the net pension liability was based on a projection of the School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2018, the School Department's proportion was .0045%, which was an increase of 0.0027% from its proportion measured at June 30, 2017.

For the fiscal year ended June 30, 2018, the School Department recognized pension expense of \$64,583. At June 30, 2018, the School Department 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 | \$3,348 | \$0 |
| Changes in Assumptions | \$0 | \$1,243 |
| Net Difference between projected between projected and actual earnings on pension plan investments | \$22,208 | \$23,377 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | \$35,733 | \$37 |
| Employer contributions made subsequent to measurement date | <u>\$39,855</u> | <u>\$0</u> |
| | <u>\$101,144</u> | <u>\$24,657</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|-----------|
| 2018 | \$56,696 |
| 2019 | \$23,519 |
| 2020 | \$532 |
| 2021 | (\$4,261) |

F. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------------|---|
| Inflation | 2.75% |
| Salary Increases | 2.75% - 14.50% at selected years of service |
| Investment Rate of Return | 6.875%, net of administrative and pension plan investment expense |
| Cost of Living Benefit Increases | 2.20% |

For the School Department employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the Entry Age Normal actuarial funding method. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

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 their expected future salary. The normal cost for each employee is the product of their pay and their 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|------------------------------|---|
| Public Equities | 30% | 6.0% |
| U.S. Government | 8% | 2.3% |
| Private Equity | 15% | 7.6% |
| Real Assets: | | |
| Real Estate | 10% | 5.2% |
| Infrastructure | 10% | 5.3% |
| Natural Resources | 5% | 5.0% |
| Traditional Credit | 8% | 3.0% |
| Alternative Credit | 5% | 4.2% |
| Diversifiers | 10% | 5.9% |
| | <u>100%</u> | |

G. Discount Rate

The discount rate used to measure the total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made 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.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School Department's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the School 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 (5.875%) or 1 percentage point higher (7.875%) than the current rate:

| | <u>1% Decrease (5.875%)</u> | <u>Current Discount Rate (6.875%)</u> | <u>1% Increase (7.875%)</u> |
|--|---------------------------------|---|---------------------------------|
| Proportionate Share of the Net Pension Liability | \$139,673 | \$79,599 | \$30,000 |

I. Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the System's 2017 Comprehensive Annual Financial Report available online at www.maineper.org or by contacting the System at (207) 512-3100.

Note 9 - Other Post Employment Benefits

A. Plan Description

Qualifying personnel of the Department participate in the Group Life Insurance Plan for Retired State Employees and Teachers as provided by the Maine Public Employees Retirement System (SET Plan). The plan is a multiple-employer, cost sharing plan with a special funding situation. As of June 30, 2017 there were 220 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 contributions for retired public school teachers in the Plan.

The Group Life Insurance Plan for Retired Participating Local District (PLD) (PLD Consolidated Plan) employees is a multiple-employer cost sharing plan. As of June 30, 2017, there were 138 employers participating in the plan.

B. Benefits

The Group Life Insurance Plans (the Plans) provide basis group life insurance benefits, during retirement to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10 year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at a rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

C. Funding Policy

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit monthly a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

D. Actuarial Methods and Assumptions

The collective total OPEB liability for the plans was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Projections of benefits for financial reporting purposes are based on the provisions of the Plans in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the funding methodologies. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Experience gains and losses, i.e., actual decreases or increases in the liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Significant Actuarial Assumptions

| | |
|---|--|
| Inflation | 2.75% |
| Salary Increases | 2.75% - 14.50% at selected years of service |
| Investment Rate of Return | 6.875%, net of administrative and pension plan investment expense |
| Participation Rates for Future Retirees | 100% of those currently enrolled |
| Conversion Charges | Apply to the cost of active group life insurance, not retiree group life insurance |
| Form of Benefit Payment | Lump Sum |

For the School Department employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females.

E. On-Behalf Payments

As mentioned in Section A. above, contributions are made by the System for participating retired teachers. The summary below provides the School Department's allocation of these contributions as well as the proportionate share of the Net OPEB liability. The Net OPEB Liability is not recorded on the School Department financial statements since it is a liability of the State of Maine and not a liability of the School Department.

| 2017 | <i>Allocation of:</i> | | |
|------|-------------------------------|-----------------------------|-------------------------------|
| | <i>On-Behalf Payments</i> | <i>Benefits Expense</i> | <i>Net OPEB Liability</i> |
| | \$2,306 | \$2,831 | \$25,443 |

Note 10 - Municipal Solid Waste Landfill Closure and Postclosure Care Cost

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town of Lamoine, Maine has completed the closure of its municipal landfill. The Town will fund any future postclosure monitoring costs on an as needed basis through town meeting appropriations.

