

Town of Dover-Foxcroft, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2019

CONTENTS

	Statement	Page
Independent Auditor's Report		4-5
Required Supplementary Information Management's Discussion and Analysis		6-14
Basic Financial Statements		
Government-wide Financial Statements		
Statement of net position	1	15
Statement of activities	2	16
Fund Financial Statements		
Balance sheet – governmental funds	3	17
Reconciliation of the governmental funds balance sheet to the statement of net position	3A	18
Statement of revenues, expenditures and changes in fund balances – governmental funds	4	19
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	4A	20
Statement of net position – proprietary fund	5	21
Statement of revenues, expenses and changes in fund net position – proprietary fund	6	22
Statement of cash flows – proprietary fund	7	23
Statement of fiduciary net position – fiduciary funds	8	24
Statement of changes in fiduciary net position – fiduciary funds	9	25
Notes to basic financial statements		26-51
	Exhibit	
Required Supplementary Information		
Budget and actual (with variances) – general fund	1	52
Schedule of the Town's proportionate share of net pension liability – Participating Local Districts Plan	2	53
Schedule of Town pension contributions – Participating Local Districts Plan	3	54

CONTENTS (CONTINUED)

	Exhibit	Page
Required Supplementary Information (Continued)		
Schedule of the Town's proportionate share of net OPEB liability – Participating Local Districts Plan	4	55
Schedule of Town OPEB contributions – Participating Local Districts Plan	5	56
Schedule of changes in net OPEB liability and related ratios – Postretirement Employee Healthcare Plan	6	57
Other Supplementary Information		
Schedule		
Combining schedule of revenues, expenditures and changes in fund balances – permanent fund and special revenue fund trusts	1	58
Schedule of permanent fund and special revenue fund trusts balances	2	59
Combining schedule of changes in net position – private purpose trust funds	3	60
Schedule of private purpose trust funds balances	4	61
Taxes receivable, tax liens and tax acquired property – general fund	5	62
Other Report		
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>		63-64



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 Dover-Foxcroft, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dover-Foxcroft, Maine, as of and for the year ended June 30, 2019, 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 business-type activities, each major fund, and the aggregate remaining fund information of Town of Dover-Foxcroft, Maine as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information on pages 6 through 14 and pages 52 through 57 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Dover-Foxcroft, Maine's basic financial statements. The other supplementary information on Schedules 1 through 5 is presented for additional analysis and is not a required part of the financial statements.

The other supplementary information on Schedules 1 through 5 is the responsibility of management and was derived from and relates 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 through 5 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 December 12, 2019, on our consideration of the Town of Dover-Foxcroft, 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 Dover-Foxcroft, 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 Dover-Foxcroft, Maine's internal control over financial reporting and compliance.

Brantley Whibodan & Associates

December 12, 2019

Town of Dover-Foxcroft, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)

The Management Discussion and Analysis ("MD&A") is a report of the Town of Dover-Foxcroft's fiscal activity for the year ending June 30, 2019. The report is presented in a manner that fairly represents the Town's present financial position in respect to all funds and accounts. Included is all the information to accurately understand the Town's financial position, and the data is correct to the best of our knowledge and belief.

The report includes funds and accounts that the Town of Dover-Foxcroft is required, either by legal or fiduciary duty, to maintain in the operation of all services. The use of the additional financial statements is encouraged to better understand the report.

The financial information of the Town includes all town departments. All town departments include municipal departments consisting of Public Works, Protection, Administration, and others. The combination of these gives the true financial status of the Town of Dover-Foxcroft.

Biographical Information

The Town of Dover-Foxcroft has a population of 4,213. It is a service center community and Shiretown of Piscataquis County. Dover-Foxcroft is located 27 miles from the Town of Newport on US Route 7 and 37 miles from the City of Bangor on US Route 15. Residents are able to access labor markets in these areas in addition to the local labor market.

The major employers for the Town of Dover-Foxcroft are: Pleasant River Lumber Company, Mayo Regional Hospital, Hibbard Nursing Home, Main Street West Assisted Living, Charlotte White Center, Central Maine Power, MSAD #68, Foxcroft Academy, Town, County and State Government, and various retail and service businesses.

The Town of Dover-Foxcroft through Pine Crest Development Corporation manages Pine Crest Business Park. Pine Crest Business Park currently has 3 tenants and the park has available space to locate new businesses. Pine Crest Development Corporation is an economic development organization for all of Dover-Foxcroft outside of the business park.

Dover-Foxcroft has a diversity of residents in terms of year-round, seasonal, retiree and a school age population. Dover-Foxcroft serves approximately 950 of its nearly 1,900-year-round housing units with municipal water and sewer service. The sewer service is provided by the town sewer department and users are assessed by cubic ft. of water usage. The water service is provided by the Dover-Foxcroft Water District and the water users are charged on a similar basis.

Dover-Foxcroft's goal is to encourage population growth in the community, specifically, working age families. The strategy for accomplishing this goal is to provide quality municipal and local schools within a tax structure that is affordable for residents and business. By doing this the Town hopes to leverage its strengths in terms of centralized location, recreational opportunities, vibrant downtown district, and historic assets, to attract new residents and business.

Biographical Information (Continued)

The Town ultimately hopes to create conditions for expanded employment opportunities, continued quality K-12 education and post-secondary education, and for the availability of necessary healthcare related services in the area. The community recognizes the need to maintain a growing and diversified valuation base and expand current employment opportunities in the manufacturing, retail, healthcare, and service sectors. This growth is necessary to offset growth in the properties held in tax-exempt status currently accounting for over 20% of the Town's total municipal valuation.

