

Town of Skowhegan, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2018

CONTENTS

	Statement	Page
Independent Auditor's Report		4-5
Required Supplementary Information		
Management's Discussion and Analysis		6-13
Basic Financial Statements		
Government-wide Financial Statements		
Statement of net position	1	14
Statement of activities	2	15
Fund Financial Statements		
Balance sheet – governmental funds	3	16
Reconciliation of the governmental funds balance sheet to the statement of net position	3A	17
Statement of revenues, expenditures and changes in fund balances – governmental funds	4	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	4A	19
Statement of fiduciary net position – fiduciary funds	5	20
Statement of changes in fiduciary net position – fiduciary funds	6	21
Notes to basic financial statements		22-47
	Exhibit	
Required Supplementary Information		
Budget and actual (with variances) – general fund	1	48
Schedule of the Town's proportionate share of net pension liability – Participating Local Districts Plan	2	49
Schedule of Town pension contributions – Participating Local Districts Plan	3	50
Schedule of the Town's proportionate share of net OPEB liability – Participating Local Districts Plan	4	51
Schedule of Town OPEB contributions – Participating Local Districts Plan	5	52
Schedule of changes in net OPEB liability and related ratios – Postretirement Employee Healthcare Plan	6	53

CONTENTS

	Schedule	Page
Other Supplementary Information		
Combining schedule of revenues, expenses and changes in fund balances – permanent funds	1	54
Taxes receivable, tax liens and tax acquired property – general fund	2	55
Other Reports and Schedules		
Independent auditor’s report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>		56-57
Independent auditor’s report on compliance for each major program and on internal control over compliance required by the Uniform Guidance		58-59
Schedule of expenditures of federal awards		60
Notes to the schedule of expenditures of federal awards		61
Schedule of findings and questioned costs		62-63



674 Mt. Hope Avenue • Suite 1 • Bangor, ME 04401-5662 • (207) 947-3325 • FAX (207) 945-3400
Email: bta@btacpa.com

Independent Auditor's Report

Board of Selectmen
Town of Skowhegan, Maine

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 Skowhegan, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Skowhegan, Maine, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 6 through 13 and page 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Skowhegan, Maine's basic financial statements. The other supplementary information on Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information on Schedules 1 and 2 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 and 2 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of the Town of Skowhegan, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Skowhegan, Maine's 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 Skowhegan, Maine's internal control over financial reporting and compliance.

Barbara Whibodian & Associates

March 29, 2019

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2018

As management of the Town of Skowhegan, Maine, we offer the citizens of the Town of Skowhegan this narrative overview and analysis of the financial activities of the Town of Skowhegan for the year ended June 30, 2018. We encourage the citizens to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Skowhegan, Maine (the Town) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and component units separately. These statements include all assets of the Town as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the two categories of activities – governmental and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The fiduciary activities are private purpose trust funds, which only report using the economic resources measurement focus of accounting. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

REPORTING THE TOWN AS A WHOLE

The Statement of Net Position and the Statement of Activities:

The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities. These statements include all assets and liabilities of the Town using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the Town's financial health or financial position. Over time, increases and decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating.

Other factors to consider are changes in the Town's property tax base and the condition of the Town's capital assets and other infrastructure.

In the Statement of Net Position and the Statement of Activities, we separate the Town Activities as follows:

Governmental Activities – Most of the Town's basic services are reported in this category, including the General Government, Fire, Police, Public Works, Planning and Economic Development, Parks and Recreation, Community services. Property taxes, user fees, interest income, state and federal grants finance these activities.

Component Unit – The Town discretely presents the Skowhegan Economic Development Corporation as a component unit. Separate financial statements for Skowhegan Economic Development Corporation can be obtained by calling their office at 474-6905.

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Town, assets exceeded liabilities by \$25,199,672 for the year ended June 30, 2018. The current year's governmental activities and component unit financial statements are compared with prior year as follows:

	Governmental Activities		Component Unit	
	06/30/18	06/30/17	06/30/18	06/30/17
Current and other assets	\$ 15,705,248	\$ 15,771,842	\$ 359,267	\$ 409,586
Capital Assets, net	<u>27,522,658</u>	<u>26,695,408</u>	<u>1,520,816</u>	<u>1,478,942</u>
Total Assets	<u>43,227,906</u>	<u>42,467,250</u>	<u>1,880,083</u>	<u>1,888,528</u>
Deferred outflows of resources	<u>1,171,296</u>	<u>1,602,607</u>	<u>-</u>	<u>-</u>
Current liabilities	1,179,473	638,359	52,944	52,944
Noncurrent liabilities	<u>17,014,295</u>	<u>18,608,944</u>	<u>154,640</u>	<u>184,403</u>
Total liabilities	<u>18,193,768</u>	<u>19,247,303</u>	<u>207,584</u>	<u>237,347</u>
Deferred inflows of resources	<u>1,005,762</u>	<u>633,671</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	14,807,154	13,953,664	1,366,176	1,294,539
Restricted	2,454,172	2,432,094	-	-
Unrestricted	<u>7,938,346</u>	<u>7,803,125</u>	<u>306,323</u>	<u>356,642</u>
Total Net Position	<u>\$ 25,199,672</u>	<u>\$ 24,188,883</u>	<u>\$ 1,672,499</u>	<u>\$ 1,651,181</u>

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2018 and 2017:

	Governmental Activities		Component Unit	
	06/30/18	06/30/17	06/30/18	06/30/17
REVENUES:				
Program revenues:				
Charges for services	\$ 336,809	\$ 306,029	\$ 154,014	\$ 140,509
Operating grants and contributions	416,915	384,972	-	-
Capital grants and contributions	666,807	1,119,014	-	-
General revenues:				
Property taxes	17,661,469	16,825,845	-	-
Excise and miscellaneous taxes	1,532,907	1,541,243	-	-
Interest and lien costs	62,470	61,610	-	-
Grants and contributions not restricted to specific programs	2,861,799	2,423,642	-	-
Investment earnings (loss)	120,522	32,868	1,605	2,357
Miscellaneous	26,517	19,032	-	-
Total revenues	<u>23,686,215</u>	<u>22,714,255</u>	<u>155,619</u>	<u>142,866</u>
EXPENSES:				
General government	\$ 1,371,995	\$ 1,301,261	-	-
Public safety	2,845,327	2,672,729	-	-
Public works	2,743,750	1,298,042	-	-
Pollution control	490,180	581,685	-	-
Solid waste facility	818,056	807,226	-	-
Health and human services	289,319	257,488	-	-
Education	9,552,286	9,249,350	-	-
Culture and recreation	492,953	504,953	-	-
County tax	2,546,407	2,535,990	-	-
Cemetery maintenance	92,192	94,309	-	-
Community services	193,275	185,452	-	-
Grant and other special revenue program expense	286,956	213,054	-	-
Community and economic development	-	-	134,301	130,675
Interest on long-term debt	291,758	311,792	-	-
Capital outlay	184,350	1,762,700	-	-
Total expenses	<u>22,198,804</u>	<u>21,776,031</u>	<u>134,301</u>	<u>130,675</u>
Excess (deficiency) before Contributions and special items	<u>1,487,411</u>	<u>938,224</u>	<u>21,138</u>	<u>12,191</u>
Contributions to permanent fund	7,125	3,000	-	-
Special item – Gain(loss) on disposal of assets	(81,498)	(28,735)	-	-
Change in net position	1,413,038	912,489	21,138	12,191
Net position – beginning	<u>24,188,883</u>	<u>23,276,394</u>	<u>1,651,181</u>	<u>1,638,990</u>
Restatement for OPEB reporting	(402,249)	-	-	-
Net position – beginning, restated	<u>23,786,634</u>	<u>23,276,394</u>	<u>1,651,181</u>	<u>1,638,990</u>
Net position –ending	<u>\$25,199,672</u>	<u>\$24,188,883</u>	<u>\$ 1,672,319</u>	<u>\$ 1,651,181</u>

GOVERNMENTAL ACTIVITIES

The cost of all Governmental activities this year was \$22,198,804. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town property and excise taxes was only \$19,194,376, because some of the cost was paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs, capital grants and contributions. Overall, the Town's governmental program revenues, including intergovernmental aid and fees for services, were \$1,420,531. The Town paid for the remaining "public benefit" portion of governmental activities with taxes and with other revenues, such as interest, state revenue sharing, general contributions and other miscellaneous revenues.

The Town's programs include General Government, Public Safety, Public Works, Health and Human Services, Pollution Control and Sanitation, Culture and Recreation, Education, grant and other special revenue program expense, County Tax, Cemetery Maintenance, Tax Increment Financing, Debt Service and Capital Outlay. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

	<u>2018 Net (Expense)</u>	<u>2017 Net (Expense)</u>
Governmental Activities		
General government	\$ (1,265,273)	\$ (1,193,900)
Public safety	(2,679,447)	(2,513,659)
Public works	(2,593,666)	(1,146,245)
Pollution control	(490,180)	(581,685)
Solid waste facility	(710,630)	(732,118)
Health and human services	(139,990)	(125,311)
Education	(9,552,286)	(9,249,350)
Culture and recreation	(438,280)	(445,775)
County tax	(2,546,407)	(2,535,990)
Cemetery maintenance	(72,582)	(87,999)
Community services	(193,275)	(185,452)
Grant and other special revenue program expense	89,046	693,247
Interest on long-term debt	(291,758)	(311,792)
Capital outlay	<u>106,455</u>	<u>(1,549,987)</u>
Total governmental activities	<u>\$ (20,778,273)</u>	<u>\$ (19,966,016)</u>

Total resources available during the year to finance governmental operations consisted of beginning net position of \$23,786,634, program revenues of \$1,420,531, general revenues of \$22,265,684, contributions to permanent fund principal of \$7,125, less a loss on disposal of capital assets of (\$81,498). Total governmental activities expenses during the year were \$22,198,804; thus net position was increased by \$1,413,038 to \$25,199,672.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

Governmental Funds-Most of the Town’s basic services are reported in governmental funds, which focuses on how money flows into and out of those funds and the 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 be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement. The Town considers the General, Special Revenue, Capital Projects and Permanent Fund to be major governmental funds.