Note 11 - Restricted Net Position

The Town reports restricted net position totaling \$886,511 on its statements of net position. This restricted net position represents the nonspendable and restricted fund balances detailed in the Governmental Fund Balances note above.

Note 12 - Commitments and Contingencies

The School Department participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time, however, the School Department does not believe such amounts would be significant.

Note 13 - Risk Management

The Town of Lamoine, Maine participates in Public Entity Risk Pools for the purposes of Workers Compensation, Property and Liability Insurance and Unemployment Compensation. The Public Entity Risk Pool is administered by the Maine Municipal Association. The Public Entity Risk Pools were established for the purposes of lowering costs for members and for developing specific programs to control losses. Members pay annual premiums to the Maine Municipal Association for the participation in the respective programs.

The Town is exposed to various risks of loss related to torts, theft of, damage, or destruction of assets, errors or omissions, and natural disasters for which it carries commercial and municipal insurance. Based on the coverage provided by this insurance, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2018.

Note 14 - Pending Litigation

According to Town management, there are no matters that would result in adverse losses, claims, or assessments against the Town of Lamoine, Maine through the date of the audit report.

TOWN OF LAMOINE, MAINE

(Exhibit VII)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|--------------------|---|
| <u>Revenues:</u> | | | | |
| Tax Revenues | \$2,825,342 | \$2,825,342 | \$2,797,062 | (\$28,281) |
| Excise Taxes | \$308,500 | \$308,500 | \$403,584 | \$95,084 |
| State Revenue Sharing | \$37,631 | \$37,631 | \$38,460 | \$830 |
| Investment Earnings (Includes Unrealized Losses) | \$10,000 | \$10,000 | (\$13,634) | (\$23,634) |
| Interest and Fees on Delinquent Taxes | \$10,000 | \$10,000 | \$10,605 | \$605 |
| Intergovernmental Revenues | \$3,430 | \$3,430 | \$7,832 | \$4,402 |
| Other Revenues | \$23,250 | \$23,250 | \$28,219 | \$4,969 |
| <u>Total Revenues</u> | <u>\$3,218,153</u> | <u>\$3,218,153</u> | <u>\$3,272,127</u> | <u>\$53,974</u> |
| <u>Expenditures (Net of Departmental Revenues):</u> | | | | |
| Administration and Planning | \$249,940 | \$249,940 | \$231,346 | \$18,594 |
| Protection | \$85,018 | \$85,018 | \$68,201 | \$16,817 |
| Health & Sanitation | \$119,650 | \$119,650 | \$103,348 | \$16,302 |
| Highways & Bridges | \$226,900 | \$226,900 | \$331,578 | (\$104,678) |
| Education | \$2,397,063 | \$2,397,063 | \$2,241,959 | \$155,103 |
| Unclassified | \$54,665 | \$54,665 | \$61,649 | (\$6,984) |
| Assessments & Debt Service | \$187,167 | \$187,167 | \$171,107 | \$16,061 |
| <u>Total Expenditures</u> | <u>\$3,320,403</u> | <u>\$3,320,403</u> | <u>\$3,209,189</u> | <u>\$111,214</u> |
| <u>Excess Revenues Over Expenditures</u> | (\$102,250) | (\$102,250) | \$62,938 | \$165,188 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Capital Lease Proceeds | \$0 | \$0 | \$9,380 | \$9,380 |
| Operating Transfers In | \$5,000 | \$5,000 | \$5,000 | \$0 |
| <u>Excess Revenues and Other Sources Over Expenditures and Other Uses</u> | (\$97,250) | (\$97,250) | \$77,318 | \$174,568 |
| <u>Beginning Fund Balances</u> | <u>\$1,825,956</u> | <u>\$1,825,956</u> | <u>\$1,825,956</u> | <u>\$0</u> |
| <u>Ending Fund Balances</u> | <u>\$1,728,706</u> | <u>\$1,728,706</u> | <u>\$1,903,274</u> | <u>\$174,568</u> |