FINANCIAL INFORMATION

The Town Administration is responsible for the accounting structure of the community. This structure includes the establishment of financial controls that protect the Town from loss and misuse. All accounting information is maintained and reported using generally accepted accounting principles (GAAP). Further, the administration performs constant review of all services to promote and assure optimum utilization of resources to provide the services requested by the community. All services are reviewed using a cost benefit analysis that considers the need and demand for the service provided balanced against the cost to the community as a whole.

The following is a summary of the financial highlights of the Town for the fiscal year:

- The balance of the Town's cash assets as of June 30, 2019 was \$3,153,216.
- The Town's governmental activities net position increased by a total of \$375,302.
- The Town's general fund's fund balance increased by \$376,114, from \$2,570,127 at June 30, 2018 to \$2,946,241 at June 30, 2019.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is an introduction to the Town's basic financial statements. The basic financial statements are prepared and are part of the Town's annual audit. The MD&A serves as a subjective explanation by the Town of the data contained in the audit. The three areas that the financial statements are broken into include: 1. Government-wide statements, 2. fund financial statements, and 3. Notes to the financial statements. Subjective analyses of the statements and other supplementary information are also made to better explain the statements.

Government-Wide Financial Statements

The government-wide statements are a total overview of the Town's financial status. They include all assets, liabilities, and activities in a manner similar to private sector accounting. The purpose is to show Town finances in a format that is familiar to the common person.

The statement of net position is used to express the financial data required for the government-wide financials. This shows the total assets which now include land, buildings, inventory, and other capital assets. These are then reduced by the liabilities which now include total bonds and leases due over their entire lives. The result is the net position of the Town.

Government-wide statements distinguish business-type activities and component units from governmental activities. Business-type activities are those that are funded in part through user fees or user-based revenue, whereas governmental activities are those that are primarily funded through taxes and governmental fees. The business-type activity in Dover-Foxcroft is the sewer department.

Fund Financial Statements

The Town segregates its activities into several funds. Each fund is determined to separate information in order to accurately report specific account activities. The determination of various funds is based upon accounting standards and legal requirements. The funds for the Town are the general fund (primary fund), the permanent fund, the special revenue fund, the Sewer proprietary fund, and private purpose trust funds. Separate statements are presented for governmental, proprietary, and fiduciary activities. The governmental and proprietary statements present each major fund as a separate column on the fund financial statements. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

General Fund

The general fund covers essentially the same data as included in the government-wide statements. The difference is that fund financials focus on yearly inflows and outflows to determine a specific year's accessible resources. Capital assets and depreciation are not included because they do not exemplify a specific year's transactions.

A budgetary comparison exhibit is provided to show budgeted amounts as compared to the actual activity. This information is useful to determine future budgets and community planning.

Special Revenue Funds

This fund is comprised of special revenue funds and includes federal and state grant activity.

Permanent Fund – Non-major fund

This 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.

Sewer Proprietary Fund

This fund accounts for the activities of the Town's sewer department.

Private Purpose Trust Funds

These funds account for assets held by the Town pursuant to a fiduciary agreement, for the benefit of individuals and entities outside the government.

Notes to Financial Statements

The notes to the financial statements are included in the audit to give specific comment to certain areas. These are a crucial part of the audit and are closely monitored by Town administration. The reason they are monitored is that they provide additional insight into activities of the Town. These can show areas of strength and weakness for continued success and improvement. The notes to the financial statements are included on pages 26-51.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with variances) which can be found on page 52.

GOVERNMENT-WIDE ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,773,065 as of June 30, 2019.

Net Position for the Period Ending June 30, 2019 and 2018

The current year’s government-wide financial statements are compared with prior year as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$4,537,612	\$4,104,852	\$ 689,066	\$ 679,913	\$ 5,226,678	\$ 4,784,765
Capital assets, net	<u>6,033,007</u>	<u>5,738,073</u>	<u>14,238,962</u>	<u>14,575,445</u>	<u>20,271,969</u>	<u>20,313,518</u>
Total Assets	<u>10,570,619</u>	<u>9,842,925</u>	<u>14,928,028</u>	<u>15,255,358</u>	<u>25,498,647</u>	<u>25,098,283</u>
Deferred outflows of resources	<u>179,829</u>	<u>364,584</u>	-	-	<u>179,829</u>	<u>341,677</u>
Current liabilities	198,715	140,914	35,193	25,556	233,908	166,470
Noncurrent liabilities	<u>1,561,252</u>	<u>1,315,077</u>	<u>2,943,078</u>	<u>3,197,275</u>	<u>4,504,330</u>	<u>4,512,352</u>
Total Liabilities	<u>1,759,967</u>	<u>1,455,991</u>	<u>2,978,271</u>	<u>3,222,831</u>	<u>4,738,238</u>	<u>4,678,822</u>
Deferred inflows of resources	<u>167,173</u>	<u>303,512</u>	-	-	<u>167,173</u>	<u>303,512</u>
Net Position						
Net investment in capital assets	5,005,763	5,114,066	11,295,884	11,378,170	16,301,647	16,492,236
Restricted, nonexpendable	414,746	411,596	-	-	414,746	411,596
Restricted, expendable	599,250	597,213	-	-	599,250	597,213
Unrestricted	<u>2,803,549</u>	<u>2,325,131</u>	<u>653,873</u>	<u>654,357</u>	<u>3,457,422</u>	<u>2,979,488</u>
Total Net Position	<u>\$ 8,823,308</u>	<u>\$ 8,448,006</u>	<u>\$ 11,949,757</u>	<u>\$12,032,527</u>	<u>\$ 20,773,065</u>	<u>\$20,480,533</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position:

As a result of applying GASB 34, the Town recorded depreciation expense of \$376,707 in its governmental activities and added fixed assets of \$907,960 for the year ended June 30, 2019.

