

TOWN OF ELIOT

ELIOT, MAINE

FINANCIAL AUDIT REPORT

JUNE 30, 2018

**TOWN OF ELIOT
ELIOT, MAINE
JUNE 30, 2018**

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Smith & Associates, CPAs

A Professional Association

500 US Route One, Suite 102 • Yarmouth, Maine 04096
Ph (207) 846-8881 • Fax (207) 846-8882
www.smithassociatescpa.com

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Selectmen and Manager
TOWN OF ELIOT
Eliot, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the Town of Eliot, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the Town as of June 30, 2018 and the changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Town's Proportionate Share of Net Pension Liability, the Schedule of Town Pension Contributions, and the Schedule of the Town's Group Health Plan OPEB Liabilities and Related Ratios be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 response to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2019 on our consideration of the Town of Eliot, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Eliot, Maine's internal control over financial reporting and compliance.



SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
July 25, 2019

Smith & Associates, CPAs
A Professional Association

Yarmouth, Maine 04096

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis is an analysis of the financial condition and operating results of the town for the fiscal year ended June 30, 2018 written by the Town Manager and Treasurer. The purpose is to foster increased interest from citizenry and taxpayers and to provide an easily read overview of the town's financial condition in conjunction with the audited financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Eliot exceeded its liabilities at the close of the most recent fiscal year by \$12,792,848 per Exhibit I (net position). Of this amount, \$7,669,544 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's total net position increased by \$1,046,446.
- At the close of the current fiscal year, the Town of Eliot's governmental funds reported combined ending fund balances of \$8,730,589, an increase of \$1,092,214 over the prior year. The amount of \$2,969,130 is the General Fund Unassigned Fund Balance which is available for appropriation in the next budget cycle and represents 18% of the total general fund expenditures and transfers to other funds for the year.
- The Town of Eliot has \$4,111,970 committed for the Route 236 TIF District; \$1,075,277 committed for Capital Projects and \$500,876 committed for Special Revenues. See Note 9 for details of these funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Eliot's financial statements. The Town's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* (Exhibit II) presents revenue and expenses and shows how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by a private-sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Both of the government-wide financial statements 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).

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

Governmental funds – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the corresponding fund financial statements.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Town's Sewer Fund is reported as a proprietary fund and as a business-type activity.

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

COMPARATIVE DATA

The following tables provide a summary of the Town of Eliot's net position and statement of activities for the year ended June 30, 2018, with comparative data for the previous year. Net position serves as a useful indicator of the Town's financial position. Changes in net position generally indicate the direction (positive and negative) of the Town's financial health over time.

COMPARATIVE DATA (CONTINUED)

TOWN OF ELIOT'S NET POSITION

Condensed Statement of Net Position	Governmental Activities		Business - Type Activities		Total	
	30-Jun-18	30-Jun-17 (Restated)	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17 (Restated)
Assets						
Current and Other Assets	\$ 9,312,375	\$ 7,990,197	\$ 272,199	\$ 164,238	\$ 9,584,574	\$ 8,154,435
Capital Assets	<u>4,465,245</u>	<u>3,772,547</u>	<u>1,394,444</u>	<u>1,471,913</u>	<u>5,859,689</u>	<u>5,244,460</u>
Total Assets	<u>\$ 13,777,620</u>	<u>\$ 11,762,744</u>	<u>\$ 1,666,643</u>	<u>\$ 1,636,151</u>	<u>\$ 15,444,263</u>	<u>\$ 13,398,895</u>
Deferred Outflows of Resources	<u>\$ 784,939</u>	<u>\$ 1,112,411</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 784,939</u>	<u>\$ 1,112,411</u>
Liabilities						
Current and Other Liabilities	\$ 342,359	\$ 338,917	\$ 0	\$ 0	\$ 342,359	\$ 338,917
Long Term Liabilities	<u>2,420,737</u>	<u>1,956,004</u>	<u>0</u>	<u>0</u>	<u>2,420,737</u>	<u>1,956,004</u>
Total Liabilities	<u>\$ 2,763,096</u>	<u>\$ 2,294,921</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,763,096</u>	<u>\$ 2,294,921</u>
Deferred Inflows of Resources	<u>\$ 673,258</u>	<u>\$ 469,983</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 673,258</u>	<u>\$ 469,983</u>
Net Position						
Net Investment in Capital Assets	\$ 3,686,855	\$ 3,760,187	\$ 1,394,444	\$ 1,471,913	\$ 5,081,299	\$ 5,232,100
Restricted	42,005	47,871	0	0	42,005	47,871
Unrestricted	<u>7,397,345</u>	<u>6,302,193</u>	<u>272,199</u>	<u>164,238</u>	<u>7,669,544</u>	<u>6,466,431</u>
Total Net Position	<u>\$ 11,126,205</u>	<u>\$ 10,110,251</u>	<u>\$ 1,666,643</u>	<u>\$ 1,636,151</u>	<u>\$ 12,792,848</u>	<u>\$ 11,746,402</u>

The first portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire 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.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$7,669,544 (prior year \$6,466,431) may be used to meet the governments' ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate government and business-type activities. The same situation held true for the prior year. The Town's net position increased by \$1,046,446 during the current fiscal year as shown in Exhibit II.

COMPARATIVE DATA (CONTINUED)