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITYMAINE PUBLIC EMPLOYEES RETIREMENT SYSTEMFOR THE FISCAL YEAR ENDED JUNE 30, 2018

| Last 10 Fiscal Years | For the Fiscal Year Ended June 30, | | | |
|---|--|------------------|------------------|------------------|
| | 2018 | 2017 | 2016 | 2015 |
| Proportion of Net Pension Liability | 0.0045% | 0.0018% | 0.0018% | 0.0000% |
| Proportionate Share of the Net Pension Liability (Asset) | \$79,599 | \$31,429 | \$24,127 | \$0 |
| Covered Employee Payroll | \$909,595 | \$941,863 | \$833,011 | \$570,379 |
| Proportionate Share of the Net Pension Liability (Asset) as a % Of Its Covered Employee Payroll | 8.751% | 3.337% | 2.896% | 0.000% |
| Plan Total Pension Liability | \$13,484,886,512 | \$13,069,954,948 | \$12,616,287,054 | \$12,320,158,783 |
| Plan Fiduciary Net Position | \$10,893,291,864 | \$9,960,335,390 | \$10,242,097,022 | \$10,337,615,927 |
| Plan Net Pension Liability | \$2,591,594,648 | \$3,109,619,558 | \$2,374,190,032 | \$1,982,542,856 |
| Plan Fiduciary Net Position as a % Of the Total Pension Liability | 80.781% | 76.208% | 81.182% | 83.908% |
| Plan Covered Employee Payroll | \$1,860,230,663 | \$1,816,435,084 | \$1,699,160,889 | \$1,676,857,294 |
| Plan Net Pension Liability as a % Of the Covered Employee Payroll | 139.316% | 171.194% | 139.727% | 118.230% |

* Amounts presented for each fiscal year were determined as of June 30 of the previous year. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available

TOWN OF LAMOINE, MAINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit LX)

| Last 10 Fiscal Years | For the Fiscal Year Ended June 30, | | | |
|---|--|------------|------------|------------|
| | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution | \$39,855 | \$38,709 | \$32,667 | \$17,980 |
| Actual Contribution | (\$39,855) | (\$38,709) | (\$32,667) | (\$17,980) |
| Contribution Deficiency | \$0 | \$0 | \$0 | \$0 |
| Covered Employee Payroll | \$909,595 | \$941,863 | \$833,011 | \$570,379 |
| Contributions as a % of Covered Employee Payroll | 4.382% | 4.110% | 3.922% | 3.152% |

* Amounts presented for each fiscal year were determined as of June 30 of the previous year. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available

TOWN OF LAMOINE, MAINE
NOTES TO HISTORICAL PENSION INFORMATION
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note 1 - Actuarial Methods and Assumptions

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2017, is as follows:

A. 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 rate.

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 their expected future salary. The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost rate 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 assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

B. Asset Valuation Method

An actuarial value of assets is used for determining employer contributions. The use of an actuarial value of assets for this purpose helps mitigate volatility in contribution rates that might otherwise occur due to fluctuations in market conditions. 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.

C. Amortization

The net pension liability is amortized on a level percentage of payroll over the amortization period then in effect in statutory and constitutional requirements. The statutory and constitutional requirements include an amendment to the Maine Constitution approved in November 1995 that requires the State of Maine to fund the unfunded actuarial liability existing on June 30, 1996, over a period not to exceed 31 years beginning on July 1, 1997, and not later than June 30, 2028. The amendment prohibits the creation of new unfunded liabilities in the Plan except those arising from experience losses, which must be funded over a period of not more than ten years. In addition, the amendment requires the use of actuarially sound current cost accounting, reinforcing existing statutory requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

| | |
|----------------------------------|---|
| Inflation | 2.75% |
| Salary Increases | 2.75% - 14.50% at selected years of service |
| Investment Rate of Return | 6.875%, net of administrative and pension plan investment expense |
| Cost of Living Benefit Increases | 2.20% |

For members, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Table for males and females. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no changes in assumptions for the fiscal year ended June 30, 2017.

TOWN OF LAMOINE, MAINE

(Exhibit A-1)