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2019 and 2018.

	Governmental Activities		Business-type Activities	
	2019	20118	2019	2018
REVENUES				
<i>Program Revenues:</i>				
Charges for services and other	\$ 339,721	\$ 324,941	\$ 678,092	\$ 687,798
Operating grants and contributions	308,834	407,834	-	-
Capital grants and contributions	640	-	-	-
<i>General Revenues:</i>				
Property Taxes	6,345,424	6,243,148	-	-
Excise and miscellaneous taxes	839,604	809,847	-	-
Grants and contributions not restricted to specific purpose	576,481	505,020	-	-
Unrestricted investment income	71,835	71,835	12,319	10,764
Interest and lien costs	83,215	45,098	-	-
Miscellaneous	35,597	54,278	-	-
Total Revenues	<u>\$8,574,354</u>	<u>\$8,462,001</u>	<u>\$ 690,411</u>	<u>\$ 698,562</u>
EXPENSES				
General government	\$1,360,572	\$1,324,305	\$ -	\$ -
Protection	937,491	909,042	-	-
Public works	993,742	1,070,236	-	-
Solid waste	513,718	541,077	-	-
Health and human services	31,823	33,283	-	-
Culture and recreation	119,753	116,386	-	-
Cemetery	128,628	105,161	-	-
Contingency	32,806	19,241	-	-
Library	178,525	164,515	-	-
Tax incremental financing	122,014	127,759	-	-
County tax	434,662	428,079	-	-
Education	2,785,395	2,780,636	-	-
Special grants and contributions	21,108	34,159	-	-
Cemetery and other trusts	-	9,996	-	-
Interest on long-term debt	20,948	21,623	53,052	55,156
Capital outlay	368,872	128,035	-	-
Other sewer fund expenses	-	-	720,129	755,463
Total expenses	<u>\$8,050,057</u>	<u>\$7,813,533</u>	<u>\$ 773,181</u>	<u>\$ 810,619</u>
Excess (deficiency) before contributions to permanent fund principal, special items, and transfers	124,898	658,827	(82,770)	(112,057)
Contributions to permanent funds	3,150	2,250	-	-
Special item – sale of assets	(152,145)	31,111	-	-
Special item – proceeds from donated assets	-	224,541	-	-
Change in net position	375,302	916,729	(82,770)	(112,057)
Net position, beginning of year	<u>8,448,006</u>	<u>7,708,740</u>	<u>12,032,527</u>	<u>12,144,584</u>
Net position, end of year	<u>\$ 8,823,308</u>	<u>\$8,448,006</u>	<u>\$11,949,757</u>	<u>\$12,032,527</u>

The narrative that follows considers the operations of governmental and business-type activities separately.

Governmental Activities

For the year ended June 30, 2019, the Town's net position for governmental activities increased by \$375,302.

Expenses of governmental activities include depreciation expense of \$376,707. Depreciation expense has been allocated and is included in various function/program expenses of the Town. General revenues consist of all revenues that are not considered to be program revenues or charges for services. General revenues for the year ended June 30, 2019 totaled \$7,925,169. Of this amount, \$7,185,028 was from local property and excise taxes.

Business-type Activities

As previously mentioned, the Town's business-type activities consist of its sewer fund.

During the year ended June 30, 2019, the Town's net position from business-type activities decreased by \$82,770.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, its governmental funds reported a combined fund balance of \$3,940,786, \$396,301 higher than the previous year. An analysis of transactions affecting the change in the combined fund balance of the Town's governmental funds is as follows:

Revenues include property taxes totaling \$6,334,464. Excise taxes and other taxes accounted for \$839,604 in total revenue.

Total governmental fund expenditures for the year were \$8,697,008 and are broken down as follows:

General government	\$ 1,336,381
Protection	903,964
Public works	960,458
Solid waste	496,521
Welfare	31,823
Culture and recreation	106,882
Cemetery	121,702
Contingency and abatements	32,806
Library	178,525
Tax incremental financing	122,014
County tax	434,662
Education	2,785,395
Grant program expenses	21,108
Principal	119,372
Interest and other charges	20,947
Capital outlay	<u>1,024,448</u>
Total Governmental Funds Expenditures	<u>\$ 8,697,008</u>

The Town paid \$1,024,448 in governmental capital outlays appropriations during the year. A portion of this was capitalized and is reflected in the \$907,960 total added to capital assets as of June 30, 2019.

Capital Asset and Debt Administration

Capital Assets

	<u>Balance 6/30/18</u>	<u>Additions/ Completions</u>	<u>Retirement/ Restatement</u>	<u>Balance 6/30/19</u>
Governmental Activities				
Land	\$ 394,830	\$ -	\$ -	\$ 394,830
Infrastructure	1,364,220	349,500	-	1,713,720
Buildings and Improvements	3,072,290	93,146	-	3,165,436
Equipment, furniture and fixtures	1,699,158	46,147	-	1,745,305
Vehicles	<u>2,181,516</u>	<u>419,167</u>	<u>(399,000)</u>	<u>2,201,683</u>
Total capital assets	8,712,014	907,960	(399,000)	9,220,974
Less accumulated depreciation	<u>(2,973,941)</u>	<u>(376,707)</u>	<u>162,681</u>	<u>(3,187,967)</u>
Total capital assets, net	<u>\$ 5,738,073</u>	<u>\$ 531,253</u>	<u>\$(236,319)</u>	<u>\$ 5,638,177</u>
Business-Type Activities				
Land	\$ 124,171	\$ -	\$ -	\$ 124,171
Construction in progress	-	-	-	-
Buildings and Improvements	4,008,951	-	-	4,008,951
Equipment, furniture and vehicles	1,312,310	-	-	1,312,310
Infrastructure	<u>15,378,631</u>	<u>-</u>	<u>-</u>	<u>15,378,631</u>
Total capital assets	20,824,063	-	-	20,824,063
Less accumulated Depreciation	<u>(6,248,618)</u>	<u>(336,483)</u>	<u>-</u>	<u>(6,585,101)</u>
Total capital assets, net	<u>\$14,575,445</u>	<u>\$ (336,483)</u>	<u>\$ -</u>	<u>\$14,238,962</u>

Additional information on the Town's capital assets can be found in Note 3.