The information below shows total expenditures of the Town’s major funds as of June 30, 2018.

	<u>2018</u>
General government	\$ 1,303,809
Public safety	2,607,406
Public works	1,114,636
Pollution control	445,236
Solid waste facility	802,841
Health and human services	289,891
Education	9,552,286
Culture and recreation	405,179
County tax	2,546,407
Cemetery maintenance	92,192
Community services	193,275
Grant program expenses	384,130
Debt Service:	
Principal	1,387,308
Interest and other charges	297,910
Capital outlay	<u>3,020,432</u>
Total Expenditures	<u>\$ 24,442,938</u>

DEBT ADMINISTRATION

The governmental activities debt summary for the year ended June 30, 2018 is presented below:

	<u>2018</u>
Wastewater treatment facility upgrade	\$ 1,440,000
Wastewater lines upgrade	9,504,000
Clean water revolving loan	3,327,500
Road project	119,906
Capital leases	<u>220,283</u>
Total debt	<u>\$ 14,611,689</u>

CAPITAL ASSETS

The capital assets of the Town are those assets which are used in the performance of the Town's functions. At June 30, 2018, net capital assets of the governmental activities increased by \$827,250 to a total of \$27,522,658 and the net capital assets of the component unit increased by \$41,874 to a total \$1,520,816. Depreciation on capital assets is recognized in the Government-Wide financial statements. Additional information is provided in Note 3 of this report.

BUDGETS AND BUDGETARY ACCOUNTING

The following is a discussion of the general fund budgetary activity during the fiscal year ended June 30, 2018:

During the year actual revenues exceeded budgeted revenues by \$168,526. Most of this variance resulted from under budgeted excise tax, fees and fines, and investment and interest earnings.

Budgeted expenditures were higher than actual expenditures by \$754,434 with the utilization of designated carryover balances.

The major budget variances for the year ended June 30, 2018 were as follows:

1. General government expenditures \$134,911 under budget due to savings in personnel costs and workers compensation costs.
2. Public Safety expenditures \$219,848 under budget due to savings in personnel costs and utilities costs.
3. Public Works expenditures \$168,980 under budget due to savings in fuel, sand and salt, and personnel costs.
4. Wastewater and Pollution Control \$132,436 under budget due to savings in personnel costs and utilities costs.
5. Excise tax revenues \$227,907 over budget due to conservative budgeting of this line item.
6. Property tax revenue \$171,885 under budget due to deferred tax adjustments, writeoffs, and abatements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Annual Budget assures the efficient, effective and economic uses of the Town's resources, as well as establishing that the highest priority objectives are accomplished. Through the budget, the Board of Selectmen sets the direction of the Town, allocates its resources and establishes its priorities.

Historical Trend

As the Town enters fiscal year 2019, we are in solid financial shape with many years of higher than anticipated revenues. This has laid the foundation for a strong surplus at this time.

Up to this point the Town has been able to stabilize the tax rate with consistent increases in property valuations and strong revenues. However recently the tax rate had increased because of a substantial reduction in the valuation of the paper mill due to the decline in the demand for paper products, and three years ago the tax rate increased because we started making bond payments from general taxation for the substantial Combined Sewer Overflow construction project.

Revenues/Surplus

During this period of time actual revenues exceeded the budgeted revenues resulting in a surplus at the end of the year. This trend appears to be continuing within the Town of Skowhegan. However, as we move forward revenue estimates will start to inch closer to the actual revenues. Again, as revenues fall there will be less and less money put back into surplus. Surplus was also increased by the departments' cost saving methods, with left over appropriation monies being returned.

At this time, the Town has a healthy fund balance due to surplus funds. However, the Town needs to guard against a downturn in the economy, resulting in diminishing revenues.

Major Increases

The town's investment upgrading our infrastructure has been the major factor of the increase in the coming years. We have begun improving our over 100 year old sewer system that will result in the reduction of overflows into our streams and river. The added benefit will result in the improvement of several of our residential streets and help keep our river clean, as mandated by DEP.

Other major increases in operational budgets are caused by the increase in the costs of operating. The economy is driving this. Utilities and replacement costs have increased, along with more repairs due to wear and tear on equipment because equipment is kept longer. It does not look like these costs will decrease anytime soon, if at all.

Savings/Increased Demands

The Town's department heads are always looking for ways to save the Town money, whether through increased efficiencies or through the attainment of federal and state grants. The town is participating in a number of joint collaborative purchasing efforts with neighboring towns, the County and the State.

The fiscal year 2019 budget also includes revenue amounts for specific state, federal and private grants that have been applied for. There are also several other grant awards that will surface during the course of the fiscal year that were not known at the time of the budget process. These grants will be brought to the Board of Selectmen for approval.

The Future

In terms of the future, we need to be more proactive at attracting other revenue streams and diversifying our tax base. With declining revenues, changes to homestead exemption and the BETR and BETE programs, continuous cuts in the SAD 54 state funding and the uncertain economic growth; we need to be aware of the public benefit (reduced taxes) versus the cost of the services we provide. In short, as we move into the future, we need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues. We also need to be careful that we don't reduce our budgets so much that we can no longer supply the services that the taxpayers expect.

Due to budget reductions for reserve accounts in the past, the Town had not replaced some of its older equipment for numerous years or in some cases has had to lease equipment. These reductions helped to keep taxes low in the short term, but eventually the equipment and infrastructure will fail and there will be no choice but to increase taxes. In the last few years the Town has started to place more emphasis on setting aside funds every year for infrastructure projects and future equipment replacement in order to reduce repair costs, and we need to continue this trend.

In an effort to diversify the town's tax base, we have been working on various economic development projects. One of these projects is the Run of River. The Run of River Project encompasses the construction of a new whitewater park in the Skowhegan Gorge area of the Kennebec River. Along with enhancements and improvements to existing recreation sites, this project would serve existing recreation facility users, visitors to and residents of the downtown area, and visitors to and residents of the state of Maine. The Run of River project, in addition to potential increased recreation opportunities, would also complement the Town's broader community, tourism, and economic revitalization activities.

Summary

The Town government needs to continue to work harder and smarter; doing as much as possible to provide the best possible service at the lowest possible cost. We will continue to review and update the successful collaborative activities as potential solutions to some of the budget challenges that we are facing. As we will continue to change and work through these issues Skowhegan will become a better place for everyone.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Treasurer at 225 Water Street, Skowhegan, Maine, 04976, phone 207-474-6902, or e-mail skowtreas@skowhegan.org.

Town of Skowhegan, Maine
Statement of Net Position
June 30, 2018

	Governmental Activities	Component Unit Skowhegan Economic Development Corporation
ASSETS		
Cash and cash equivalents	\$ 501,843	\$ 339,874
Investments	11,384,253	-
Taxes receivable, net	909,651	-
Accounts receivable	37,718	-
Due from other governmental agencies	225,742	-
Due from Maine Bond Bank	1,896,185	-
Due from fiduciary funds	35	-
Due from component units	52,944	-
Loans receivable, net of allowance for doubtful accounts of \$33,568 (governmental activities)	696,877	19,393
Capital assets not being depreciated	804,018	157,820
Capital assets being depreciated, net	26,718,640	1,362,996
Total assets	43,227,906	1,880,083
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	1,106,803	-
Deferred outflows related to OPEB	64,493	-
Total deferred outflows of resources	1,171,296	-
LIABILITIES		
Accounts payable and accrued expenses	908,329	-
Due to other governmental agencies	33,618	-
Due to pension plan	35,848	-
Unearned revenue	751	-
Due to primary government	-	52,944
Accrued compensated absences	121,333	-
Accrued interest	79,594	-
Long-term liabilities		
Due within one year		
Capital lease obligations	100,603	-
Bonds and notes payable	1,286,656	26,436
Due in more than one year		
Capital lease obligations	119,680	-
Bonds and notes payable	13,104,750	128,204
Net pension liability	1,939,397	-
Net other postemployment benefit obligation	463,209	-
Total liabilities	18,193,768	207,584
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	917,368	-
Deferred inflows related to OPEB	28,863	-
Prepaid taxes	59,531	-
Total deferred inflows of resources	1,005,762	-
NET POSITION		
Net investment in capital assets	14,807,154	1,366,176
Restricted, non-expendable for		
Permanent funds principal	660,130	-
Restricted, expendable for		
Permanent funds income	348,369	-
Special revenue funds	1,445,673	-
Unrestricted	7,938,346	306,323
Total net position	\$ 25,199,672	\$ 1,672,499

See accompanying notes to the basic financial statements.