SCHEDULE OF DEPARTMENTAL OPERATIONS (NON-CONTINUING ACCOUNTS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| <u>Department</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Variance Favorable (Unfavorable)</u> |
|--------------------------------------|-----------------------|---------------------|---|
| <u>Administration:</u> | | | |
| General Government | \$222,040 | \$218,896 | \$3,144 |
| | <u>\$222,040</u> | <u>\$218,896</u> | <u>\$3,144</u> |
| <u>Protection:</u> | | | |
| Public Safety | \$85,018 | \$77,344 | \$7,674 |
| | <u>\$85,018</u> | <u>\$77,344</u> | <u>\$7,674</u> |
| <u>Health & Sanitation:</u> | | | |
| Solid Waste | \$118,150 | \$108,016 | \$10,134 |
| Dump Closing | \$0 | \$5,295 | (\$5,295) |
| | <u>\$118,150</u> | <u>\$113,311</u> | <u>\$4,839</u> |
| <u>Unclassified:</u> | | | |
| Appeals & Charities | \$10,998 | \$10,998 | \$0 |
| Library Contract | \$8,397 | \$8,397 | \$0 |
| Shellfish Program | \$3,000 | \$3,000 | \$0 |
| | <u>\$22,395</u> | <u>\$22,395</u> | <u>\$0</u> |
| <u>Assessments and Debt Service:</u> | | | |
| County Tax | \$115,353 | \$115,353 | \$0 |
| Fire Truck Debt | \$39,953 | \$39,951 | \$2 |
| Rescue Watercraft Debt | \$15,804 | \$15,804 | \$0 |
| Overlay | \$16,058 | \$0 | \$16,058 |
| | <u>\$187,167</u> | <u>\$171,107</u> | <u>\$16,061</u> |
| <u>TOTALS</u> | <u>\$634,770</u> | <u>\$603,053</u> | <u>\$31,717</u> |

TOWN OF LAMOINE, MAINE
SCHEDULE OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit A-2)

| | | |
|--|----------|-------------|
| <u>Beginning Unassigned Fund Balance</u> | | \$571,582 |
| <u>Additions:</u> | | |
| Lapsed Accounts | \$31,717 | |
| Excise Taxes (Net of Appropriation) | \$95,084 | |
| Delinquent Tax Interest (Net of Appropriation) | \$605 | |
| Investment Earnings (Net of Appropriation) | \$9,101 | |
| State Revenues (Net of Appropriation) | \$5,231 | |
| Other Revenues (Net of Appropriation) | \$4,969 | |
| | <hr/> | |
| <u>Total Additions</u> | | \$146,707 |
| <u>Reductions:</u> | | |
| Appropriations from Unassigned Fund Balance | \$97,250 | |
| Decrease in Fair Market Value of Investments | \$37,826 | |
| Lease Income (Net of Appropriation) | \$27,807 | |
| Abatements Granted | \$473 | |
| | <hr/> | |
| <u>Total Reductions</u> | | \$163,357 |
| | | <hr/> |
| <u>Ending Unassigned Fund Balance</u> | | \$554,932 |
| | | <hr/> <hr/> |

TOWN OF LAMOINE, MAINE
SCHEDULE OF VALUATION, COMMITMENT AND COLLECTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit A-3)

Taxable Valuation:

| | |
|--------------------|---------------|
| Land and Buildings | \$257,579,100 |
| Personal Property | \$2,423,900 |
| | <hr/> |

Total Taxable Valuation

\$260,003,000

Rate per \$1 Valuation

\$0.0107

Tax Commitment

\$2,782,032

Collections and Adjustments:

| | |
|--------------------------|-------------|
| Cash Collections | \$2,633,236 |
| Abatements on Commitment | \$473 |
| | <hr/> |

Total Collections and Adjustments

\$2,633,709

Uncollected Taxes June 30, 2018

\$148,323

TOWN OF LAMOINE, MAINE
SCHEDULE OF RESERVES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit A-4)