Debt Administration

The Town's debt consists of several bonds, notes and capital leases. A summary of the Town's debt activity for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Total Interest Paid</u>
Governmental Activities					
Bonds and notes payable	\$ 346,250	\$ -	\$ (46,250)	\$ 300,000	\$ 14,405
Capital lease obligations	277,757	526,765	(77,278)	727,244	8,487
Net OPEB liability	174,921	7,983	(924)	181,980	N/A
Net Pension liability	<u>516,149</u>	<u>-</u>	<u>(164,121)</u>	<u>352,028</u>	
Total governmental activities	<u>1,315,077</u>	<u>534,748</u>	<u>(288,573)</u>	<u>1,561,252</u>	<u>22,892</u>
Business-Type Activities					
Bonds and notes payable	<u>3,197,275</u>	<u>-</u>	<u>(254,197)</u>	<u>2,943,078</u>	<u>\$ 53,052</u>
Total	<u>\$4,512,352</u>	<u>\$534,748</u>	<u>\$(542,770)</u>	<u>\$4,504,330</u>	<u>\$ 75,944</u>

Additional information on the Town's long-term debt can be found in the Note 4 to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund Budgetary Highlights

The following is a discussion of the general fund budgetary highlights during the fiscal year ended June 30, 2019.

During the year, actual revenues exceeded budgeted revenues by \$144,882. Most of this variance resulted from under budgeted excise tax revenues, sales of salt and sand, contributions, and interest and investment earnings.

Budgeted expenditures were higher than actual expenditures by \$1,474,030 with the utilization of designated carry-forward balances.

The major budget variances for the year ended June 30, 2019 were as follows:

1. Excise and other miscellaneous tax revenues \$55,104 over budget due to increases in excise tax collections.
2. Interest and investment income \$50,215 over budget, and contributions revenue \$13,705 over budget due to additional unbudgeted amounts.
3. Capital outlay expenditures \$1,299,876 lower than budget due to fewer capital projects being completed than anticipated, and general government expenditures under budget by \$118,369, mostly due to savings in personnel costs, health insurance, and heating fuel costs.

Town of Dover-Foxcroft/Pleasant River Lumber Tax Increment Financing Agreement

The Town of Dover-Foxcroft and Pleasant River Lumber Company entered into a Tax Increment Financing Agreement for the tax year beginning July 1, 2001 and extending for a 20-year period ending June 30, 2021.

The purpose of the agreement is to provide an incentive for the investment of \$7,050,000 into a mill modernization project. The TIF agreement provides for Pleasant River Lumber Company to receive a tax credit for newly created taxable value as a result of this project. While the Company will continue to pay taxes in full for value existing prior to the agreement, the Company will receive a reimbursement by the Town for a percentage of the taxes paid on the valuation created by the project. The valuation subject to the TIF must occur within parcels specifically defined in the agreement and the reimbursement schedule is as follows:

1st through 10th year – 20% retained by town, 80% reimbursed to Pleasant River Lumber.

11 th	22% - 78%
12 th	24% - 76%
13 th	27% - 73%
14 th	31% - 69%
15 th	36% - 64%
16 th	46% - 54%
17 th	61% - 39%
18 th	67% - 33%
19 th	83% - 17%
20 th	89% - 11%

after 20th year, town share of revenue 100%

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the Town's finances. If you have questions about this report or need any additional information, contact the Town Manager, at 48 Morton Ave Suite A, Dover-Foxcroft, Maine 04426 or call (207) 564-3318.

Town of Dover-Foxcroft, Maine
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,698,214	\$ 454,982	\$ 3,153,196
Investments	584,500	-	584,500
Beneficial interest in assets held by others	734,597	-	734,597
Taxes receivable, net	462,631	-	462,631
Other receivables	22,000	145,743	167,743
Notes receivable	15,000	-	15,000
Internal balances	(86,085)	86,085	-
Due from other governmental agencies	106,755	186	106,941
Interest receivable	-	2,070	2,070
Capital assets not being depreciated	394,830	124,171	519,001
Capital assets being depreciated, net of accumulated depreciation	5,638,177	14,114,791	19,752,968
	<u>10,570,619</u>	<u>14,928,028</u>	<u>25,498,647</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	153,721	-	153,721
Deferred outflows related to OPEB	26,108	-	26,108
	<u>179,829</u>	<u>-</u>	<u>179,829</u>
LIABILITIES			
Accounts payable, deposits payable, and accrued expenses	158,853	18,778	177,631
Due to other governments	33,471	-	33,471
Unearned revenues	6,391	-	6,391
Accrued interest payable	-	16,415	16,415
Long-term liabilities			
Due within one year			
Bonds and notes payable	46,250	167,037	213,287
Capital lease payable	141,123	-	141,123
Due in more than one year			
Bonds and notes payable	253,750	2,776,041	3,029,791
Capital leases payable	586,121	-	586,121
Net OPEB liability	181,980	-	181,980
Net pension liability	352,028	-	352,028
	<u>1,759,967</u>	<u>2,978,271</u>	<u>4,738,238</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	89,066	-	89,066
Deferred inflows related to OPEB	47,936	-	47,936
Prepaid taxes	30,171	-	30,171
	<u>167,173</u>	<u>-</u>	<u>167,173</u>
NET POSITION			
Net investment in capital assets	5,005,763	11,295,884	16,301,647
Restricted, non-expendable for			
Permanent fund principal	414,746	-	414,746
Restricted, expendable for			
Permanent fund income	105,898	-	105,898
Tax incremental financing project	34,451	-	34,451
Special revenue grants and contributions	458,901	-	458,901
Unrestricted	2,803,549	653,873	3,457,422
	<u>\$ 8,823,308</u>	<u>\$ 11,949,757</u>	<u>\$ 20,773,065</u>