TOWN OF ELIOT'S CHANGES IN NET POSITION

Condensed Statement of Activities	Governmental Activities		Business – Type Activities		Total	
	30-Jun-18	30-Jun-17 (Restated)	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17 (Restated)
Revenues:						
<i>Program Revenues</i>						
Charge for Services	\$ 805,887	\$ 690,494	\$ 457,057	\$ 463,852	\$ 1,262,944	\$ 1,154,346
Grants and Contributions	619,219	8,106	0	0	619,219	8,106
<i>General Revenues</i>						
Property and Other Taxes	15,325,622	14,846,795	0	0	15,325,622	14,846,795
Grants and Contributions Not Restricted to Specific Programs	558,568	964,380	0	0	558,568	964,380
Miscellaneous	<u>71,536</u>	<u>171,571</u>	<u>0</u>	<u>0</u>	<u>71,536</u>	<u>171,571</u>
Total Revenues	<u>\$ 17,380,832</u>	<u>\$ 16,681,346</u>	<u>\$ 457,057</u>	<u>\$ 463,852</u>	<u>\$ 17,837,889</u>	<u>\$ 17,145,198</u>
Expenses						
General Government	\$ 2,190,961	\$ 1,398,419	\$ 0	\$ 0	\$ 2,190,961	\$ 1,398,419
Public Safety	1,428,030	1,406,208	0	0	1,428,030	1,406,208
Public Works	1,611,082	1,266,983	0	0	1,611,082	1,266,983
Health and Sanitation	16,323	268,376	0	0	16,323	268,376
Recreation and Culture	435,518	578,463	0	0	435,518	578,463
Education	9,451,617	9,102,498	0	0	9,451,617	9,102,498
County Tax	497,704	491,380	0	0	497,704	491,380
Sewer Fund Operations	0	0	426,565	456,878	426,565	456,878
Other	<u>733,643</u>	<u>1,006,831</u>	<u>0</u>	<u>0</u>	<u>733,643</u>	<u>1,006,831</u>
Total Expenses	<u>\$ 16,364,878</u>	<u>\$ 15,519,158</u>	<u>\$ 426,565</u>	<u>\$ 456,878</u>	<u>\$ 16,791,443</u>	<u>\$ 15,976,036</u>
Transfers	<u>0</u>	<u>36,000</u>	<u>0</u>	<u>(36,000)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) In Net Position	<u>\$ 1,015,954</u>	<u>\$ 1,198,188</u>	<u>\$ 30,492</u>	<u>\$ (29,026)</u>	<u>\$ 1,046,446</u>	<u>\$ 1,169,162</u>
Net Position, July 1	<u>\$ 10,110,251</u>	<u>\$ 9,065,649</u>	<u>\$ 1,636,151</u>	<u>\$ 1,665,177</u>	<u>\$ 11,746,402</u>	<u>\$ 10,730,826</u>
Initial OPEB Adjustment	<u>0</u>	<u>(153,586)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(153,586)</u>
Net Position, June 30	<u>\$ 11,126,205</u>	<u>\$ 10,110,251</u>	<u>\$ 1,666,643</u>	<u>\$ 1,636,151</u>	<u>\$ 12,792,848</u>	<u>\$ 11,746,402</u>

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Statement of Activities indicates that the total revenues exceeded total expenses by \$1,046,446 resulting in an even stronger overall financial position for the year ended June 30, 2018.

ANALYSIS OF SIGNIFICANT INDIVIDUAL FUND BALANCES, TRANSACTIONS AND CHANGES IN FUND BALANCES

General Fund – Revenues were in excess of expenditures and net transfers by \$408,376 thereby increasing the fund balance to \$3,000,461; this increase compares favorably to the prior year's general fund balance increase of \$255,637. While the amount of fund balance that any town needs to maintain is debatable, this amount is reasonable by most standards, as it corresponds to approximately 18% of total general fund expenditures and transfers for the year.

Route 236 TIF District – This TIF District's fund balance grew by \$533,249 as the result of the annual appropriation of the relevant incremental tax revenue, partly offset by expenditures and transfers. The balance of \$4,111,970 at June 30, 2018 is available for expenditure in accordance with the terms of the corresponding development program.

Sewer Bond Fund – This is a new fund created this past year to account for the receipt and expenditures of the proceeds from the \$1,700,000 Clean Water State Revolving Fund bond issued by Maine Municipal Bond Bank to be used for pump station repairs and upgrades. During the year ended June 30, 2018, the Town drew \$708,008 from this financing source as work on this project progressed.

All Other Governmental Funds – The increase of \$150,589 in combined fund balances for this category is primarily due to budgeted transfers into various capital projects and special revenue funds, partly offset by various capital outlays and other expenditures from those funds. Listings of the ending balances of the various funds included in this column are provided in Note 9.

GENERAL FUND BUDGETARY HIGHLIGHTS

As presented in Exhibit VII, general fund budgeted expenditures and transfers amounted to \$16,630,817. The town department budgets were under spent by \$118,999 and revenues and transfers in were above budgeted estimates by \$247,201 and \$42,176 respectively, due largely to increases in excise taxes collected. Combined, these factors resulted in an increase in the town's general fund balance to \$3,000,461.

CAPITAL ASSETS AND DEBT AND OTHER LONG-TERM LIABILITIES

Capital Assets

Additions to Capital Assets totaled \$1,002,794 for the fiscal year ended June 30, 2018. The majority of these additions were capital outlays in furtherance of the Sewer Bond Fund capital project, in the amount of \$794,521. These outlays have been capitalized as construction in progress. Upon the conclusion of this project, the cumulative total of such costs will be transferred to the Sewer Fund (proprietary fund) and depreciation of same will commence within that fund. Total depreciation incurred in 2018 amounted to \$387,565 for governmental and business-type activities combined.

CAPITAL ASSETS AND DEBT AND OTHER LONG-TERM LIABILITIES (CONTINUED)**Debt and Other Long-Term Liabilities**

The Town's total debt in the form of bonds and leases payable increased by \$765,760 to \$778,390. Of this increase, \$708,008 came in the form of draws from the CWSRF bond issued through the Maine Municipal Bond Bank. Accrued compensation payable amounted to \$187,449 at June 30, 2018, a \$40,728 decrease from prior year. The Town's net pension liability shrank significantly during the year by \$510,807, to a balance of \$1,283,630 at year-end. This decrease in this liability was almost exactly offset, however, by changes in other deferred balances relating to the Town's participation in the MEPERS pension plan.

During 2018, the Town implemented the provisions of GASB Statement No. 75 relating to Other Post-Employment Benefits ("OPEB"). This pronouncement, which became effective with fiscal years ending June 30, 2018, requires the Town to record liabilities and other deferred balances within the government-wide financial statements relating to its health insurance plan provided to its employees through the Maine Municipal Employees Health Trust. At June 30, 2018, the Town was required to record a liability in the amount of \$171,268, partly offset by a deferred outflow of \$8,681. Similar to the pension liability and deferred balances, these OPEB amounts will be adjusted annually based on actuarial data made available to the Town by the Health Trust.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Subsequent to June 30, 2018 the Town completed its \$1,700,000 sewer upgrade project financed with its Clean Water State Revolving Fund bond issued through Maine Municipal Bond Bank.