Town of Skowhegan, Maine
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Skowhegan Economic Development Corporation
Primary government						
Governmental activities						
General government	\$ 1,371,995	\$ 88,805	\$ 17,917	\$ -	\$ (1,265,273)	
Protection	2,845,327	60,601	105,279	-	(2,679,447)	
Public works	2,743,750	5,880	144,204	-	(2,593,666)	
Waste water and pollution control	490,180	-	-	-	(490,180)	
Solid waste management	818,056	107,426	-	-	(710,630)	
Health and human services	289,319	-	149,329	-	(139,990)	
Education	9,552,286	-	-	-	(9,552,286)	
Parks and recreation	492,953	54,487	186	-	(438,280)	
County tax	2,546,407	-	-	-	(2,546,407)	
Cemeteries	92,192	19,610	-	-	(72,582)	
Community services	193,275	-	-	-	(193,275)	
Grant program expenses	286,956	-	-	376,002	89,046	
Interest and other charges on long-term debt	291,758	-	-	-	(291,758)	
Capital outlay	184,350	-	-	290,805	106,455	
Total governmental activities	<u>\$ 22,198,804</u>	<u>\$ 336,809</u>	<u>\$ 416,915</u>	<u>\$ 666,807</u>	<u>(20,778,273)</u>	
Component Unit						
Skowhegan Economic Development Corporation	<u>\$ 134,301</u>	<u>\$ 154,014</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 19,713</u>
General revenues						
Taxes						
Property taxes					17,661,469	-
Excise taxes, permits, licenses and other fees					1,532,907	-
Interest and lien costs					62,470	-
Grants and contributions not restricted to specific programs					2,861,799	-
Unrestricted investment earnings and interest					120,522	1,605
Miscellaneous					26,517	-
Contributions to permanent fund principal					7,125	-
Special item - loss on disposal of assets					(81,498)	-
Total general revenues, contributions to permanent fund principal and special item					<u>22,191,311</u>	<u>1,605</u>
Change in net position					<u>1,413,038</u>	<u>21,318</u>
NET POSITION - BEGINNING					24,188,883	1,651,181
Restatement for OPEB reporting					<u>(402,249)</u>	<u>-</u>
NET POSITION - BEGINNING, RESTATED					<u>23,786,634</u>	<u>1,651,181</u>
NET POSITION - ENDING					<u>\$ 25,199,672</u>	<u>\$ 1,672,499</u>

See accompanying notes to the basic financial statements.

**Town of Skowhegan, Maine
Balance Sheet
Governmental Funds
June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,710	\$ 349,168	\$ 150,965	\$ -	\$ 501,843
Investments	5,029,423	-	5,332,984	1,021,846	11,384,253
Taxes receivable, net	909,651	-	-	-	909,651
Accounts receivable	27,687	10,031	-	-	37,718
Due from other governmental agencies	124,105	101,637	-	-	225,742
Due from Maine Bond Bank	-	-	1,896,185	-	1,896,185
Due from other funds	-	389,499	-	-	389,499
Due from Skowhegan Economic Development	52,944	-	-	-	52,944
Loans receivable, net of allowance for doubtful accounts of \$33,568	-	696,877	-	-	696,877
Total assets	<u>\$ 6,145,520</u>	<u>\$ 1,547,212</u>	<u>\$ 7,380,134</u>	<u>\$ 1,021,846</u>	<u>\$ 16,094,712</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 273,568	\$ 100,788	\$ 516,595	\$ -	\$ 890,951
Due to other funds	142,220	-	233,897	13,347	389,464
Payable to other governments	33,618	-	-	-	33,618
Due to pension plan	35,848	-	-	-	35,848
Unearned revenue	-	751	-	-	751
Other accrued expenses	17,378	-	-	-	17,378
Total liabilities	<u>502,632</u>	<u>101,539</u>	<u>750,492</u>	<u>13,347</u>	<u>1,368,010</u>
Deferred inflows of resources					
Prepaid taxes	59,531	-	-	-	59,531
Unavailable property taxes	635,585	-	-	-	635,585
Total deferred inflows of resources	<u>695,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695,116</u>
Fund balances					
Nonspendable for					
Trust fund principal	-	-	-	660,130	660,130
Loans receivable	-	696,877	-	-	696,877
Restricted for					
Trust fund income	-	-	-	348,369	348,369
Capital projects	-	-	1,669,306	-	1,669,306
Special revenue funds	-	748,796	-	-	748,796
Committed for					
Capital projects	-	-	4,960,336	-	4,960,336
Assigned for					
Other purposes	61,980	-	-	-	61,980
Unassigned	4,885,792	-	-	-	4,885,792
Total fund balances	<u>4,947,772</u>	<u>1,445,673</u>	<u>6,629,642</u>	<u>1,008,499</u>	<u>14,031,586</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,145,520</u>	<u>\$ 1,547,212</u>	<u>\$ 7,380,134</u>	<u>\$ 1,021,846</u>	<u>\$ 16,094,712</u>

Town of Skowhegan, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total fund balance, governmental funds	\$	14,031,586
--	----	------------

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 this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		27,522,658
---	--	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.

Deferred inflows related to property taxes		635,585
--	--	---------

Certain deferred outflows of resources and deferred inflows of resources related to pensions are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Deferred outflows related to pensions		1,106,803
Deferred inflows related to pensions		(917,368)
Deferred outflows related to OPEB		64,493
Deferred inflows related to OPEB		(28,863)

Some liabilities, (such as Accrued interest, Capital Lease Contract Payable, Accrued Compensated Absences, Bonds and Notes Payable, and Net Pension Liability), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

		<u>(17,215,222)</u>
--	--	---------------------

Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>25,199,672</u></u>
--	----	--------------------------

Town of Skowhegan, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 17,551,544	\$ -	\$ -	\$ -	\$ 17,551,544
Excise and miscellaneous taxes	1,532,907	-	-	-	1,532,907
Fees and fines	72,831	-	-	-	72,831
Licenses and permits	43,161	-	-	-	43,161
Intergovernmental	3,155,360	376,002	290,805	-	3,822,167
Charges for services	283,330	-	-	-	283,330
Investment and interest earnings	41,386	35,731	36,222	7,182	120,521
Contributions and reimbursements	55,153	-	-	-	55,153
Miscellaneous	88,536	-	-	13,264	101,800
	<u>22,824,208</u>	<u>411,733</u>	<u>327,027</u>	<u>20,446</u>	<u>23,583,414</u>
EXPENDITURES					
Current					
General government	1,303,809	-	-	-	1,303,809
Protection	2,607,406	-	-	-	2,607,406
Public works	1,114,636	-	-	-	1,114,636
Waste water and pollution control	445,236	-	-	-	445,236
Solid waste management	802,841	-	-	-	802,841
Health and human services	289,891	-	-	-	289,891
Education	9,552,286	-	-	-	9,552,286
Parks and recreation	405,179	-	-	-	405,179
County tax	2,546,407	-	-	-	2,546,407
Cemeteries	84,413	-	-	7,779	92,192
Community services	193,275	-	-	-	193,275
Grant program expenses	-	384,130	-	-	384,130
Debt service					
Principal	1,352,955	-	34,353	-	1,387,308
Interest and loan fees	297,849	-	61	-	297,910
Capital outlay	-	-	3,020,432	-	3,020,432
	<u>20,996,183</u>	<u>384,130</u>	<u>3,054,846</u>	<u>7,779</u>	<u>24,442,938</u>
Excess (deficiency) of revenues over expenditures	<u>1,828,025</u>	<u>27,603</u>	<u>(2,727,819)</u>	<u>12,667</u>	<u>(859,524)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	-	-	100,403	-	100,403
Transfers in	18,192	-	1,528,454	-	1,546,646
Transfers out	(1,528,454)	-	-	(18,192)	(1,546,646)
	<u>(1,510,262)</u>	<u>-</u>	<u>1,628,857</u>	<u>(18,192)</u>	<u>100,403</u>
Net change in fund balances	317,763	27,603	(1,098,962)	(5,525)	(759,121)
FUND BALANCES - BEGINNING	<u>4,630,009</u>	<u>1,418,070</u>	<u>7,728,604</u>	<u>1,014,024</u>	<u>14,790,707</u>
FUND BALANCES - ENDING	<u>\$ 4,947,772</u>	<u>\$ 1,445,673</u>	<u>\$ 6,629,642</u>	<u>\$ 1,008,499</u>	<u>\$ 14,031,586</u>

Town of Skowhegan, Maine
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds: \$ (759,121)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlays	\$ 2,937,697	
Depreciation	<u>(2,028,949)</u>	908,748

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain (loss) on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(81,498)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.

109,925

Some deferred outflows of resources and deferred inflows of resources related to pensions reported in the statement of activities do not require the use of current financial resources and these are not reported in governmental funds:

Deferred outflows related to pensions		260,625
Deferred outflows related to OPEB		5,438

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

Lease proceeds	\$ (100,403)	
Debt payments	<u>1,387,308</u>	1,286,905

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued compensated absences		2,383
Accrued interest		6,152
Net pension expense		(295,752)
Net OPEB expense		<u>(30,767)</u>

Change in net position of governmental activities		<u>\$ 1,413,038</u>
---	--	---------------------

Town of Skowhegan, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Funds
ASSETS	
Cash and cash equivalents	\$ 395,096
Loans receivable, net of allowance of \$21,337	274,519
Total assets	669,615
LIABILITIES AND NET POSITION	
Due to other funds	35
NET POSITION	
Held in trust for benefits and other purposes	\$ 669,580

Town of Skowhegan, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Income	
Interest	\$ 924
Dividends	<u> 12,178</u>
Total additions	<u> 13,102</u>
Change in net position	13,102
NET POSITION - BEGINNING	<u> 656,478</u>
NET POSITION - ENDING	<u><u> \$ 669,580</u></u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Skowhegan, Maine was incorporated in 1823 under the laws of the State of Maine. The Town operates under a selectmen-manager-town meeting form of government and provides the following services: general government, public safety, public works, health and welfare, and recreation.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America 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 Towns* and the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the Town are described below.