See accompanying notes to basic financial statements.

Town of Dover-Foxcroft, Maine
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,360,572	\$ 134,014	\$ 96,319	\$ -	\$ (1,130,239)	\$ -	\$ (1,130,239)
Protection							
Police and lights	536,315	12,217	-	-	(524,098)	-	(524,098)
Hydrant rental	214,429	-	-	-	(214,429)	-	(214,429)
Fire department	186,747	14,888	-	-	(171,859)	-	(171,859)
Public works	993,742	46,791	121,572	-	(825,379)	-	(825,379)
Solid Waste	513,718	124,110	12,796	-	(376,812)	-	(376,812)
Welfare	31,823	-	6,211	-	(25,612)	-	(25,612)
Culture and recreation	119,753	4,226	17,722	-	(97,805)	-	(97,805)
Cemetery	128,628	3,475	-	-	(125,153)	-	(125,153)
Contingency	32,806	-	-	-	(32,806)	-	(32,806)
Library	178,525	-	-	-	(178,525)	-	(178,525)
Tax increment financing	122,014	-	-	-	(122,014)	-	(122,014)
County tax	434,662	-	-	-	(434,662)	-	(434,662)
Education	2,785,395	-	-	-	(2,785,395)	-	(2,785,395)
Special revenue grants and contributions	21,108	-	20,836	-	(272)	-	(272)
Cemetery and other trusts	-	-	33,378	-	33,378	-	33,378
Interest and other charges	20,948	-	-	-	(20,948)	-	(20,948)
Capital outlay	368,872	-	-	640	(368,232)	-	(368,232)
Total governmental activities	<u>8,050,057</u>	<u>339,721</u>	<u>308,834</u>	<u>640</u>	<u>(7,400,862)</u>	<u>-</u>	<u>(7,400,862)</u>
Business-type activities							
Sewer fund	773,181	678,092	-	-	-	(95,089)	(95,089)
Total primary government	<u>\$ 8,823,238</u>	<u>\$ 1,017,813</u>	<u>\$ 308,834</u>	<u>\$ 640</u>	<u>(7,400,862)</u>	<u>(95,089)</u>	<u>(7,495,951)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					6,345,424	-	6,345,424
Excise taxes					839,604	-	839,604
Interest and lien costs					46,838	-	46,838
Grants and contributions not restricted to specific programs					574,481	-	574,481
Interest and investment earnings					83,215	12,319	95,534
Miscellaneous					35,597	-	35,597
Contributions to permanent fund principal					3,150	-	3,150
Special item - loss on sale of capital assets					(152,145)	-	(152,145)
Total general revenues, contributions to permanent fund principal, and special item					<u>7,776,164</u>	<u>12,319</u>	<u>7,788,483</u>
Change in net position					375,302	(82,770)	292,532
NET POSITION - BEGINNING					<u>8,448,006</u>	<u>12,032,527</u>	<u>20,480,533</u>
NET POSITION - ENDING					<u>\$ 8,823,308</u>	<u>\$ 11,949,757</u>	<u>\$ 20,773,065</u>

Town of Dover-Foxcroft, Maine
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Special Revenue Fund	Nonmajor Governmental Fund - Permanent Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,698,214	\$ -	\$ -	\$ 2,698,214
Investments	404,469	180,031	-	584,500
Beneficial interest in assets held by others	-	213,953	520,644	734,597
Taxes receivable, net	462,631	-	-	462,631
Due from other funds	-	69,552	-	69,552
Receivable from other governments	104,268	2,487	-	106,755
Other receivables	22,000	-	-	22,000
Notes receivable	-	15,000	-	15,000
	<u>\$ 3,691,582</u>	<u>\$ 481,023</u>	<u>\$ 520,644</u>	<u>\$ 4,693,249</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 147,882	\$ 730	\$ -	\$ 148,612
Due to other funds	68,512	-	-	68,512
Payable to other governments	33,471	-	-	33,471
Unearned revenues	-	6,392	-	6,392
Other accrued expenses	1,935	-	-	1,935
Security deposits payable	8,305	-	-	8,305
Interfund advances payable	90,000	-	-	90,000
	<u>350,105</u>	<u>7,122</u>	<u>-</u>	<u>357,227</u>
Deferred inflows of resources				
Prepaid taxes	30,171	-	-	30,171
Unavailable property taxes	365,065	-	-	365,065
	<u>395,236</u>	<u>-</u>	<u>-</u>	<u>395,236</u>
Fund balances				
Nonspendable for trust fund principal	-	-	414,746	414,746
Nonspendable for notes and other receivables	22,000	15,000	-	37,000
Restricted for				
Trust fund purposes	-	393,984	105,898	499,882
Tax incremental financing projects	34,451	-	-	34,451
Special revenue grants and contributions	-	64,917	-	64,917
Committed for debt service	49,587	-	-	49,587
Assigned for capital projects and other purposes	1,355,735	-	-	1,355,735
Unassigned	1,484,468	-	-	1,484,468
	<u>2,946,241</u>	<u>473,901</u>	<u>520,644</u>	<u>3,940,786</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,691,582</u>	<u>\$ 481,023</u>	<u>\$ 520,644</u>	<u>\$ 4,693,249</u>