**TOWN OF ELIOT
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Primary Government</u>		
	<u>Business -</u>		
	<u>Governmental</u>	<u>Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Cash and Cash Equivalents	\$ 4,852,415	\$ 0	\$ 4,852,415
Investments	3,845,611	0	3,845,611
Taxes Receivable	305,827	0	305,827
Tax Liens Receivable	95,364	0	95,364
Accounts Receivable	213,158	272,199	485,357
Capital Assets, Net of Accumulated Depreciation	<u>4,465,245</u>	<u>1,394,444</u>	<u>5,859,689</u>
Total Assets	<u>\$ 13,777,620</u>	<u>\$ 1,666,643</u>	<u>\$ 15,444,263</u>
Deferred Outflows of Resources			
Related to Pension Benefits	\$ 776,258	\$ 0	\$ 776,258
Related to OPEB	<u>8,681</u>	<u>0</u>	<u>8,681</u>
Total Deferred Outflows of Resources	<u>\$ 784,939</u>	<u>\$ 0</u>	<u>\$ 784,939</u>
Liabilities			
Accounts Payable	\$ 287,585	\$ 0	\$ 287,585
Accrued Expenses	54,774	0	54,774
Non Current Liabilities			
Bonds and Leases Due Within One Year	93,431	0	93,431
Bonds and Leases Due in More Than One Year	684,959	0	684,959
Compensated Absences	187,449	0	187,449
Net Pension Liability	1,283,630	0	1,283,630
OPEB Liability	<u>171,268</u>	<u>0</u>	<u>171,268</u>
Total Liabilities	<u>\$ 2,763,096</u>	<u>\$ 0</u>	<u>\$ 2,763,096</u>
Deferred Inflows of Resources			
Related to Pension Benefits	\$ 624,721	\$ 0	\$ 624,721
Prepaid Property Taxes	<u>48,537</u>	<u>0</u>	<u>48,537</u>
Total Deferred Inflows of Resources	<u>\$ 673,258</u>	<u>\$ 0</u>	<u>\$ 673,258</u>
Net Position			
<i>Net Investment in Capital Assets</i>	\$ 3,686,855	\$ 1,394,444	\$ 5,081,299
<i>Restricted</i>			
Permanent Funds	42,005	0	42,005
<i>Unrestricted</i>	<u>7,397,345</u>	<u>272,199</u>	<u>7,669,544</u>
Total Net Position	<u>\$ 11,126,205</u>	<u>\$ 1,666,643</u>	<u>\$ 12,792,848</u>

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

**TOWN OF ELIOT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business - Type Activities	
Primary Government						
Governmental Activities						
General Government	\$ 2,190,961	\$ 230,286	\$ 584,423	\$(1,376,252)	\$ 0	\$(1,376,252)
Public Safety	1,428,030	109,698	0	(1,318,332)	0	(1,318,332)
Public Works	1,611,082	144,548	34,796	(1,431,738)	0	(1,431,738)
Health and Sanitation	16,323	0	0	(16,323)	0	(16,323)
Recreation and Culture	435,518	321,355	0	(114,163)	0	(114,163)
Education	9,451,617	0	0	(9,451,617)	0	(9,451,617)
County Tax	497,704	0	0	(497,704)	0	(497,704)
Other	423,547	0	0	(423,547)	0	(423,547)
Depreciation – Unallocated	<u>310,096</u>	<u>0</u>	<u>0</u>	<u>(310,096)</u>	<u>0</u>	<u>(310,096)</u>
Total Government Activities	<u>\$16,364,878</u>	<u>\$ 805,887</u>	<u>\$ 619,219</u>	<u>\$(14,939,772)</u>	<u>\$ 0</u>	<u>\$(14,939,772)</u>
Business - Type Activities						
Sewer Fund	<u>\$ 426,565</u>	<u>\$ 457,057</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,492</u>	<u>\$ 30,492</u>
Total Primary Government	<u>\$16,791,443</u>	<u>\$ 1,262,944</u>	<u>\$ 619,219</u>	<u>\$(14,939,772)</u>	<u>\$ 30,492</u>	<u>\$(14,909,280)</u>
General Revenues						
Property and Other Taxes				\$ 15,325,622	\$ 0	\$ 15,325,622
Grants and Contributions Not Restricted to Special Programs				558,568	0	558,568
Miscellaneous Income				<u>71,536</u>	<u>0</u>	<u>71,536</u>
Total General Revenues				<u>\$ 15,955,726</u>	<u>\$ 0</u>	<u>\$ 15,955,726</u>
Changes in Net Position				\$ 1,015,954	\$ 30,492	\$ 1,046,446
Net Position – July 1, 2017, Restated				<u>\$ 10,110,251</u>	<u>\$1,636,151</u>	<u>\$ 11,746,402</u>
Net Position – June 30, 2018				<u>\$ 11,126,205</u>	<u>\$ 1,666,643</u>	<u>\$ 12,792,848</u>

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

EXHIBIT III

**TOWN OF ELIOT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Route 236 TIF District	Sewer Bond Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 3,009,407	\$ 870,035	\$ 569,528	\$ 403,445	\$ 4,852,415
Investments	0	2,703,462	0	1,142,149	3,845,611
Taxes Receivable	305,827	0	0	0	305,827
Tax Liens Receivable	95,364	0	0	0	95,364
Accounts Receivable	74,648	0	138,510	0	213,158
Due from Other Funds	<u>483,932</u>	<u>538,473</u>	<u>0</u>	<u>108,386</u>	<u>1,130,791</u>
Total Assets	\$ 3,969,178	\$ 4,111,970	\$ 708,038	\$ 1,653,980	\$ 10,443,166
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,969,178</u>	<u>\$ 4,111,970</u>	<u>\$ 708,038</u>	<u>\$ 1,653,980</u>	<u>\$ 10,443,166</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts Payable	\$ 34,279	\$ 0	\$ 170,199	\$ 0	\$ 204,478
Accrued Expenses	34,215	0	0	0	34,215
Due to Other Funds	<u>640,236</u>	<u>0</u>	<u>537,839</u>	<u>35,822</u>	<u>1,213,897</u>
Total Liabilities	<u>\$ 708,730</u>	<u>\$ 0</u>	<u>\$ 708,038</u>	<u>\$ 35,822</u>	<u>\$ 1,452,590</u>
Deferred Inflows of Resources					
Unavailable Property Taxes	<u>\$ 259,987</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 259,987</u>
Fund Balance					
<i>Restricted</i>					
Permanent Funds -	\$ 0	\$ 0	\$ 0	\$ 42,005	\$ 42,005
<i>Committed</i>					
Tax Increment Financing	0	4,111,970	0	0	4,111,970
Capital Projects	0	0	0	1,075,277	1,075,277
Special Revenues	0	0	0	500,876	500,876
<i>Assigned</i>					
General Fund	31,331	0	0	0	31,331
<i>Unassigned</i>					
General Fund	<u>2,969,130</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,969,130</u>
Total Fund Balance	<u>\$ 3,000,461</u>	<u>\$ 4,111,970</u>	<u>\$ 0</u>	<u>\$ 1,618,158</u>	<u>\$ 8,730,589</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3,969,178</u>	<u>\$ 4,111,970</u>	<u>\$ 708,038</u>	<u>\$ 1,653,980</u>	<u>\$ 10,443,166</u>

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

**TOWN OF ELIOT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance – Total Governmental Funds \$ 8,730,589

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. 4,465,245

Interest payable on long-term debt does not require current financial resources and therefore interest payable is not reported as a liability in Governmental Funds Balance Sheet. (20,559)

Unavailable property tax revenues are not available to pay for Current financial expenditures and, therefore, are deferred inflows of resources. 211,449

Long term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet:

Due in One Year	\$ 93,431	
Due in More Than One Year	684,959	
Net Pension Liability	1,283,630	
OPEB Liability	171,268	
Accrued Compensated Absence Payable	<u>187,449</u>	(2,420,737)

Deferred Inflows and Deferred Outflows Relating to Pension and OPEB Benefits Are Not Reported in the Governmental Funds Balance Sheet. 160,218