A. FINANCIAL REPORTING ENTITY

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Town. Additionally, the Town is required to consider other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, since the relationship with the Town is such that exclusion would cause the reporting entity's financial statements to be misleading, it was determined that the Skowhegan Economic Development Corporation should be included in this report as a component unit and discretely presented.

Separate financial statements for Skowhegan Economic Development Corporation can be obtained by calling the office at (207) 474-6905. Skowhegan Economic Development Corporation is a non-profit corporation organized to foster economic development in the Town of Skowhegan and in the County of Somerset. The Corporation also leases and maintains buildings.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information of all the activities of the Town, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program; and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and fiduciary activities. The governmental statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column, when applicable. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

1. Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Town has presented the following major governmental funds:

General Fund

The general fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. This fund includes federal and state grants for specific purposes.

Capital Projects Fund

The capital projects fund is used to account for all resources for the acquisition or construction of capital facilities or items by the Town.

Permanent Fund

The permanent fund accounts for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. This fund accounts for the activities of the cemetery trust, and various scholarship and other assistance programs.

2. Fiduciary Funds (not included in government-wide statements)

The Town has presented the following fiduciary fund:

Private Purpose Trust Funds

Private purpose funds are funds held by the Town in a trustee capacity and are accounted for in essentially the same manner as a private entity. Capital maintenance of private purpose funds is critical. Private purpose funds of the Town account for the activities of the Higgins Loan program.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

The government-wide statements and the fund financial statements for fiduciary funds 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 position. 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. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and compensated absence expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, intergovernmental revenues, and charges for services. All other governmental fund revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Town utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the Town's operations.

Appropriations for the general fund lapse at year end, except for balances approved to be carried forward by the Town Selectmen.

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the special revenue funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the Town's fiscal year.

F. FINANCIAL STATEMENT AMOUNTS

1. Cash, Cash Equivalents and Investments

For purposes of the statement of net position, cash and cash equivalents includes all demand and savings accounts, and bank certificates of deposit of the Town.

Investments are carried at fair value. Fair value is based on quoted market price. Additional information, including the composition of cash and investments, is presented in Note 2.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statement of net position. Any residual balances between the governmental activities and fiduciary funds are reported in the statement of net position as “due to/from fiduciary funds”.

3. Interfund Transfers

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the governmental funds on the fund financial statements. For the purposes of the government-wide statement of activities, all interfund transfers between individual funds within governmental activities have been eliminated.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. General infrastructure assets capitalized have an original cost of \$25,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	5-50 years
Sewer systems	30-100 years
Machinery and equipment	3-50 years
Vehicles	3-25 years
Infrastructure	15-50 years

The Town elected to utilize the infrastructure transition option in the implementation of GASB Statement #34 which does not require the Town to retroactively capitalize certain infrastructure assets.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes and bonds payable, capital leases, net pension liability, and net OPEB liability.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

5. Long-term Debt (Continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation up to five weeks. Compensated absences liability is reported in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

The Town has a small number of employees participating in a discontinued post-retirement healthcare plan. The benefits are provided in accordance with employment contracts or agreements between employees and the Town. The benefit is available to retirees meeting the eligibility criteria. The Maine Municipal Employees Health Trust issues a publicly available financial report that may be obtained by calling (207) 621-2645.

6. Pensions and Other Post Retirement Benefits Obligations (OPEB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension expense, information about the fiduciary net position of the Participating Local Districts (PLD) Plan and Town OPEB Plan and additions to/deductions from the PLD and Town Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD and Town Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates

8. Government-wide Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

9. Governmental Fund Balances

Fund balance represents the difference between assets and liabilities in the fund financial statements. Fund balance must be properly reported within one of the five fund balance categories listed below:

Nonspendable such as fund balances associated with inventories or prepaid expenses. The nonspendable fund balance may also include amounts that are required to be maintained intact, such as the corpus of an endowment fund.

Restricted fund balance classification includes amounts that can be used only for the specific purposes stipulated by constitution, grantors or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, which is the passage of a resolution by simple majority vote of the Board of Selectmen.

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Finance Director is authorized to assign funds for a particular purpose, in an amount not to exceed \$20,000 per purpose or \$200,000 in total. The Board of Selectmen has the authority to modify or rescind fund balances assigned by the Finance Director, and is authorized to assign amounts for a particular purpose for the Town, usually in the form of fund balance carry-overs, through a simple majority vote. The authority to assign fund balances is granted through the passage of the Town's fund balance policy.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Town has formally adopted a fund balance policy that addresses the requirements of GASB 54. For expenditures that qualify for multiple categories, amounts will be first spent from restricted fund balance, followed by committed fund balance, then assigned fund balance, and finally unassigned fund balance. The Town has adopted a minimum fund balance policy which requires that an amount equal to 10% of the Town's general fund expenditures be maintained as unassigned fund balance. In the event that the balance drops below the established minimum level, the Town's Board of Selectmen will develop a plan to replenish the fund balance to the established minimum level within two years.

10. Revenue Recognition - Property Taxes

Property taxes were levied on assessed values of April 1, 2017 and were due on November 16, 2017, and March 15, 2018. Interest was charged at 7% per annum on amounts not paid by the due date. Upon the expiration of eight months, and within one year from the date of the original commitment, a tax lien is recorded for all delinquent taxes on real estate.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

10. Revenue Recognition - Property Taxes (Continued)

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2018, and during the first sixty days of the next fiscal year are recognized as revenue in 2018. Receivables estimated to be collectible after the sixty-day period are recorded as deferred inflows of resources in the general fund.

Assessed value	
Real estate	\$ 568,466,800
Personal property	<u>317,717,600</u>
	886,184,400
Tax rate (per \$1,000)	<u>20.00</u>
Commitment	17,723,688
Less: collections and abatements	<u>(17,055,600)</u>
Receivable at June 30, 2018	<u>\$ 668,088</u>
Collection rate	96.2%

11. New Governmental Accounting Standards

During the year ended June 30, 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

During the year ended June 30, 2018, the Town implemented GASB Statement No. 85, *Omnibus 2017*. This statement improves financial reporting by enhancing consistency in the application of accounting and financial reporting requirements related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

12. Recent Accounting Pronouncements

In April 2018, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement improves financial reporting by improving the consistency of the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The effect of this Statement on the Town's financial statements is not known at this time.

In June 2018, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement improves financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The statement is effective for periods beginning after December 15, 2019. The effect of this Statement on the Town's financial statements is not known at this time.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Primary Government

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2018, the Town reported deposits of \$896,939 with bank balances of \$912,277. Of the Town's total bank balance of \$912,277, \$261,312 was exposed to custodial credit risk. The entire amount of \$261,312 was uncollateralized.

Deposits in the primary government have been reported as follows:

Reported in governmental funds	\$ 501,843
Reported in fiduciary funds	<u>395,096</u>
Total deposits	<u>\$ 896,939</u>

Component unit

Custodial Credit Risk: The Town's component unit reported deposits of \$339,874 with bank balances of \$339,883. Of the Town's component units total bank balance of \$339,883, \$81,066 was exposed to custodial credit risk. The entire amount of \$81,066 was uncollateralized.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments – Primary Government

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The trust fund is also authorized to invest in various instruments in accordance with laws of the State of Maine.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

Investments of the Town reported in the governmental funds and their level in the fair value hierarchy as of June 30, 2018 are as follows:

Repurchase agreements	\$ 5,029,423	Level 1
Money market mutual funds	2,069,309	Level 1
Negotiable CDs	245,780	Level 1
U.S. Agency debt securities	<u>4,039,741</u>	Level 2
Total investments	<u>\$ 11,384,253</u>	

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments. The Town does not have an investment policy for custodial credit risk. Of the Town's \$11,384,253 invested in repurchase agreements, money market mutual funds, negotiable CDs, and U.S. Agency debt securities, \$9,314,944 is exposed to custodial credit risk as the investments are held by the counterparty's trust department, in the name of the bank's custodian.

Concentration of Credit Risk: The Town does not have any investments that meet the criteria to be classified as a concentration of credit risk investment.