Town of Dover-Foxcroft, Maine
Reconciliation of the Governmental Fund's Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balance, governmental funds	\$ 3,940,786
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.	6,033,007
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	365,066
Certain deferred outflows of resources, deferred inflows of resources, and internal balances related to pensions are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Internal balances related to pensions	2,874
Deferred outflows related to pensions	153,721
Deferred inflows related to pensions	(89,066)
Deferred outflows related to OPEB	26,108
Deferred inflows related to OPEB	(47,936)
Some liabilities, (such as Notes Payable, Capital Leases Payable, Bonds Payable, Net OPEB Liability, 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>(1,561,252)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 8,823,308</u></u>

Town of Dover-Foxcroft, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Nonmajor Governmental Fund - Permanent Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 6,334,464	\$ -	\$ -	\$ 6,334,464
Excise and miscellaneous taxes	839,604	-	-	839,604
Interest and lien costs	46,838	-	-	46,838
Licenses, permits and fees	46,331	-	-	46,331
Intergovernmental	773,996	19,810	-	793,806
Charges for services	331,526	-	-	331,526
Recycling credits	12,796	-	-	12,796
Contributions	13,705	1,011	3,150	17,866
Investment and interest earnings, net	83,215	-	36	83,251
Unrealized, realized gains on investments	-	11,818	20,513	32,331
Payment in lieu of taxes	23,000	-	-	23,000
Miscellaneous	3,064	1,667	-	4,731
	<u>8,508,539</u>	<u>34,306</u>	<u>23,699</u>	<u>8,566,544</u>
Total revenues				
EXPENDITURES				
Current				
General government	1,336,381	-	-	1,336,381
Protection				
Police and lights	509,102	-	-	509,102
Hydrant rental	214,429	-	-	214,429
Fire department	180,433	-	-	180,433
Public works	960,458	-	-	960,458
Solid waste	496,521	-	-	496,521
Welfare	31,823	-	-	31,823
Culture and recreation	106,882	-	-	106,882
Cemetery	121,702	-	-	121,702
Contingency and abatements	32,806	-	-	32,806
Library	178,525	-	-	178,525
Tax increment financing	122,014	-	-	122,014
County tax	434,662	-	-	434,662
Education	2,785,395	-	-	2,785,395
Grant program expenses	-	21,108	-	21,108
Debt service				
Principal	119,372	-	-	119,372
Interest and other charges	20,947	-	-	20,947
Capital outlay - leased assets	526,765	-	-	526,765
Capital outlay	497,683	-	-	497,683
	<u>8,675,900</u>	<u>21,108</u>	<u>-</u>	<u>8,697,008</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(167,361)</u>	<u>13,198</u>	<u>23,699</u>	<u>(130,464)</u>
OTHER FINANCING SOURCES (USES)				
Lease proceeds	526,765	-	-	526,765
Transfers in	16,710	-	-	16,710
Transfers out	-	-	(16,710)	(16,710)
	<u>543,475</u>	<u>-</u>	<u>(16,710)</u>	<u>526,765</u>
Total other financing sources and (uses)				
Net change in fund balances	376,114	13,198	6,989	396,301
FUND BALANCES - BEGINNING	<u>2,570,127</u>	<u>460,703</u>	<u>513,655</u>	<u>3,544,485</u>
FUND BALANCES - ENDING	<u>\$ 2,946,241</u>	<u>\$ 473,901</u>	<u>\$ 520,644</u>	<u>\$ 3,940,786</u>

See accompanying notes to basic financial statements.

Town of Dover-Foxcroft, 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, 2019

Net change in fund balances - total governmental funds:	\$	396,301
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital outlays		907,960
Depreciation expense		(376,707)
<p>Governmental funds report the entire net sales price (proceeds) or loss from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain 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.</p>		
		(236,318)
<p>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.</p>		
		10,960
<p>Some deferred outflows of resources, deferred inflows of resources, and internal balances 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:</p>		
Internal balances related to pensions		(14,947)
Deferred outflows related to pensions and OPEB		(184,755)
Deferred inflows related to pensions and OPEB		118,984
<p>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 and lease 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.</p>		
Debt issued		(526,765)
Principal repaid		123,527
<p>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:</p>		
Net pension expense		164,121
Net OPEB expense		(7,059)
		157,062
Change in net position of governmental activities	\$	375,302

Town of Dover-Foxcroft, Maine
Statement of Net Position
Proprietary Fund
June 30, 2019

	Enterprise Fund
	Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 454,982
Accounts receivable, net	145,743
Interfund advances receivable - current	18,000
Receivables from other governments	186
Interest receivable	2,070
Total current assets	620,981
Non-current assets	
Interfund advances receivable	72,000
Land and improvements	124,171
Infrastructure	15,378,631
Buildings	4,008,951
Equipment, vehicles and furniture	1,312,310
Less accumulated depreciation	(6,585,101)
Total non-current assets	14,310,962
Total assets	14,931,943
LIABILITIES	
Current liabilities	
Accounts payable	18,778
Accrued interest payable	16,415
Due to other funds	1,040
Due to governmental activities	2,875
Bonds and notes payable	167,037
Total current liabilities	206,145
Noncurrent liabilities	
Bonds and notes payable	2,776,041
Total liabilities	2,982,186
NET POSITION	
Net investment in capital assets	11,295,884
Unrestricted	653,873
Total net position	\$ 11,949,757