Net Position of Governmental Activities \$ 11,126,205

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

EXHIBIT V

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

	General <u>Fund</u>	Route 236 TIF <u>District</u>	Sewer <u>Bond Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues					
Property Taxes	\$ 13,706,607	\$ 0	\$ 0	\$ 0	\$ 13,706,607
Excise Taxes	1,634,715	573,376	0	0	1,634,715
Intergovernmental Revenue	604,411	0	0	0	1,177,787
Charges for Services	805,887	0	0	0	805,887
Miscellaneous	<u>126,398</u>	<u>0</u>	<u>0</u>	<u>15,121</u>	<u>141,519</u>
Total Revenues	<u>\$ 16,878,018</u>	<u>\$ 573,376</u>	<u>\$ 0</u>	<u>\$ 15,121</u>	<u>\$ 17,466,515</u>
Expenditures					
<i>Current</i>					
General Government	\$ 2,175,834	\$ 15,127	\$ 0	\$ 0	\$ 2,190,961
Public Safety	1,428,030	0	0	0	1,428,030
Public Works	1,611,082	0	0	0	1,611,082
Health and Sanitation	16,323	0	0	0	16,323
Recreation and Culture	435,518	0	0	0	435,518
Education	9,451,617	0	0	0	9,451,617
County Tax	497,704	0	0	0	497,704
Other	0	0	0	448,278	448,278
<i>Capital Outlay</i>	<u>0</u>	<u>0</u>	<u>708,008</u>	<u>294,788</u>	<u>1,002,796</u>
Total Expenditures	<u>\$ 15,616,108</u>	<u>\$ 15,127</u>	<u>708,008</u>	<u>\$ 743,066</u>	<u>\$ 17,082,309</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,261,910</u>	<u>\$ 558,249</u>	<u>(708,008)</u>	<u>\$ (727,945)</u>	<u>\$ 384,206</u>
Other Financing Sources (Uses)					
Proceeds from Borrowing	\$ 0	\$ 0	\$ 708,008	\$ 0	\$ 708,008
Transfers In (Out)	<u>(853,534)</u>	<u>(25,000)</u>	<u>0</u>	<u>878,534</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (853,534)</u>	<u>\$ (25,000)</u>	<u>\$ 708,008</u>	<u>\$ 878,534</u>	<u>708,008</u>
Net Change in Fund Balance	<u>\$ 408,376</u>	<u>\$ 533,249</u>	<u>\$ 0</u>	<u>\$ 150,589</u>	<u>\$ 1,092,214</u>
Fund Balance – June 30, 2017	<u>2,592,085</u>	<u>3,578,721</u>	<u>0</u>	<u>1,467,569</u>	<u>7,638,375</u>
Fund Balance – June 30, 2018	<u><u>\$ 3,000,461</u></u>	<u><u>\$ 4,111,970</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,618,158</u></u>	<u><u>\$ 8,730,589</u></u>

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

**TOWN OF ELIOT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balance – Total Governmental Funds \$1,092,214

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period, net of disposals of same. 1,002,796

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 expenditure in governmental funds. (310,096)

The issuance of long-term debt (e.g., bonds payable, notes payable, capital leases payable) provides current financial resources to Governmental Funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. (766,030)

Some property tax will not be collected for several months after the Town's fiscal year end; they are not considered current financial resources in the Governmental Funds. This amount is the net effect of the differences. (15,700)

Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in Governmental Funds. Accrued compensated absence pay expense is accounted for in a similar fashion. 40,461

Changes in Deferred Outflows and Deferred Inflows and Pension and OPEB Liabilities Relating to Implementation of GASB Statements No. 68 and 75. (27,691)

Change in Net Position of Governmental Activities \$1,015,954

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

**TOWN OF ELIOT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Property Taxes	\$ 13,684,434	\$ 13,684,434	\$ 13,706,607	\$ 22,173
Excise Taxes	1,462,250	1,462,250	1,634,715	172,465
Intergovernmental Revenue	542,287	542,287	604,411	62,124
Charges for Services	766,186	766,186	805,887	39,701
Miscellaneous	<u>175,660</u>	<u>175,660</u>	<u>126,398</u>	<u>(49,262)</u>
Total Revenues	<u>\$ 16,630,817</u>	<u>\$ 16,630,817</u>	<u>\$ 16,878,018</u>	<u>\$ 247,201</u>
Expenditures				
<i>Current</i>				
General Government	\$ 2,264,395	\$ 2,264,395	\$ 2,175,834	\$ 88,561
Public Safety	1,448,353	1,448,353	1,428,030	20,323
Public Works	1,569,749	1,569,749	1,611,082	(41,333)
Health and Sanitation	30,000	30,000	16,323	13,677
Recreation and Culture	473,289	473,289	435,518	37,771
Education	9,451,617	9,451,617	9,451,617	0
County Tax	497,704	497,704	497,704	0
Other	0	0	0	0
<i>Capital Outlay</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 15,735,107</u>	<u>\$ 15,735,107</u>	<u>\$ 15,616,108</u>	<u>\$ 118,999</u>
Excess (Deficiency) of Revenue Over (Under)				
Expenditures	<u>\$ 895,710</u>	<u>\$ 895,710</u>	<u>\$ 1,261,910</u>	<u>\$ 366,200</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>\$ (895,710)</u>	<u>\$ (895,710)</u>	<u>\$ (853,534)</u>	<u>\$ 42,176</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 408,376</u>	<u>\$ 408,376</u>
Fund Balance – July 1, 2017	<u>2,592,085</u>	<u>2,592,085</u>	<u>2,592,085</u>	<u>0</u>
Fund Balance – June 30, 2018	<u>\$ 2,592,085</u>	<u>\$ 2,592,085</u>	<u>\$ 3,000,461</u>	<u>\$ 408,376</u>

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

**TOWN OF ELIOT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	<u>Sewer Fund</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 0
Accounts Receivable	189,092
Due From Other Funds	<u>83,107</u>
Total Current Assets	\$ 272,199
Noncurrent Assets	
Capital Assets (Net of Accumulated Depreciation)	<u>1,394,444</u>
Total Assets	<u>\$ 1,666,643</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 0
Accrued Expenses	0
Due to Other Funds	<u>0</u>
Total Liabilities	<u>\$ 0</u>
Net Position	
Net Investment in Capital Assets	\$ 1,394,444
Unrestricted	<u>272,199</u>
Total Net Position	<u>\$ 1,666,643</u>