Interest Rate Risk: The Town does not have a policy related to investment rate risk. The Town is required to disclose the interest rate risk of its debt investments as follows:

	<u>Due in less than one year</u>	<u>Due in 1-5 years</u>	<u>Due in more than five years</u>
Repurchase agreements	\$ 5,029,423	\$ -	\$ -
Negotiable CDs	-	245,780	-
U.S. Agency debt securities	<u>999,355</u>	<u>3,040,386</u>	-
Total debt investments	<u>\$ 6,028,778</u>	<u>\$ 3,286,166</u>	<u>\$ -</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 3. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Primary Government				
Governmental activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 209,410	\$ 55,000	\$ -	\$ 264,410
Construction in progress	<u>501,229</u>	<u>1,479,888</u>	<u>(1,441,509)</u>	<u>539,608</u>
Total	<u>710,639</u>	<u>1,534,888</u>	<u>(1,441,509)</u>	<u>804,018</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	3,423,173	30,227	-	3,453,400
Vehicles	4,273,183	511,626	(190,541)	4,594,268
Roads and bridge network	20,714,824	1,137,652	(82,736)	21,769,740
Distributions and collections	18,010,877	1,168,379	-	19,179,256
Machinery and equipment	<u>3,414,843</u>	<u>20,934</u>	<u>(258,269)</u>	<u>3,177,508</u>
Total	<u>49,836,900</u>	<u>2,868,818</u>	<u>(531,546)</u>	<u>52,174,172</u>
<i>Less accumulated depreciation for</i>				
Buildings and improvements	(2,629,613)	(123,715)	-	(2,753,328)
Vehicles	(2,021,412)	(335,677)	131,254	(2,225,835)
Roads and bridge network	(12,020,260)	(1,081,513)	80,836	(13,020,937)
Distributions and collections	(4,413,971)	(389,082)	-	(4,803,053)
Machinery and equipment	<u>(2,766,875)</u>	<u>(98,962)</u>	<u>213,458</u>	<u>(2,652,379)</u>
Total accumulated depreciation	<u>(23,852,131)</u>	<u>(2,028,949)</u>	<u>425,548</u>	<u>(25,455,532)</u>
Total capital assets being depreciated, net	<u>25,984,769</u>	<u>839,869</u>	<u>(105,998)</u>	<u>26,718,640</u>
Total governmental activities, net	<u>\$ 26,695,408</u>	<u>\$ 2,374,757</u>	<u>\$ (1,547,507)</u>	<u>\$ 27,522,658</u>

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

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Component Unit				
<i>Capital assets not being depreciated</i>				
Land	\$ 83,547	\$ 74,273	\$ -	\$ 157,820
<i>Capital assets being depreciated</i>				
Buildings and improvements	1,959,282	-	-	1,959,282
Equipment and fixtures	<u>9,025</u>	<u>7,500</u>	-	<u>16,525</u>
Total	<u>1,968,307</u>	<u>7,500</u>	-	<u>1,975,807</u>
<i>Less accumulated depreciation for</i>				
Buildings and improvements	(563,887)	(39,185)	-	(603,072)
Equipment and fixtures	<u>(9,025)</u>	<u>(714)</u>	-	<u>(9,739)</u>
Total accumulated depreciation	<u>(572,912)</u>	<u>(39,899)</u>	-	<u>(612,811)</u>
Total capital assets being depreciated, net	<u>1,395,395</u>	<u>(32,399)</u>	-	<u>1,362,996</u>
Total component unit, net	<u>\$ 1,478,942</u>	<u>\$ 41,874</u>	<u>\$ -</u>	<u>\$ 1,520,816</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 3. CAPITAL ASSETS (CONTINUED)

Depreciation was charged to the following activities as follows:

Governmental activities:	
General government	\$ 63,928
Public safety	199,646
Public works	1,625,918
Pollution control	45,160
Solid waste facility	11,763
Culture and recreation	<u>82,534</u>
Total	<u>\$2,028,949</u>
Component unit:	
Skowhegan Economic Development Corporation	<u>\$ 39,899</u>

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2018:

	Balance June 30, 2017, Restated	Increases	Decreases	Balance June 30, 2018	Portion due within one year
Primary Government					
General Obligation Bonds					
Maine Municipal Bond Bank, Wastewater Facility, dated April 16, 2005, due 2024, interest rate at 1.1%	\$ 1,680,000	\$ -	\$ (240,000)	\$ 1,440,000	\$ 240,000
Maine Municipal Bond Bank, Clean Water Revolving, dated December 30, 2006, due 2020, interest varies from 4.75-5.0%	3,660,250	-	(332,750)	3,327,500	332,750
Maine Municipal Bond Bank, Clean Water Revolving, dated October 30, 2013, due 2033, interest rate at 1.44%	10,098,000	-	(594,000)	9,504,000	594,000
Skowhegan Savings Bank, Road Project Bond, dated October 4, 2011, due 2018, interest rate at 2.95%	<u>239,906</u>	<u>-</u>	<u>(120,000)</u>	<u>119,906</u>	<u>119,906</u>
Total general obligation bonds	15,678,156	-	(1,286,750)	14,391,406	1,286,656
Capital Leases Payable	220,438	100,403	(100,558)	220,283	100,603
Net Pension Liability	2,710,350	-	(770,953)	1,939,397	N/A
OPEB Liability	<u>407,501</u>	<u>91,515</u>	<u>(35,807)</u>	<u>463,209</u>	<u>N/A</u>
Total primary government	<u>\$ 19,016,445</u>	<u>\$ 191,918</u>	<u>\$(2,194,068)</u>	<u>\$ 17,014,295</u>	<u>\$ 1,387,259</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Portion due within one year
Component unit – Skowhegan Economic Development Corporation					
<i>General Obligation Note Payable Skowhegan Savings Bank, Industrial Park dated September 7, 1999, due 2025, interest rate at 5.11%</i>	\$ 184,403	\$ -	\$ (29,763)	\$ 154,640	\$ 26,436

General obligation bonds payable

Future maturities of long-term debt are as follows:

Governmental Activities			
Fiscal year ended	Principal	Interest	Total
2019	\$ 1,286,656	\$ 267,541	\$ 1,554,197
2020	1,166,750	248,223	1,414,973
2021	1,166,750	230,675	1,397,425
2022	1,166,750	213,127	1,379,877
2023	1,166,750	195,578	1,379,878
2024-2028	4,873,750	697,459	5,899,154
2029-2033	2,970,000	305,672	3,672,884
2034	<u>594,000</u>	<u>34,191</u>	<u>1,265,362</u>
	<u>\$ 14,391,406</u>	<u>\$ 2,192,466</u>	<u>\$ 16,583,872</u>
Component unit			
Year ended	Principal	Interest	Total
2019	26,436	9,040	35,476
2020	27,819	7,657	35,476
2021	29,275	6,201	35,476
2022	30,806	4,670	35,476
2023	34,662	814	35,476
2024	<u>5,642</u>	<u>-</u>	<u>5,642</u>
	<u>\$ 154,640</u>	<u>\$ 28,382</u>	<u>\$ 183,022</u>

In accordance with Maine law, no municipality shall incur debt for specific purposes in excess of certain percentages of State valuation of such municipality. The Town was in compliance with these limitations.

Capital leases payable

The Town is the lessee of public works vehicles under capital leases expiring in 2019, 2020, and 2022. The liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset acquired.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

Capital leases payable (Continued)

As of June 30, 2018, the Town had recorded \$711,288 in vehicles related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2018 is \$318,958.

Minimum future lease payments under capital leases as of June 30, 2018 are:

2019	\$ 106,988
2020	83,713
2021	20,737
2022	<u>20,737</u>
	232,175
Less amount representing interest	<u>(11,892)</u>
Present value of minimum lease payments	<u>\$ 220,283</u>

Overlapping Debt

In addition to the bonds payable, the Town is contingently responsible for a proportionate share of the overlapping debt of Somerset County. At June 30, 2018, the County had debt outstanding of \$14,460,000 of which the Town share was 20.3% for a total of \$2,935,562.

NOTE 5. SHORT-TERM DEBT

The Town secured a tax anticipation note, issued on October 24, 2017, for working capital purposes. The note provided for a rate of interest of 1.39% per annum, a maximum credit availability of \$3,000,000 and was due in full on December 24, 2017.

Short-term financing activity for the Town during the year ended June 30, 2018, is summarized as follows:

Source of Financing	Purpose of Financing	Balance 6/30/17	Draws	Paid	Balance 6/30/18
Bangor Savings Bank	Working capital	\$ -	\$ 1,350,001	\$ (1,350,001)	\$ -

The Town paid interest of \$2,864 for short-term financing during the year ended June 30, 2018.

NOTE 6. INTERFUND TRANSACTIONS

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers.

Individual fund interfund receivable and payable balances at June 30, 2018 arising from these transactions were as follows:

	Receivable	Payable	Transfers In	Transfers Out
General fund	\$ -	\$ 142,220	\$ 18,192	\$ 1,528,454
Special revenue fund	389,499	-	-	-
Capital projects fund	-	233,897	1,528,454	-
Permanent fund	-	13,347	-	18,192
Private purpose trust fund	-	35	-	-
	<u>\$ 389,499</u>	<u>\$ 389,499</u>	<u>\$ 1,546,646</u>	<u>\$ 1,546,646</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 6. INTERFUND TRANSACTIONS (CONTINUED)

Transfers are used to move revenues that are collected in accordance with the budget to the appropriate fund to expend and use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorization.