Town of Dover-Foxcroft, Maine
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Enterprise Fund
	Sewer Fund
REVENUES	
Charges for services	\$ 667,154
Interest and lien charges	10,937
Total operating revenues	678,091
OPERATING EXPENSES	
Administration	294,818
Sanitary sewer maintenance	14,195
Pump station maintenance	6,005
Plant maintenance and equipment	77,745
Depreciation	336,483
Total operating expenses	729,246
Operating income (loss)	(51,155)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	12,319
Interest expense	(53,052)
Capital outlay	(5,828)
Pension expense	490
Change in pension related deferred outflows	14,456
Total net non-operating revenues (expenses)	(31,615)
Change in net position	(82,770)
TOTAL NET POSITION - BEGINNING	12,032,527
TOTAL NET POSITION - ENDING	\$ 11,949,757

Town of Dover-Foxcroft, Maine
Statement of Cash Flows - Proprietary Fund
For the Year ended June 30, 2019

	Enterprise Fund Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 677,185
Interest and lien charges	10,937
Payments to suppliers for goods and services	(86,247)
Payments for administrative services	<u>(294,818)</u>
Net cash provided by operating activities	<u>307,057</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital expenditures	(5,828)
Interest payments	(55,114)
Proceeds from loan repayments	-
Proceeds from grants	6
Bond and note payments	<u>(254,197)</u>
Net cash used by capital and related financing activities	<u>(315,133)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>10,249</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,173
CASH AND CASH EQUIVALENTS, BEGINNING	<u>452,809</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 454,982</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	<u>\$ (51,155)</u>
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	336,483
(Increase) decrease in the following assets	
Accounts receivable	10,031
Increase (decrease) in the following liabilities	
Accounts payable	<u>11,698</u>
Total adjustments to income	<u>358,212</u>
Net cash provided by operating activities	<u><u>\$ 307,057</u></u>

See accompanying notes to basic financial statements.

Town of Dover-Foxcroft, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Funds
ASSETS	
Cash and cash equivalents	\$ 20
Investments	854,742
Beneficial interest in assets held by others	1,153,454
Total assets	2,008,216
NET POSITION	
Nonexpendable principal held in trust for benefits and other purposes	1,201,829
Expendable income held in trust for benefits and other purposes	806,387
Total net position	\$ 2,008,216

Town of Dover-Foxcroft, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Investment earnings	
Net increase in fair value of investments	\$ 26,741
Interest, net of fees	33,661
Contributions	<u>11,897</u>
Total additions	<u>72,299</u>
DEDUCTIONS	
Distributions	<u>54,226</u>
Change in net position	18,073
NET POSITION - BEGINNING	<u>1,990,143</u>
NET POSITION - ENDING	<u><u>\$ 2,008,216</u></u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Dover-Foxcroft, Maine was incorporated in 1922 under the laws of the State of Maine. The Town operates under a Selectmen-manager form of government and provides the following services: general government services, public safety, public works, health and welfare, education, library 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 Units* and by 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, there are no entities that should be included as part of these financial statements. In the previous year financial statements the Thomson Free Library was included as a component unit. It has been determined subsequently that the Library does not meet the all requirements to be a component unit of Town.

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 business-type activities of the Town include the sewer fund.

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.

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, proprietary, and fiduciary activities. The governmental and proprietary 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.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

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. This fund is used to account for all financial resources not 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 grants, state grants, and contributions for specific purposes.

2. Proprietary Fund

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, in essentially the same manner as a private entity. The accounting objectives are determinations of net income, financial position and cash flow.

The Town has presented the following major proprietary fund:

Enterprise Fund

The enterprise fund is used to account for the operations of the waste water treatment plant. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt for the sewer fund. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

3. 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. The Town accounts for the activities of endowments whose purpose benefits individuals or entities outside the government using this fund type.

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 proprietary funds and 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, including unbilled sewer services which are accrued. 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. This budget is established in accordance with the various laws which govern the Town’s operations.

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

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

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 and Cash Equivalents and Investments

For purposes of the statements of net position and cash flows, the Town considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents include certificates of deposits with a longer maturity. Additional information is presented in Note 2.

Investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Additional information, including the composition of investments, is presented in Note 2.

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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

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 and individual funds within business-type activities have been eliminated.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. 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. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

4. Capital Assets (Continued)

Estimated useful lives are as follows:

Buildings	20-50 years
Sewer systems	50-100 years
Machinery and equipment	3-50 years
Vehicles	3-25 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 or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Under the terms of the most recent personnel policy, a maximum of 30 sick days may be accrued and is payable upon retirement at rates varying from \$15 per day to \$20 per day for employees who retire from the Town with over 10 years of service. The Town has not recorded a liability because sick leave amounts are immaterial and because of the contingent nature of the potential payout. Vacation leave cannot be carried forward to a new year and is not paid to employees upon termination; therefore, there is no accrued vacation leave liability recorded in the financial statements.

6. Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Participating Local Districts (PLD) Pension Plan and OPEB Plan and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the PLD plans. 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.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

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.

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 category 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 Town's highest level of decision-making authority, which is voter approval in the Selectmen form of government.

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 Board of Selectmen is authorized to assign funds for a particular purpose, under authority granted by voter approval.