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

**TOWN OF ELIOT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Sewer Fund</u>
Operating Revenues	
Charges for Sales and Services	
User Fees	\$ 457,057
Miscellaneous	<u>0</u>
Total Operating Revenues	<u>\$ 457,057</u>
Operating Expenses	
Public Works and Sanitation	\$ 349,096
Depreciation	<u>77,469</u>
Total Operating Expenses	<u>\$ 426,565</u>
Operating Income (Loss)	<u>\$ 30,492</u>
Non-Operating Revenues (Expenses)	
Investment Income	\$ 0
Interest Expense	<u>0</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 0</u>
Changes in Net Position	\$ 30,492
Net Position – July 1, 2017	<u>1,636,151</u>
Net Position – June 30, 2018	<u>\$ 1,666,643</u>

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

**TOWN OF ELIOT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Sewer Fund</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 421,401
Interfund Activity	(72,305)
Payments to Suppliers	<u>(349,096)</u>
Net Cash Provided by (Used) in Operating Activities	<u>\$ 0</u>
Net Increase (Decrease) in Cash	\$ 0
Cash and Cash Equivalents– July 1, 2017	<u>0</u>
Cash and Cash Equivalents – June 30, 2018	<u><u>\$ 0</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used) in Operating Activities:	
Operating Income (Loss)	<u>\$ 30,492</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used) in Operating Activities	
Depreciation Expense	\$ 77,469
(Increase) Decrease in Accounts Receivable	(35,656)
(Increase) Decrease in Due From Other Funds	<u>(72,305)</u>
Total Adjustments	<u>\$ (30,492)</u>
Net Cash Provided by (Used) in Operating Activities	<u><u>\$ 0</u></u>

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

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The Town of Eliot, Maine was incorporated in 1810 under the laws of the State of Maine and currently operates under a Town Manager-Selectmen Form of Government. The accompanying financial statements present the government and any component units, entities for which the government may be considered financially accountable, fiscally dependent or because of the nature and significance of its relationship with the Town of Eliot. The Town does not currently bear any such relationships with any other entities which would require inclusion as component units in the accompanying financial statements.

The accounting and reporting policies of the Town relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Town are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town’s activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. – Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town of Eliot operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The Town holds the corporate powers of the organization.
- The Town appoints a voting majority of the organization's board.
- The Town is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Town.
- There is fiscal dependency by the organization on the Town.

Based on the aforementioned criteria, the Town of Eliot has no component units that are not included in this report.

C. – Financial Statements – Government-Wide Statements

The Town's financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts – Net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc).

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Financial Statements – Fund Financial Statements

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

Governmental Funds

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

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town's Route 236 TIF Fund is considered a major special revenue fund.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Town's Sewer Bond Fund is considered a major capital projects fund.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town of Eliot:

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Financial Statements – Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has a third party requirement that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Sewer Fund is considered a major fund, and operates in a manner similar to private business enterprises. The intent is that costs for sewer services provided to the general public on a continuing basis be recovered or financed primarily through charges to users.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

E. – Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. – Measurement Focus/Basis of Accounting (Continued)

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

A one-year availability period is used for recognition of all other Governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

F. – Budgetary Control

Formal budgetary accounting is employed as a management control for the general fund of the Town of Eliot.

The Town of Eliot's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

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

- Early in the second half of the last fiscal year the Town prepared a budget for this fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the inhabitants of the Town of Eliot was then called for the purpose of adopting the proposed budget after public notice of the meeting was given.
- The budget was adopted subsequent to passage by the inhabitants of the Town.

The Town does not adopt budgets for the Special Revenue Funds.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. – Cash and Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests certain funds in checking, savings accounts or certificates of deposit.

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, short-term investments with original maturities of three months or less. Investments are recorded at fair market value.

H. - Capital Assets

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

Buildings	20 - 50 Years
Machinery and Equipment	3 - 50 Years
Vehicles	3 - 25 Years
Infrastructure	50 - 100 Years

The Town of Eliot has elected not to retroactively report their major general infrastructure assets.

I. - Compensated Absences

The Town of Eliot recognizes accumulated sick leave compensation during the period in which the related liability is incurred. In compliance with the Town's personnel policies, the total for accrued compensated absence pay was \$187,449 at June 30, 2018.

J. - Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

K. – Equity Classifications

Government-Wide Statements

Net position represents the differences between assets and liabilities. Equity is classified as net position and displayed in three components:

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. – Equity Classifications (Continued)

Government-Wide Statements (Continued)

- Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen, such as an appropriation. Assigned fund balance is constrained by the Board’s intent to be used for specific purposes by directive. See Note 10 for additional information about fund balances.

L. – Deferred Outflows and Inflows of Resources

The Town has implemented the following statements:

GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB No. 65, Items Previously Reported as Assets and Liabilities.

GASB 63 and GASB 65 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model. These terms are defined as follows:

Deferred Outflows of Resources - a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources - an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. – Deferred Outflows and Inflows of Resources (Continued)

The GASB emphasizes in GASB 63 that deferred inflows and deferred outflows are not assets or liabilities and therefore should be separately categorized in the financial statements.

M. – Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

N. – Accounts Receivable

Accounts Receivable at June 30, 2018, primarily consist of miscellaneous intergovernmental receivables.

NOTE 2 – CASH AND INVESTMENTS

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests such excess funds in checking accounts, savings accounts, certificates of deposit or repurchase agreements.

A. Deposits

The Town does not have a policy covering custodial credit risks for its deposits, and from time to time its deposits may exceed the limits of FDIC insurance coupled with collateralization agreements. However, the Town has not experienced any losses from any such uninsured and uncollateralized amounts and does not believe it is exposed in a material fashion to such risk at the present time.

B. Investments

At June 30, 2018, the Town's investment balances were as follows:

	<u>Fair Value</u>	<u>Less Than</u> <u>One Year</u>	<u>1-5 Years</u>	<u>More Than</u> <u>5 Years</u>
Bonds – U.S. Government	\$ 196,962	\$ 0	\$ 196,962	\$ 0
Bonds - Corporate	99,638	0	99,638	0
Mutual Funds	3,549,011	3,549,011	0	0
Total Investments	<u>\$ 3,845,611</u>	<u>\$ 3,549,011</u>	<u>\$ 296,600</u>	<u>\$ 0</u>

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, based on inputs used in making such measurements. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Town's investments above are measured at fair value on a recurring basis using Level 1 inputs.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage's during the fiscal year and no significant settlements that exceeded insurance coverage.

NOTE 4 – PROPERTY TAXES

The Town is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. The Town of Eliot's property tax is levied on the assessed value listed as of the prior April 1st for all taxable real and personal property located in the Town. Assessed values are periodically established by the Assessor at 100% of assumed market value. The assessed value for the list of April 1, 2017, upon which the levy for the year ended June 30, 2018, was based, amounted to \$974,735,735. This assessed value was 100% of the estimated market value and 103.22% of the 2018 State valuation of \$944,350,000. The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$36,214 for the year ended June 30, 2018.

In the fund financial statements, property taxes are recognized in compliance with NCGA Interpretation-3 *Revenue Recognition – Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period.