| | Balance 7/1/2017 | Investment Earnings (Net of Fees) | Appropriated to Reserves | Revenues | Total Available | Appropriated from Reserves | Expenditures | Balance 6/30/2018 |
|---------------------------------|---------------------|---|-----------------------------|-----------|--------------------|-------------------------------|--------------|----------------------|
| <u>General Administration:</u> | | | | | | | | |
| Code Enforcement | \$54,432 | \$513 | \$19,200 | \$10,744 | \$84,889 | \$12,500 | \$13,586 | \$58,803 |
| Revaluation | \$107,230 | \$1,160 | \$0 | \$0 | \$108,390 | \$0 | \$0 | \$108,390 |
| Flag Program | \$1,256 | \$0 | \$500 | \$0 | \$1,756 | \$0 | \$384 | \$1,372 |
| Town Hall Restoration | \$20,097 | \$445 | \$20,000 | \$0 | \$40,542 | \$0 | \$51 | \$40,492 |
| Insurance Deductible | \$7,254 | \$87 | \$700 | \$0 | \$8,041 | \$0 | \$0 | \$8,041 |
| | \$190,269 | \$2,206 | \$40,400 | \$10,744 | \$243,619 | \$12,500 | \$14,021 | \$217,098 |
| <u>Public Safety:</u> | | | | | | | | |
| Fire Truck | \$1,494 | \$16 | \$0 | \$0 | \$1,510 | \$0 | \$0 | \$1,510 |
| | \$1,494 | \$16 | \$0 | \$0 | \$1,510 | \$0 | \$0 | \$1,510 |
| <u>Health & Sanitation:</u> | | | | | | | | |
| Animal Control | \$1,395 | \$0 | \$3,000 | \$1,725 | \$6,120 | \$1,500 | \$1,375 | \$3,245 |
| Transfer Station Capital | \$0 | \$0 | \$0 | \$9,613 | \$9,613 | \$0 | \$0 | \$9,613 |
| | \$1,395 | \$0 | \$3,000 | \$11,338 | \$15,733 | \$1,500 | \$1,375 | \$12,858 |
| <u>Highways & Bridges:</u> | | | | | | | | |
| Road Fund | \$167,692 | \$888 | \$383,900 | \$22,980 | \$575,460 | \$157,000 | \$362,833 | \$55,627 |
| | \$167,692 | \$888 | \$383,900 | \$22,980 | \$575,460 | \$157,000 | \$362,833 | \$55,627 |
| <u>Education:</u> | | | | | | | | |
| Education Fund | \$646,338 | \$0 | \$2,397,063 | \$315,400 | \$3,358,801 | \$312,884 | \$2,547,980 | \$497,937 |
| Special Education Reserve | \$0 | \$0 | \$150,000 | \$0 | \$150,000 | \$0 | \$0 | \$150,000 |
| Secondary Tuition Reserve | \$0 | \$0 | \$35,000 | \$0 | \$35,000 | \$0 | \$0 | \$35,000 |
| Facilities Maintenance Reserve | \$0 | \$0 | \$127,884 | \$0 | \$127,884 | \$0 | \$0 | \$127,884 |
| Education Capital | \$9,883 | \$109 | \$0 | \$0 | \$9,991 | \$0 | \$0 | \$9,991 |
| | \$656,220 | \$109 | \$2,709,947 | \$315,400 | \$3,681,676 | \$312,884 | \$2,547,980 | \$820,812 |
| <u>Unclassified:</u> | | | | | | | | |
| Harbor | \$24,050 | \$249 | \$0 | \$2,725 | \$27,025 | \$0 | \$1,187 | \$25,838 |
| Restoration-Goodwin | \$4,512 | \$0 | \$0 | \$0 | \$4,512 | \$0 | \$0 | \$4,512 |
| Restoration-Gott | \$5,727 | \$0 | \$0 | \$0 | \$5,727 | \$0 | \$0 | \$5,727 |
| Restoration-MacQuinn | \$1,338 | \$0 | \$0 | \$0 | \$1,338 | \$0 | \$0 | \$1,338 |
| Restoration-Jordan | \$0 | \$0 | \$0 | \$221 | \$221 | \$0 | \$0 | \$221 |
| Restoration-Fowler | \$0 | \$0 | \$0 | \$324 | \$324 | \$0 | \$0 | \$324 |
| Gravel Escrow-Jordan | \$329 | \$0 | \$0 | \$176 | \$505 | \$0 | \$0 | \$505 |
| Capital Improvement | \$56,425 | \$546 | \$20,000 | \$0 | \$76,971 | \$10,000 | \$14,939 | \$52,032 |
| Marlboro Beach Purchase | \$0 | \$0 | \$10,000 | \$0 | \$10,000 | \$0 | \$10,000 | \$0 |
| Cable Television | \$32,523 | \$467 | \$0 | \$12,782 | \$45,772 | \$0 | \$15,869 | \$29,903 |
| Recreation Fund | \$17,038 | \$0 | \$8,900 | \$1,858 | \$27,796 | \$3,500 | \$2,917 | \$21,379 |
| Parks & Recreation | \$12,673 | \$139 | \$4,815 | \$70 | \$17,697 | \$0 | \$14,024 | \$3,672 |
| Sesquiennial | \$18,417 | \$222 | \$5,000 | \$0 | \$23,638 | \$0 | \$0 | \$23,638 |
| Cemetery | (\$62) | \$0 | \$6,055 | \$0 | \$5,993 | \$0 | \$0 | \$5,993 |
| Veteran's Memorial | \$5,196 | \$56 | \$0 | \$141 | \$5,393 | \$0 | \$25 | \$5,368 |
| Heating Assistance | \$15,429 | \$132 | \$0 | \$530 | \$16,091 | \$0 | \$728 | \$15,363 |
| Conservation Commission | \$1,080 | \$10 | \$0 | \$2,334 | \$3,424 | \$0 | \$524 | \$2,900 |
| Land Conservation | \$9,533 | \$51 | \$1,000 | \$0 | \$10,584 | \$10,000 | \$0 | \$584 |
| | \$204,208 | \$1,873 | \$55,770 | \$21,160 | \$283,010 | \$23,500 | \$60,214 | \$199,297 |
| | \$1,221,278 | \$5,091 | \$3,193,017 | \$381,622 | \$4,801,007 | \$507,384 | \$2,986,422 | \$1,307,201 |
| <u>Total Reserves</u> | | | | | | | | |