NOTE 7. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and leases payable, adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2018:

Capital assets	\$ 52,978,190
Accumulated depreciation	(25,455,532)
Related capital leases	(220,283)
Related bonds payable	(14,391,406)
Unspent bond proceeds	<u>1,896,185</u>
Total balance	<u>\$ 14,807,154</u>

NOTE 8. RESTRICTED FOR GRANTS EXPENDITURES – SPECIAL REVENUE FUND

Special revenue – restricted for grants expenditures consisted of the following at June 30, 2018:

Community development	\$ 349,168
Revolving heating loans program	13,667
Micro revolving loans program	20,634
Revolving loan fund	213,720
Wellness program	662
Ballfield	20,608
Community center donations	21,367
Lakes Environmental Association	737
Artists Plein Air Event	536
Dudley Corner School House	75
Records search	465
Run of River	65
Universal waste	4,737
Employee fundraising	1,520
Fire department donations	219
Franchise fees	54,603
Opera House maintenance	9,841
Fuel assistance donations	2,418
Rescue Alive Sled donations	250
Law enforcement training and outfitting	13,268
USDA Summer foods grant	6,862
Move More Kids grant	8,268
Underage drinking grant	966
Public safety building	2,380
Distracted driving	<u>1,760</u>
Total	<u>\$ 748,796</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 9. COMMITTED FOR CAPITAL EXPENDITURES - CAPITAL PROJECTS FUND

Capital projects – committed for capital expenditures consisted of the following at June 30, 2018:

Administration	\$ 31,047
Capacity	196,618
Catastrophic wages	10,465
Cemetery	21,460
Community & economic development	3,182
Creative playground maintenance	878
Dare program	4,667
Downtown TIF	326,820
Economic development Sappi TIF	2,168,222
Emergency management	32,912
Fire department	497,224
Legal fees	72,009
Municipal building renovation	112,055
Opera House renovations	3,574
Parks & recreation	119,560
Planning, ordinance administration	11,650
Police equipment repair/replace	20,261
Pollution control	596,666
Public safety building	100,274
Public works building	21,540
Revaluation	134,431
Road project	83,974
Sale of town property	195,509
Second industrial park project	191,503
Run of River	3,835
Total	<u>\$ 4,960,336</u>

NOTE 10. ASSIGNED FUND BALANCES FOR OTHER PURPOSES

General fund - assigned for other purposes consisted of the following at June 30, 2018:

General assistance donations	\$ 2,980
Economic development	<u>59,000</u>
Total	<u>\$ 61,980</u>

NOTE 11. SIGNIFICANT TAXPAYER

For the year ending June 30, 2018, the Town of Skowhegan billed \$7,512,520 in property tax revenue from Sappi North America (formerly S.D. Warren, Inc.) This amount represents 42.39% of total property taxes assessed.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 12. DEFINED BENEFIT PENSION PLAN

Maine Public Employees Retirement System

Eligible employees participate in the Maine Public Employees Retirement System's Participating Local District (PLD) Plan. The PLD plan is a multiple-employer cost sharing defined benefit plan. Eligible employers (districts) are defined in Maine statute.

Pension Benefits

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

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

Contributions

Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or by the System's Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions - PLD Plan

PLD plan members are required to contribute 8.0% or 9.5% of their annual salary to the plan. The Town is required to pay 9.6% or 12.2% of members' compensation. The Town had covered payroll of \$2,378,588 for the year ended June 30, 2018. Town contributions were as follows.

	Year ended 6/30/18		Year ended 6/30/17		Year ended 6/30/16	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Employer	\$ 260,625	11.0%	\$ 242,779	10.5%	\$ 239,365	10.2%
Employee	208,909	8.8%	203,276	8.8%	194,348	8.3%

Net Pension Liability

The collective net pension liability measured as of June 30, 2017 was as follows:

	<u>PLD Plan</u>
Plan collective total pension liability	\$ 3,016,660,721
Less plan net position	<u>(2,607,223,644)</u>
Plan collective net pension liability	<u>\$ 409,437,077</u>

At June 30, 2018, the Town reported a liability for its proportionate share of the net pension liability. The amount recognized by the Town as its proportionate share of the net pension liability was \$1,939,397.

The net pension liability for the Town was measured as of June 30, 2017, and the total collective pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The Town's proportionate share percentage of the collective net pension liability for the PLD Plan was 0.473674%, allocated based on adjusted contributions to the plan for the year ended June 30, 2017. This percentage was 0.510106% at the prior measurement date of June 30, 2016.

Pension Expense

For the year ended June 30, 2018, the Town recognized pension expense of \$295,753 related to the PLD Plan, made up of the Town's proportionate share of plan pension expense \$329,649, pension expense related to specific liabilities of individual employers (\$1,374) and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions (\$32,522).

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 93,174
Changes of assumptions	165,031	-
Net difference between projected and actual investment earnings on pension plan investments	668,372	721,700
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,775	102,494
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>260,625</u>	<u>-</u>
Total	<u>\$ 1,106,803</u>	<u>\$ 917,368</u>

\$260,625 reported as deferred outflows related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	PLD Plan Amount
2019	\$ (86,293)
2020	134,132
2021	13,011
2022	<u>(132,040)</u>
	<u>\$ (71,190)</u>

Payables to Pension Plan

At June 30, 2018, the District had \$35,848 of outstanding payables to MainePERS, arising from legally required contributions to the pension plan for the fiscal year which had not been paid as of the end of the reporting period. The amount is due to be paid in July 2018, and the liability is reflected on both the fund financial statements and on the government-wide financial statements.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions, Discount Rate, and Pension Plan Fiduciary Net Position

Information on the pension plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net pension liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and Pension Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at www.maineopers.org/Publications/Publications.htm#Annual Reports.

NOTE 13. DEFINED BENEFIT OPEB PLAN

Maine Public Employees Retirement System – Group Life Insurance

The Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan) employees is a multiple-employer cost sharing plan.

Other Post-Employment Benefits (OPEB)

The Group Life Insurance Plans (the Plans) provide basic 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 the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. PLD employers are required to remit 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.

Net OPEB Liability

The collective net OPEB liability measured as of June 30, 2017 was as follows:

	PLD Plan
Plan collective total OPEB liability	\$ 31,804,436
Less plan net fiduciary position	<u>(15,082,934)</u>
Plan collective net OPEB liability	<u>\$ 16,721,502</u>

At June 30, 2018, the Town reported a liability for its proportionate share of the net OPEB liability. The amount recognized by the Town as its proportionate share of the net OPEB liability was \$67,667.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 13. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability (Continued)

The net OPEB liability for the Town was measured as of June 30, 2017, and the total collective OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. The Town's proportionate share percentage of the collective net OPEB liability for the PLD Plan was 0.404671%, allocated based on adjusted contributions to the plan for the year ended June 30, 2017. This percentage was 0.440591% at the prior measurement date of June 30, 2016.

OPEB Expense

For the year ended June 30, 2018, the Town recognized OPEB expense of \$1,093 related to the PLD Plan, made up of the Town's proportionate share of plan OPEB expense \$2,447 and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions (\$1,354).

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PLD Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	18,855
Net difference between projected and actual investment earnings on pension plan investments	-	3,240
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	6,768
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>1,599</u>	<u>-</u>
Total	<u>\$ 1,599</u>	<u>\$ 28,863</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 13. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

\$1,599 reported as deferred outflows related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Amounts reported as deferred inflows and outflows will be recognized as OPEB expense as follows:

Year ended June 30	PLD Plan Amount
2019	\$ (5,935)
2020	(5,935)
2021	(5,935)
2022	(5,935)
2023	(5,123)
	<u>\$ (28,863)</u>

Actuarial Assumptions, Discount Rate, and OPEB Plan Fiduciary Net Position

Information on the OPEB plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net OPEB liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and OPEB Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at www.maineopers.org/Publications/Publications.htm#Annual Reports.

NOTE 14. OTHER POST RETIREMENT BENEFIT (OPEB) PLAN

Town Plan Description

The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees (hereafter referred to as the Health Plan). The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Town Selectman has the authority to establish and amend the benefit terms and financing requirements.

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Changes in the discount rate affect the measurement of the Total OPEB Liability (TOL). Lower discount rates produce higher TOL and higher discount rates produce a lower TOL.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 14. OTHER POST RETIREMENT BENEFIT (OPEB) PLAN (CONTINUED)

Benefits Provided

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with 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. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the Health Plan benefit terms:

Active employees	54
Retirees under 65	-
Retirees over 65	<u>2</u>
 Total	 <u>56</u>

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 \$395,542 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

Changes in the Total Health Plan OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 307,866
Changes for the year:	
Service Cost	13,020
Interest	12,058
Changes of benefit terms	-
Differences between expected and actual experience	13,915
Changes in assumptions or other inputs	52,522
Benefit payments	<u>(3,839)</u>
Net changes	<u>87,676</u>
 Balance at June 30, 2018	 <u>\$ 395,542</u>

Change in assumptions reflects a change in the discount rate from 3.78% to 3.44% and also a change in valuation method from Projected Town Credit funding to the Entry Age Normal funding method.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 14. OTHER POST RETIREMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

For the year ended June 30, 2018, The Town recognized OPEB expense of \$32,460 related to the Health Plan. At June 30, 2018, The Town reported deferred outflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 12,369
Changes in assumptions or other inputs	46,686
Employer contributions after measurement date	<u>3,839</u>
Total	<u>\$ 62,894</u>

\$3,839 reported as deferred outflows related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Deferred outflows of resources and deferred inflows of resources related to the Health Plan will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ 7,382
2020	7,382
2021	7,382
2022	7,382
2023	7,382
Thereafter	<u>22,145</u>
Total	<u>\$ 59,055</u>

Actuarial Assumptions - Health Plan - The total OPEB liability in the January 1, 2018 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per annum
Salary increases	2.75% per annum
Discount rate	3.44% per annum
Healthcare cost trend rates	8.27% for 2018, decreasing to 4.00% for 2032
Retirees' share of the benefit related costs	100% of projected health insurance premiums

Mortality rates for the Health Plan were based on the RP2014 Total Dataset Healthy Annuity Mortality Table, for males and females.