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

The following summarizes the 2017-2018 levy:

Assessed Value	\$ 974,735,735
Less: BETE	(1,042,308)
Less: Homestead Exemption	<u>(16,740,000)</u>
Net Assessed Value	\$ 956,953,427
Tax Rate (Per \$1,000)	<u>14.30</u>
Commitment	\$ 13,684,434
Supplemental Taxes Assessed	<u>19,187</u>
Sub-Total	\$ 13,703,621
Less: Abatements	(43,652)
Collections	<u>(13,347,531)</u>
Receivable at Year End	<u>\$ 312,438</u>
Collection Rate	<u>97.4%</u>

Property taxes on real and personal property accounts were due on November 15, 2017 and May 16, 2018. Interest was charged at 7% on delinquent accounts after those dates.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance July 1	Additions/ Completions	Retirements/ Adjustments	Ending Balance June 30
<u>Governmental Activities</u>				
<i>Capital Assets Not Being Depreciated</i>				
Land and Construction in Progress	<u>\$ 165,822</u>	<u>\$ 794,521</u>	<u>\$ 0</u>	<u>\$ 960,343</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	\$ 4,158,484	\$ 0	\$ 0	\$ 4,158,484
Furniture and Fixtures	50,543	0	0	50,543
Machinery and Equipment	1,355,890	23,429	0	1,379,319
Vehicles	1,896,289	184,844	0	2,081,133
Infrastructure	<u>2,241,124</u>	<u>0</u>	<u>0</u>	<u>2,241,124</u>
Total Capital Assets, Being Depreciated	<u>\$ 9,702,330</u>	<u>\$ 208,273</u>	<u>\$ 0</u>	<u>\$ 9,910,603</u>
Less Accumulated Depreciation	<u>\$ 6,095,605</u>	<u>\$ 310,096</u>	<u>\$ 0</u>	<u>\$ 6,405,701</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 3,606,725</u>	<u>\$ (101,823)</u>	<u>\$ 0</u>	<u>\$ 3,504,902</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,772,547</u>	<u>\$ 692,698</u>	<u>\$ 0</u>	<u>\$ 4,465,245</u>
<u>Business-Type Activities</u>				
<i>Capital Assets, Being Depreciated</i>				
Infrastructure	<u>\$3,873,456</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$3,873,456</u>
Total Capital Assets, Being Depreciated	<u>\$3,873,456</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$3,873,456</u>
Less Accumulated Depreciation	<u>\$2,401,543</u>	<u>\$ 77,469</u>	<u>\$ 0</u>	<u>\$2,479,012</u>
Total Capital Assets, Being Depreciated, Net	<u>\$1,471,913</u>	<u>\$ (77,469)</u>	<u>\$ 0</u>	<u>\$1,394,444</u>
Business-Type Activities, Net	<u>\$1,471,913</u>	<u>\$ (77,469)</u>	<u>\$ 0</u>	<u>\$1,394,444</u>

Depreciation expense has not been charged as a direct expense.

NOTE 6 – CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirements may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – LONG-TERM LIABILITIES

At June 30, 2018, long term debt consisted of the following individual issues:

	<u>Governmental Activities</u>
Bond Payable - Maine Municipal Bond Bank	
2017 General Obligation Bond – Face amount of \$1,700,000 drawable in installments to finance improvements to certain sewer pump stations, repayable in annual installments of principal in amounts ranging from \$77,206 to \$93,273 plus interest at 1%, due in full October 1, 2037.	\$ 708,008
Capital Lease Payable – PACCAR Financial	
Capital lease issued to finance the acquisition of a public works Truck with original cost of \$127,250 and accumulated depreciation at June 30, 2018 of \$3,498; amount financed of \$90,275, repayable in annual installments of \$19,893, due in full February 23, 2023.	<u>70,382</u>
Total Long Term Debt	<u><u>\$ 778,390</u></u>

Changes in Long-Term Liabilities

Transactions for the year ended June 30, 2018, are summarized as follows:

	<u>Balance July 1</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 0	\$ 708,008	\$ 0	\$ 708,008	\$ 77,206
Capital Lease Payable	12,630	90,275	32,523	70,382	16,225
Net Pension Obligation	1,794,437	0	510,807	1,283,630	0
OPEB Liability	153,586	17,682	0	171,268	0
Accrued Compensated Absences Payable	<u>228,177</u>	<u>0</u>	<u>40,728</u>	<u>187,449</u>	<u>0</u>
Total	<u><u>\$2,188,830</u></u>	<u><u>\$ 815,965</u></u>	<u><u>\$ 584,058</u></u>	<u><u>\$2,420,737</u></u>	<u><u>\$ 93,431</u></u>

Capital Leases

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019/20	\$ 20,048
2020/21	20,048
2021/22	20,048
2022/23	<u>20,048</u>
Net Minimum Payments	\$ 80,192
Less: Interest	<u>(9,810)</u>
Present Value of Minimum Payments	<u><u>\$ 70,382</u></u>

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Annual Requirements to Retire Bonded Debt

The annual aggregate maturities for bonded debt (including amounts yet to be drawn as of June 30, 2018) for the years subsequent to June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 77,206	\$ 17,000	\$ 0	\$ 0	\$ 94,206
2020	77,978	16,228	0	0	94,206
2021	78,758	15,448	0	0	94,206
2022	79,545	14,661	0	0	94,206
2023	80,341	13,865	0	0	94,206
2024/28	413,918	57,113	0	0	471,031
2029/33	435,031	35,999	0	0	471,030
2034/38	<u>457,223</u>	<u>13,808</u>	<u>0</u>	<u>0</u>	<u>471,031</u>
Total	<u>\$ 1,700,000</u>	<u>\$ 184,122</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,884,122</u>

In accordance with 30-A MRSA, Section 5702, as amended, the amount of long-term debt that can be incurred by the Municipality is limited by state statute. Total outstanding long-term debt during a year can be no greater than 7.5%, with certain exceptions, of the state valuation of taxable property as of the beginning of the fiscal year. As of June 30, 2018, the amount of outstanding long-term debt was equal to 0.80% of property valuation for the year then ended.

NOTE 8 – INTERFUND ACTIVITY

Interfund balances at June 30, 2018 consisted of the following:

Due To	
Route 236 TIF Fund	\$ 538,473
General Fund	483,932
Sewer Enterprise Fund	83,107
<i>Non-Major Governmental Funds</i>	
Special Revenue Funds	51,128
Capital Projects	<u>57,227</u>
Total	<u>\$ 1,213,867</u>
Due From	
General Fund	\$ 640,236
Sewer Bond Fund	537,809
<i>Non-Major Governmental Funds</i>	
Capital Projects Funds	32,471
Permanent Funds	<u>3,351</u>
Total	<u>\$ 1,213,867</u>

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – INTERFUND ACTIVITY (CONTINUED)

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer To	
General Fund	\$ 46,319
Non-Major Governmental Funds	<u>899,853</u>
Total	<u>\$ 946,172</u>
 Transfer From	
General Fund	\$ 899,853
Route 236 TIF Fund	25,000
Non-Major Governmental Funds	<u>21,319</u>
Total	<u>\$ 946,172</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 – GOVERNMENTAL FUND BALANCES

Previously, the Town implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, committed, restricted, assigned, and unassigned.