TOWN OF LAMOINE, MAINE
SCHEDULE OF APPROPRIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit A-5)

Revenues:

| | |
|---|-------------|
| Property Taxes, Including Homestead Exemption | \$2,827,022 |
| Excise Taxes | \$308,500 |
| State Revenue Sharing | \$37,631 |
| Local Road Assistance | \$20,000 |
| Investment Interest | \$10,000 |
| Interest on Delinquent Taxes | \$10,000 |
| Lease Income | \$13,800 |
| Hodgkins Memorial Trust Transfer | \$5,000 |
| General Assistance Reimbursements | \$1,750 |
| Fees Revenues | \$9,450 |

Fund Balance Appropriations:

| | |
|-------------------------|-----------------|
| Unassigned Fund Balance | <u>\$97,250</u> |
|-------------------------|-----------------|

| | |
|--|-----------------|
| <u>Total Fund Balance Appropriations</u> | <u>\$97,250</u> |
|--|-----------------|

| | |
|-----------------------|--------------------|
| <u>Total Revenues</u> | <u>\$3,340,403</u> |
|-----------------------|--------------------|

Expenditures:

| | |
|-----------------------------|------------------|
| Administration and Planning | \$249,940 |
| Protection | \$85,018 |
| Health & Sanitation | \$119,650 |
| Highways & Bridges | \$246,900 |
| Education | \$2,397,063 |
| Unclassified | \$54,665 |
| Assessments & Debt Service | <u>\$187,167</u> |

| | |
|---------------------------|--------------------|
| <u>Total Expenditures</u> | <u>\$3,340,403</u> |
|---------------------------|--------------------|

TOWN OF LAMOINE, MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit A-6)

Federal Grantor/Pass-Through
Grantor/Program Title

| <u>Grantor/Program Title</u> | <u>CFDA #</u> | <u>Grantor Pass-Through Number</u> | <u>Program Award Amount</u> | <u>Expenditures</u> |
|---|---------------|------------------------------------|-----------------------------|-------------------------|
| <i>U.S. Department of Education:</i> | | | | |
| <i>Passed through State of Maine</i> | | | | |
| <i>Department of Education</i> | | | | |
| Title IA - Disadvantaged | 84.010 | 013-05A-3057-13 | \$28,520 | \$37,376 |
| Title IIA - Teacher Quality | 84.367 | 013-05A-3042-11 | \$6,941 | \$5,556 |
| Title IV - Student Support & Academic Enrichment | 84.424 | 013-05A-3345-13 | \$9,856 | \$0 |
| Local Entitlement | 84.027 | 013-05A-3046-12 | \$38,472 | \$22,843 |
| Rural Education Achievement Program | 84.213 | 013-05A-6336-13 | \$16,229 | \$16,769 |
| <i>Total State of Maine Department of Education</i> | | | <u>\$100,018</u> | <u>\$82,545</u> |
| <i>Total U.S. Department of Education</i> | | | <u>\$100,018</u> | <u>\$82,545</u> |
| <i>U.S. Department of Agriculture:</i> | | | | |
| <i>Passed through State of Maine</i> | | | | |
| <i>Department of Education</i> | | | | |
| National School Lunch Program - Lunch | 10.555 | - | \$16,648 | \$16,648 |
| National School Lunch Program - Breakfast | 10.555 | - | \$5,253 | \$5,253 |
| National School Lunch Program - Other | 10.555 | - | \$554 | \$554 |
| Food Distribution - Donated Commodities | 10.550 | - | \$3,631 | \$3,631 |
| <i>Total U.S. Department of Agriculture</i> | | | <u>\$26,086</u> | <u>\$26,086</u> |
| <u>Totals</u> | | | <u><u>\$126,104</u></u> | <u><u>\$108,631</u></u> |