The actuarial assumptions used in the January 1, 2018 valuation for the Health Plan were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Discount Rate - Health Plan - The rate used to measure the total OPEB liability for the Health plan was 3.44% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax- exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 14. OTHER POST RETIREMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the Total Health Plan OPEB Liability to Changes in the Discount Rate - 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 Town's total OPEB 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:

	1% Decrease 2.44%	Discount Rate 3.44%	1% Increase 4.44%
Total OPEB Liability	\$ 464,767	\$ 395,542	\$ 339,549
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 464,767</u>	<u>\$ 395,542</u>	<u>\$ 339,549</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 17.5%. A one percent increase in the discount rate decreases the NOL by approximately 14.2%.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates - The table below Presents the Town's total OPEB liability related to the Health Plan calculated using the healthcare cost trend rates of 8.27%, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (7.27%) or 1 percentage-point higher (9.27%) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	<u>\$ 335,679</u>	<u>\$ 395,542</u>	<u>\$ 471,797</u>

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 15.1%. A one percent increase in the healthcare trend rate increases the NOL by approximately 19.3%.

NOTE 15. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, injuries to employees, and natural disasters. The Town maintains various commercial insurance policies to mitigate these risks to an acceptable level and to limit the Town's exposure to losses.

The Town is a member of the Maine Municipal Association - Unemployment Compensation Fund ("Fund"). The fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for unemployment compensation coverage and develop a comprehensive loss control program. The Town contributes to the fund based on the first \$12,000 of wages for unemployment compensation. Each member has its reserve, which is determined by the actuary. The annual rate set by the Fund's actuary is based on the member's reserve and on estimated future claims. Each member is responsible for its' own excess of claims over reserve.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

NOTE 16. LOANS RECEIVABLE

The Town has four revolving loan programs, which are accounted for within its special revenue fund. Funding for these programs came from federal grants. Federal grants and program income continue to fund program loans, which are made to qualified borrowers for housing and economic development activities.

The Town annually determines the collectibility of these loans and adjusts its reserve for uncollectible loans to the calculated amounts. At June 30, 2018, the Town had established a reserve for uncollectible loans of \$33,568.

NOTE 17. COMMITMENTS

At June 30, 2018, the Town was committed to remaining construction contracts totaling approximately \$1,670,757.

NOTE 18. 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 requirement 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.

NOTE 19. TAX ABATEMENTS

The Town enters into property tax abatement agreements with local businesses under Title 30-A Chapter 206 Development Districts, Subchapter 1, Development Districts for Municipalities and Plantations and Subchapter 3, Municipal Affordable Housing Development Districts. Under this law, municipalities may grant property tax abatements of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town. For the fiscal year ended June 30, 2018, the Town abated property taxes totaling \$0 under this program, including the following tax abatement agreements.

The Town currently has two approved tax increment financing (TIF) districts, both of which were active during the year ended June 30, 2018. The objective of these TIF districts is to stimulate new investment in the Community by financing, through various tax increment financing projects, various public improvements. Taxes derived from increased assessed valuation within the districts can be "captured" for approved uses. The Town accounts for a portion of the activity of the TIF districts, including captured taxes and expenditures for approved purposes, in a capital reserve fund. The following is a brief description of each:

S.D. Warren (Sappi) – This TIF was established in 2001 and is for 20 years. The amount set aside for S.D. Warren is 65% of the captured assessed value in the District. The remaining 35% is retained by the Town for economic development within the Town and is reported in a capital committed fund.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2018

Downtown District – This TIF was established in 2005 and at June 30, 2018 is in effect for 17 more years. The District will capture any new valuation. 100% of this TIF is reported in a capital committed fund.

NOTE 20. RESTATEMENT OF BEGINNING NET POSITION

During the year ended June 30, 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*. These statements improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. As a result of implementing these new principles, the Town restated its beginning net position on the government-wide statements by (\$402,249), to record net OPEB liability of (\$407,501) and deferred outflows of \$5,252.

NOTE 21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 29, 2019, the date on which the financial statements were available to be issued.

Town of Skowhegan, Maine
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Changes**	Final*		
REVENUES					
Property taxes	\$ 17,723,688	\$ -	\$ 17,723,688	\$ 17,551,544	\$ (172,144)
Excise and miscellaneous taxes	1,305,000	-	1,305,000	1,532,907	227,907
Fees and fines	50,810	-	50,810	72,831	22,021
Licenses and permits	30,600	-	30,600	43,161	12,561
Intergovernmental	3,108,533	33,586	3,142,119	3,155,360	13,241
Charges for services	282,633	-	282,633	283,330	697
Investment and interest earnings	5,000	-	5,000	41,386	36,386
Contributions and reimbursements	50,210	-	50,210	55,153	4,943
Miscellaneous	65,622	-	65,622	88,536	22,914
Total revenues	<u>22,622,096</u>	<u>33,586</u>	<u>22,655,682</u>	<u>22,824,208</u>	<u>168,526</u>
EXPENDITURES					
Current					
General government	1,447,447	(8,727)	1,438,720	1,303,809	134,911
Protection	2,825,776	1,478	2,827,254	2,607,406	219,848
Public works	1,283,365	251	1,283,616	1,114,636	168,980
Waste water and pollution control	577,494	178	577,672	445,236	132,436
Solid waste management	825,085	97	825,182	802,841	22,341
Health and human services	249,286	40,605	289,891	289,891	-
Education	9,552,286	-	9,552,286	9,552,286	-
Parks and recreation	463,425	96	463,521	405,179	58,342
County tax	2,546,407	-	2,546,407	2,546,407	-
Cemeteries	84,849	-	84,849	84,413	436
Community services	193,275	-	193,275	193,275	-
Debt service					
Principal	1,352,955	-	1,352,955	1,352,955	-
Interest and other charges	314,989	-	314,989	297,849	17,140
Total expenditures	<u>21,716,639</u>	<u>33,978</u>	<u>21,750,617</u>	<u>20,996,183</u>	<u>754,434</u>
Excess of revenues over expenditures	<u>905,457</u>	<u>(392)</u>	<u>905,065</u>	<u>1,828,025</u>	<u>922,960</u>
OTHER FINANCING SOURCES (USES)					
Use of carryover fund balances	750,000	2,612	752,612	-	(752,612)
Overlay	(146,723)	-	(146,723)	-	146,723
Transfers in	17,500	-	17,500	18,192	692
Transfers out	(1,526,234)	(2,220)	(1,528,454)	(1,528,454)	-
Total other financing sources and (uses)	<u>(905,457)</u>	<u>392</u>	<u>(905,065)</u>	<u>(1,510,262)</u>	<u>(605,197)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>317,763</u>	<u>\$ 317,763</u>
FUND BALANCES - BEGINNING				<u>4,630,009</u>	
FUND BALANCES - ENDING				<u>\$ 4,947,772</u>	

* includes use of assigned carryover accounts

** reclassification of budget, use of assigned carryovers and additional revenues, and transfers between budget articles as allowed by budget

Town of Skowhegan, Maine
Schedule of the Town's Proportionate Share of the Net Pension Liability
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Town's proportion of the net pension liability	0.473674%	0.510160%	0.502658%	0.511665%	0.491303%					
Town's proportionate share of the net pension liability	\$ 1,939,397	\$ 2,710,350	\$ 1,603,714	\$ 787,356	\$ 1,514,487					
Town's covered-employee payroll	\$ 2,321,721	\$ 2,348,582	\$ 2,203,770	\$ 2,110,567	\$ 1,937,850					
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	83.53%	115.40%	72.77%	37.31%	78.15%					
Plan fiduciary net position as a percentage of the total pension liability	86.43%	81.61%	88.27%	94.10%	87.50%					

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

**Town of Skowhegan, Maine
 Schedule of Town Pension Contributions
 Participating Local Districts Plan
 Last 10 Fiscal Years*
 For the years ended June 30,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 242,779	\$ 239,365	\$ 206,104	\$ 177,376	\$ 144,781					
Contributions in relation to the contractually required contribution	<u>(242,779)</u>	<u>(239,365)</u>	<u>(206,104)</u>	<u>(177,376)</u>	<u>(144,781)</u>					
Contribution deficiency (excess)	<u>\$ -</u>									
Town's covered-employee payroll	\$ 2,321,721	\$ 2,348,582	\$ 2,203,770	\$ 2,110,567	\$ 1,937,850					
Contributions as a percentage of covered-employee payroll	10.46%	10.19%	9.35%	8.40%	7.47%					

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

Town of Skowhegan, Maine
Schedule of the Town's Proportionate Share of the Net OPEB Liability
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Town's proportion of the net OPEB liability	0.404671%									
Town's proportionate share of the net OPEB liability	\$ 67,667									
Town's covered-employee payroll	\$ 254,665									
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	26.57%									
Plan fiduciary net position as a percentage of the total OPEB liability	47.42%									

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

**Town of Skowhegan, Maine
 Schedule of Town's OPEB Contributions
 Participating Local Districts Plan
 Last 10 Fiscal Years*
 For the years ended June 30,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 1,413									
Contributions in relation to the contractually required contribution	<u>(1,413)</u>									
Contribution deficiency (excess)	<u>\$ -</u>									
Town's covered-employee payroll	\$ 254,665									
Contributions as a percentage of covered-employee payroll	0.55%									

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

Town of Skowhegan, Maine
Schedule of Changes in Net OPEB Liability and Related Ratios
Postretirement Employee Healthcare Plan -
For the Year Ended June 30, 2018