The Town's fund balances represent: **(1) Nonspendable Fund Balance**, resources that cannot be spent because of legal or contractual provisions that require they be maintained intact. (e.g. the principal of an endowment). **(2) Restricted Purposes**, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; **(3) Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen; **(4) Assigned Purposes**, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. **(5) Unassigned Fund Balance**, net resources in excess of what is properly categorized in one of the four categories already described. A positive amount of unassigned fund balance will never be reported in a governmental fund other than the general fund, because GASB Statement 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund. However, funds other than the general fund could report a negative amount of unassigned fund balance should the total of nonspendable, restricted and committed fund balance exceed the total net resources of the fund.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – GOVERNMENTAL FUND BALANCES (CONTINUED)

The Town of Eliot has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. 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. When committed, assigned, and unassigned resources are available for use, it is the Town's policy to use committed or assigned resources first, then unassigned resources as they are needed.

The Town's General Fund unassigned fund balance total of \$2,969,130 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. Other fund balances per Exhibit III at year-end consisted of amounts which the Town of Eliot intends to use for the following purposes:

Restricted

Permanent Funds:

Mt. Pleasant Cemetery	\$ 2,400
Frost-Tufts Park	12,121
Marie Lizzie Spinney Fund	26,690
Lena Grover Fund	794
Total	<u>\$ 42,005</u>

Committed

Route 236 TIF Fund	<u>\$ 4,111,970</u>
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Committed

Non-Major Capital Projects and Reserves:

Road Equipment Reserve	\$ 479,983
Fire Truck Reserve	323,975
Town Office Capital Improvements	102,091
Eliot Commons TIF	46,240
CSD Capital Improvements	38,422
Land Bank Reserve	32,849
Other	31,563
Transfer Station Facility Improvements	19,657
Fire Department Capital Improvements	17,006
Eliot Police Capital Improvements	16,348
Police Cruisers Reserve	2,520
VIPS Capital Reserve	1,868
Town Facilities Reserve	(7,504)
Public Works Garage Capital	(10,963)
Sewer Capital Improvements Reserve	(18,778)
Total	<u>\$ 1,075,277</u>

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – GOVERNMENTAL FUND BALANCES (CONTINUED)

Committed

Special Revenues:

Sick Leave Reserve	\$ 107,629
Sewer Betterment Reserve	103,958
Legal Fee Reserve	69,905
Contingency Reserve	61,416
Community Service Center Reserve	49,488
Energy Efficiency Reserve	31,027
Petroleum Products Reserve	20,705
Health Insurance Reserve	20,000
Revaluation Reserve	11,176
Transfer Station Vehicle Reserve	10,107
Town Insurance Reserve	8,611
Compensation Study Reserve	5,500
Consultant Reserve	2,775
General Assistance Reserve	1,267
Ash Reserve	79
20 th Celebration Reserve	26
Street Light Reserve	(340)
Boat Basin	(785)
Other	<u>(1,668)</u>
Total	<u>\$ 500,876</u>

Assigned

General Fund	<u>\$ 31,331</u>
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Unassigned

General Fund	<u>\$ 2,969,130</u>
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Grand Total	<u>\$ 8,730,589</u>
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Certain of these amounts must be earmarked to conform to State Law and comply with Federal Regulations.

NOTE 10 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. - Budgetary Accounting

The Town of Eliot utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established by the Board of Selectmen and must be approved at the Annual Town Meeting.

B. - Excess of Expenditures over Appropriations and Deficit Balances

For the year ended June 30, 2018, expenditures did not exceed appropriations. Exhibit VII shows no overdrafts, other than an overdraft within the Public Works line in the amount of \$41,333.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. As of June 30, 2018, six non-major governmental funds carried deficit balances as identified in Note 9.

NOTE 11 – TAX INCREMENTAL FINANCING

The Town has established two tax increment financing (TIF) districts in accordance with Maine statutes to finance development programs located in the Town of Eliot. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' captured assessed value. A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness to fund expenditures of the development program (including administrative costs) and for water/sewer treatment.

Route 236 Municipal Development TIF District

The Town has created a development program approved for activities such as an engineering study, debt service on water/sewer improvements and extensions and administrative/professional costs. The TIF district will remain in place for a period of 30 years from adoption. The Town reserves the right to incur indebtedness to finance, in part or in whole, the projects within the Development program. Any projects financed through municipal bonded indebtedness must be approved in advance by the Eliot voters.

Eliot Commons Business Development TIF District

The Town has created a development program which will return 95% of all TIF District revenue to Sea Dog Realty, LLC as part of a Credit Enhancement Agreement, for the primary purpose of supporting businesses at Eliot Commons and to promote its further development. In conjunction with the TIF District and the Credit Enhancement Agreement, Eliot Commons granted the Town an easement to provide safer access to some areas and help alleviate traffic congestion on Route 236.

For the year ended June 30, 2018 the Town abated property taxes to Sea Dog Realty, LLC in the amount of \$94,018.

NOTE 12 – OVERLAPPING DEBT

The Town's proportionate share of York County's debt is not recorded in the financial statements of the Town of Eliot. At June 30, 2018, the Town's share was 2.98% or \$116,130 of the York County outstanding debt of \$3,900,000.

The Town's proportionate share of RSU 35's debt is not recorded in the financial statements of the Town of Eliot. At June 30, 2017, the latest date for which audited information was available, the Town's share was 54.42% or \$994,856 of the RSU outstanding debt of \$1,828,263.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – RETIREMENT PLANS (CONTINUED)

I. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

A. *Funding Policy*

The Town of Eliot makes available to all full time employees the option to make a one-time irrevocable election to participate in the Maine Public Employees Retirement System (MEPERS), Plan AC and 1C, as an alternate retirement plan. The employee shall pay, through payroll deduction(s), his/her required contribution determined by MEPERS. The Town shall pay its required contribution determined by MEPERS. This benefit shall be offered to eligible employees on the date of hire.

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 of benefits upon reaching qualification) occurs upon the earning of 20-25 years of service credit for Town employees. Normal retirement age of PLD members is age 60 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 member's 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 contributions rates are determined through actuarial valuations. For the year ended June 30, 2018, the member contribution rate was between 8.0% and 8.56%, while the Town's contribution rate was between 9.5% and 14.2%.

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.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – RETIREMENT PLANS (CONTINUED)

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

At June 30, 2018, the Town reported a net pension liability of \$1,283,630. 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 Town proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At the June 30, 2017 measurement date, the Town proportion was 0.313511%, while at the June 30, 2016 measurement date it was 0.337725%. For the fiscal year ended June 30, 2018, the Town recognized pension expense of \$(1,605).