	Year Ended June 30, 2018 Actuarial Valuation Date
	January 1, 2018
<u>Total OPEB Liability</u>	
Service cost (BOY)	\$ 13,020
Interest (includes interest on service cost)	12,058
Differences between expected and actual experience	13,915
Changes in assumptions	52,522
Benefit payments, including refunds of member contributions	(3,839)
Net change in total OPEB liability	\$ 87,676
Total OPEB liability - beginning	\$ 307,866
Total OPEB liability - ending	\$ 395,542
<u>Plan fiduciary net position</u>	
Contributions - employer	3,839
Benefit payments, including refunds of member contributions	(3,839)
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	-
Net OPEB liability - ending	\$ 395,542
Covered employee payroll	\$ 2,245,320
Net OPEB liability as a percentage of covered employee payroll	<u>17.6%</u>

Town of Skowhegan, Maine
Combining Schedule of Revenues, Expenses and
Changes in Fund Balances - Permanent Fund
For the Year Ended June 30, 2018

	Mary Brainerd Worthy and Unfortunate Poor Fund	Edith Paradis Elderly and Worthy Poor	Cemetery Trust Fund	Bradford Woman's Aid	Coburn Worthy Poor	Coburn Woman's Aid	McClellan Woman's Aid	McClellan Lecture Funds	Benjamin Sawyer Award	Coburn Fund	William & Emma Walker Fund	Shirley Stedman Whittemore Fund	Totals
PRINCIPAL													
Revenues													
Additional principal	\$ -	\$ -	\$ 7,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,125
Capital gains (losses)	-	-	(1,039)	(8)	(24)	(16)	(28)	(15)	(1)	(284)	(18)	(2)	(1,435)
Unrealized gain (losses)	-	-	(1,104)	(8)	(25)	(18)	(30)	(17)	(2)	(306)	(19)	(3)	(1,532)
Net revenues	-	-	4,982	(16)	(49)	(34)	(58)	(32)	(3)	(590)	(37)	(5)	4,158
Fund balance, beginning	-	-	394,119	5,274	11,965	11,021	18,843	10,195	956	193,069	9,536	994	655,972
Fund balance, ending	\$ -	\$ -	\$ 399,101	\$ 5,258	\$ 11,916	\$ 10,987	\$ 18,785	\$ 10,163	\$ 953	\$ 192,479	\$ 9,499	\$ 989	\$ 660,130
UNDESIGNATED													
Revenues													
Investment income and other	\$ 179	\$ 32	\$ 7,191	\$ 55	\$ 168	\$ 115	\$ 196	\$ 109	\$ 9	\$ 1,992	\$ 125	\$ 16	\$ 10,187
Contributions	6,139	-	-	-	-	-	-	-	-	-	-	-	6,139
Unrealized gain (loss)	(32)	(6)	-	-	-	-	-	-	-	-	-	-	(38)
Transfers	-	-	(18,192)	-	-	-	-	-	-	-	-	-	(18,192)
Expenses	(6,368)	-	(9)	(57)	-	(123)	(210)	-	(12)	(1,000)	-	-	(7,779)
Excess (deficiency) of revenues over expenditures	(82)	26	(11,010)	(2)	168	(8)	(14)	109	(3)	992	125	16	(9,683)
Fund balance, beginning	21,279	3,700	317,408	282	4,731	476	843	608	18	5,233	2,860	614	358,052
Fund balance, ending	\$ 21,197	\$ 3,726	\$ 306,398	\$ 280	\$ 4,899	\$ 468	\$ 829	\$ 717	\$ 15	\$ 6,225	\$ 2,985	\$ 630	\$ 348,369
TOTAL PRINCIPAL AND UNDESIGNATED FUND BALANCE, ENDING	\$ 21,197	\$ 3,726	\$ 705,499	\$ 5,538	\$ 16,815	\$ 11,455	\$ 19,614	\$ 10,880	\$ 968	\$ 198,704	\$ 12,484	\$ 1,619	\$ 1,008,499

Town of Skowhegan, Maine
Taxes Receivable, Tax Liens and Tax Acquired Property
General Fund
June 30, 2018

Taxes receivable	
2018	\$ 668,088
2017	7,591
2016 and prior	<u>38,821</u>
Total taxes receivable	<u>714,500</u>
Tax liens	
2017	193,702
2016	<u>1,449</u>
Total tax liens	<u>195,151</u>
Total taxes receivable, tax liens and tax acquired property	<u>\$ 909,651</u>



674 Mt. Hope Avenue • Suite 1 • Bangor, ME 04401-5662 • (207) 947-3325 • FAX (207) 945-3400
Email: bta@btacpa.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Selectmen
Town of Skowhegan, Maine

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Skowhegan, Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Skowhegan, Maine's basic financial statements and have issued our report thereon dated March 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Skowhegan, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Skowhegan, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Skowhegan, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Skowhegan, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brantner Shibodan & Associates

March 29, 2019



674 Mt. Hope Avenue • Suite 1 • Bangor, ME 04401-5662 • (207) 947-3325 • FAX (207) 945-3400
Email: bta@btacpa.com

**Independent Auditor's Report on Compliance For Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Selectmen
Town of Skowhegan, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Skowhegan, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Town of Skowhegan, Maine's major federal programs for the year ended June 30, 2018. Town of Skowhegan, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Skowhegan, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Skowhegan, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Skowhegan, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Skowhegan, Maine, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Town of Skowhegan, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Skowhegan, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Skowhegan, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brantley Whibodan & Associates

March 29, 2019

Town of Skowhegan, Maine
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number/ Grant Number	Disburse- ments/ Expenditures
<i>U.S. Department of Agriculture</i>			
<i>Food and Nutrition Service</i>			
Summer Food Service for Children	10.559	013-05A-3018-05	\$ <u>11,514</u>
<i>U.S. Department of Justice</i>			
<i>Direct</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	VC1000084876	<u>12,609</u>
<i>U.S. Department of Transportation</i>			
<i>Passed through State of Maine Bureau of Highway Safety</i>			
<i>Highway Safety Cluster</i>			
Alcohol traffic safety and drunk driving prevention	20.601	SCE-10-11	1,361
Occupant protection	20.602	SCE-10-11	3,444
2018 High Visibility Distracted Driving Enforcement	20.616	69-8020-0-7-401	<u>5,579</u>
<i>Total Highway Safety Cluster</i>			<u>10,384</u>
Highway Planning and Construction	20.205	69-8083-0-7-401	<u>87,303</u>
<i>Total U.S. Department of Transportation</i>			<u>97,687</u>
<i>U.S. Development of Agriculture</i>			
<i>Passed through State of Maine Office of Community Planning & Development</i>			
Community Dev. Block Grant - 2014 Economic Development Program Grant	14.228	015-19A0587-012-6331	<u>120,000</u>
<i>Department of Homeland Security</i>			
2016 Homeland security grant program	97.067	EMW-2016-SS00080	<u>2,190</u>
<i>U.S. Environmental Protection Agency</i>			
<i>Passed through State Department of Environmental Protection</i>			
Capitalization Grants for Clean Water State Revolving Funds - Recovery	66.458	C 230065-05	<u>1,479,888</u>
Total expenditures of federal awards			<u>\$ 1,723,888</u>
Supplemental disclosure:			
Clean Water State Revolving Loan Fund			
Loan beginning balance			\$ 3,660,250
Loan payments			<u>(332,750)</u>
Loan ending balance			<u>\$ 3,327,500</u>

Town of Skowhegan, Maine
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

PURPOSE OF THE SCHEDULE

The Uniform Guidance requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The accompanying schedule includes all federal award programs of the Town for the fiscal year ended June 30, 2018. The reporting entity is defined in the Notes to the Basic Financial Statements of Town of Skowhegan, Maine.

2. BASIS OF PRESENTATION

The information in this schedule is presented in accordance with the requirements of requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

- a. Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
- b. The Uniform Guidance establishes the level of expenditures to be used in defining major federal financial award programs. Major programs for the Town have been identified in the Schedule of Findings and Questioned Costs.

3. BASIS OF ACCOUNTING

The information presented in the Schedule of Expenditures of Federal Awards is presented on a basis consistent with the Town's general purpose financial statements. The grants included are all accounted for on a modified accrual basis of accounting which is described in the notes to the general purpose financial statements.

LOAN BALANCES

4. CSO BOND PAYABLE

The Town had \$3,327,500 in outstanding clean water revolving funds bonds payable which were funded by federal awards at June 30, 2018. Of this total, \$1,896,185 is unspent bond proceeds held by the Maine Municipal Bond Bank to be drawn down as the funds are expended.

**Town of Skowhegan, Maine
Schedule of Findings and Questioned Costs
Year ended June 30, 2018**

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP - *Unmodified opinion*

Internal control over financial reporting

- Material weakness(es) identified? - yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? - yes none reported

Noncompliance material to financial statements noted? - yes no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? - yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? - yes none reported

Type of auditor’s report issued on compliance for major programs - *Unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? - yes no

Identification of major programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
66.458	Capitalization Grants for Clean Water State Revolving Funds - Recovery

Dollar threshold used to distinguish between Type A and Type B programs - \$750,000

Auditee qualified as low-risk auditee? - yes no

Town of Skowhegan, Maine
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2018

Section II — Financial Statement Findings

<i>Criteria or specific requirement</i>	None
<i>Condition</i>	
<i>Context</i>	
<i>Effect</i>	
<i>Cause</i>	
<i>Recommendation</i>	
<i>Management's response</i>	

Section III — Federal Award Findings and Questioned Costs

<i>Criteria or specific requirement</i> <i>(including statutory, regulatory,</i> <i>or other citation)</i>	None
<i>Condition</i>	
<i>Questioned costs</i>	
<i>Context</i>	
<i>Effect</i>	
<i>Cause</i>	
<i>Recommendation</i>	
<i>Management's response</i>	