At June 30, 2018, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources are as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between Expected and Actual Experience	\$ 0	\$ 61,670
Changes in Assumptions	109,229	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	442,375	477,672
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions.	50,477	85,379
Town Contributions Subsequent to the Measurement Date	<u>174,177</u>	<u>0</u>
Total	<u>\$ 776,258</u>	<u>\$ 624,721</u>

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

For the Year Ended June 30,	<u>Amount</u>
2019	\$ 120,662
2020	109,658
2021	8,612
2022	<u>(87,395)</u>
Total	<u>\$ 151,537</u>

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – RETIREMENT PLANS (CONTINUED)

F. *Actuarial Assumptions*

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

➤ Salary Increases and Inflation	2.75% to 9.00%
➤ Investment Rate of Return	6.875%
➤ Cost of Living Benefit Increases	2.20%

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

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates or 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 the June 30, 2017 valuation are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	<u>10.0%</u>	5.9%
	<u>100.0%</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 contribution 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.

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – RETIREMENT PLANS (CONTINUED)

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the Town 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:

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
Proportionate Share of the Net Pension Liability	\$2,575,357	\$1,283,630	\$311,160

I. *Pension Plan Financial and Actuarial Information*

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

NOTE 14 – OPEB PLAN

I. Group Health Insurance Plan – Maine Municipal Employee Health Trust (MMEHT)

Plan Description

Qualifying personnel of the Town participate in the MMEHT Group Health Plan. This plan is a single-employer OPEB plan not administered through a trust or similar arrangement. Accordingly, no assets are accumulated within the plan for the payment of future benefits.

Benefits

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with at least 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. At January 1, 2018 there were twenty active employees participating in this plan, no inactive employees, two retirees and one beneficiary entitled to and/or receiving benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Town's total Health Plan OPEB liability of \$171,268 was measured as of January 1, 2018 and was determined by an actuarial valuation at that date. For the year ended June 30, 2018 the Town recognized OPEB expense of \$13,105 related to the Health Plan. At June 30, 2018 the Town reported deferred inflows of resources and deferred outflows of resources related to the Health Plan from the following sources:

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – OPEB PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,317	\$ 0
Changes in Assumptions	<u>6,364</u>	<u>0</u>
Total	<u>\$ 8,681</u>	<u>\$ 0</u>

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

For the Year Ended June 30,	<u>Amount</u>
2019	\$ 1,086
2020	1,086
2021	1,086
2022	1,086
2023	1,086
Thereafter	<u>3,251</u>
Total	<u>\$ 8,681</u>

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

➤ Inflation	3.00%
➤ Salary Increases	2.75%
➤ Discount Rate	3.44%
➤ Healthcare Cost Trend Rates	8.27% for 2018, decreasing 0.28% per year
➤ Retirees' Share of Benefit Costs	100% of projected premiums

For the Health Plan, the mortality rate is based on the RP2014 Total Dataset Mortality Tables for males and females.

The discount rate of 3.44% used to measure the Health Plan OPEB liability was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

The following presents the Town's total OPEB liability related to the Health Plan calculated using the discount rate of 3.44%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate:

TOWN OF ELIOT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – OPEB PLAN (CONTINUED)

	1% Decrease <u>(2.44%)</u>	Current Discount <u>Rate (3.44%)</u>	1% Increase <u>(4.44%)</u>
Total OPEB Liability	\$197,152	\$171,268	\$150,249

The following presents the Town's total OPEB liability related to the Health Plan calculated using the healthcare cost trend rate of 8.27% decreasing 0.28% per year, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.27% decreasing 0.28% per year) or 1 percentage point higher (9.27% decreasing 0.28% per year) than the current rate:

	1% Decrease	Health Care Cost <u>Trend Rates</u>	1% Increase
Total OPEB Liability	\$149,379	\$171,268	\$198,941

NOTE 15– PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2018, the Town adopted the provisions of GASB Statement No. 75 relating to other post-employment benefits (“OPEB”). As a result, a prior period adjustment reducing government-wide net position in the amount of \$153,586 has been reflected as of the beginning of the year, corresponding to the OPEB liability existing as of that point in time.

NOTE 16– TAX ANTICIPATION NOTE

During the year ended June 30, 2018 the Town issued a tax anticipation note with a local bank. This note provided a maximum borrowing capacity of \$2,125,000 and bore interest at 1.43% per annum. All amounts due under this note were paid in full as of June 30, 2018.

NOTE 17 – SUBSEQUENT EVENTS AND DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through July 25, 2019, the date on which the financial statements were available to be issued.

During the period subsequent to June 30, 2018 the Town substantially completed the sewer upgrade project financed with the bond financing in the amount of \$1,700,000 described earlier in these footnotes.

**TOWN OF ELIOT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
JUNE 30, 2018**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Town's Proportion of Net Pension Liability	0.313511%	0.337725%	0.308295%	0.340000%
Town's Proportionate Share of the Net Pension Liability	\$1,283,630	\$1,794,437	\$ 983,611	\$ 519,281
Town's Covered Payroll	\$1,420,682	\$1,345,080	\$ 1,199,669	\$1,166,380
Town's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	<u>90.35%</u>	<u>133.41%</u>	<u>81.99%</u>	<u>44.52%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>86.43%</u>	<u>81.61%</u>	<u>88.27%</u>	<u>94.10%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

**TOWN OF ELIOT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PENSION CONTRIBUTIONS
JUNE 30, 2018**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Contractually Required Contribution	\$ 174,177	\$ 159,473	\$ 149,611	\$ 123,872
Actual Contribution	<u>(174,177)</u>	<u>(159,473)</u>	<u>(149,611)</u>	<u>(123,872)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$1,488,759	\$ 1,420,682	\$ 1,345,080	\$ 1,199,669
Contributions as a Percentage of Covered Employee Payroll	<u>11.70%</u>	<u>11.23%</u>	<u>11.12%</u>	<u>10.33%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined for the District's fiscal years indicated, which differs from the reporting timeframes used in Schedule I. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

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

**TOWN OF ELIOT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S
NET OPEB LIABILITY – GROUP HEALTH PLAN
JUNE 30, 2018**

	<u>6/30/18</u>
Service Cost	\$ 6,061
Interest	5,958
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	2,607
Changes of Assumptions or Other Inputs	7,160
Benefit Payments	<u>(4,104)</u>
Net Changes	17,682
 Total OPEB Liability - Beginning	 <u>153,586</u>
Total OPEB Liability - Ending	<u>\$ 171,268</u>
 Covered-Employee Payroll	 \$ 1,243,918
Total OPEB Liability as a Percentage of Covered-Employee Payroll	13.8%

Amounts presented for each fiscal year were determined as of the prior January 1. The data above was determined by the actuarial valuation date which was six-months prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

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