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

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

9. Governmental Fund Balances (Continued)

The Town has not formally adopted a fund balance policy, but has implemented GASB 54 based on the definitions above. 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, except that the Town maintains assigned funds in reserves for various purposes which may be spent after unassigned fund balance if approved by vote of the Board of Selectmen.

10. Revenue Recognition - Property Taxes

Property taxes were levied on assessed values of April 1, 2018, and were due in two installments of 50% on September 28, 2018 and 50% on February 22, 2019. Interest was charged at 7% per annum authorized by Maine Law 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.

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2019, and during the first sixty days of the next fiscal year are recognized as revenue in 2019. 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	\$286,634,700
Personal property	<u>13,199,200</u>
	\$299,833,900
Tax rate (per \$1,000)	<u>21.20</u>
Commitment	\$ 6,356,479
Add supplemental taxes	1,000
Less collections and abatements	<u>(6,122,130)</u>
Receivable at June 30, 2019	<u>\$ 235,349</u>
Collection rate	96%

11. New Governmental Accounting Standards

During the year ended June 30, 2019 the Town implemented 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.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

12. Recent Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This statement improves financial reporting by increasing the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. 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.

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*. This statement improves financial reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The statement is effective for periods beginning after December 15, 2018. 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

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, 2019, the Town reported deposits of \$3,153,216 with bank balances of \$3,346,703. Of the Town's total bank balance of \$3,346,703, \$1,180,745 was exposed to custodial credit risk. The entire exposed amount was collateralized by underlying securities held by the related bank, which were not in the Town's name.

Deposits have been reported as follows:

Reported in governmental funds	\$2,698,214
Reported in proprietary funds	454,982
Reported in fiduciary funds	<u>20</u>
Total deposits	<u>\$3,153,216</u>

Investments

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 fiduciary 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.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

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

Investments (Continued)

The Town's investments at June 30, 2019 are as follows:

Open end mutual funds	\$ 1,363,786
Brokered CDs	<u>75,456</u>
Total investments	<u>\$ 1,439,242</u>

All of the Town's investments at June 30, 2019 are valued using quoted market prices (Level 1 inputs).

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 has an investment policy for custodial credit risk. The Town has no investments exposed to custodial credit risk.

Interest Rate Risk: To the extent possible, the Town will attempt to match investments with anticipated cash requirements with shorter term maturities. This does not apply to trust funds held by the Town.

	Due in less than one year	Due in 1-5 years	Due in more than five years
Brokered CDs	<u>\$ 24,989</u>	<u>\$ 50,467</u>	<u>\$ -</u>

Investments have been reported as follows:

Reported in governmental funds	\$ 584,500
Reported in fiduciary funds	<u>854,742</u>
Total investments	<u>\$1,439,242</u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 6/30/18	Additions/ Completions	Retirements/ Dispositions	Balance 6/30/19
Governmental Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 394,830	\$ -	\$ -	\$ 394,830
<i>Capital assets being depreciated</i>				
Infrastructure	1,364,220	349,500	-	1,713,720
Buildings and improvements	2,672,840	93,146	-	2,765,986
Land improvements	399,450	-	-	399,450
Equipment and furniture	1,699,158	46,147	-	1,745,305
Vehicles	2,181,516	419,167	(399,000)	2,201,683
Total capital assets being depreciated	<u>8,317,184</u>	<u>907,960</u>	<u>(399,000)</u>	<u>8,826,144</u>
<i>Less accumulated depreciation for</i>				
Infrastructure	(243,866)	(83,022)	-	(326,888)
Buildings and improvements	(571,945)	(62,799)	-	(634,744)
Land improvements	(33,310)	(7,989)	-	(41,299)
Equipment and furniture	(938,160)	(124,697)	-	(1,062,857)
Vehicles	(1,186,660)	(98,200)	162,681	(1,122,179)
Total accumulated depreciation	<u>(2,973,941)</u>	<u>(376,707)</u>	<u>162,681</u>	<u>(3,187,967)</u>
Total capital assets, being depreciated net	<u>5,343,243</u>	<u>531,253</u>	<u>(236,319)</u>	<u>5,638,177</u>
Governmental activities capital assets, net	<u>\$ 5,738,073</u>	<u>\$ 531,253</u>	<u>\$(236,319)</u>	<u>\$ 6,033,007</u>
Business-type activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 124,171	\$ -	\$ -	\$ 124,171
<i>Capital assets being depreciated</i>				
Infrastructure	15,378,631	-	-	15,378,631
Buildings and improvements	4,008,951	-	-	4,008,951
Equipment, vehicles and furniture	1,312,310	-	-	1,312,310
Total capital assets being depreciated	<u>20,699,892</u>	<u>-</u>	<u>-</u>	<u>20,699,892</u>
<i>Less accumulated depreciation for</i>				
Infrastructure	(3,272,214)	(229,922)	-	(3,502,136)
Buildings and improvements	(1,740,078)	(82,025)	-	(1,822,103)
Equipment, vehicles and furniture	(1,236,326)	(24,536)	-	(1,260,862)
Total accumulated depreciation	<u>(6,248,618)</u>	<u>(336,483)</u>	<u>-</u>	<u>(6,585,101)</u>
Total capital assets, being depreciated net	<u>14,451,274</u>	<u>(336,483)</u>	<u>-</u>	<u>14,114,791</u>
Business-type activities capital assets, net	<u>\$14,575,445</u>	<u>\$ (336,483)</u>	<u>\$ -</u>	<u>\$14,238,962</u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 3. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2019, was charged as direct expense to programs as follows:

<i>Governmental activities</i>	
General government	\$ 62,237
Police	38,677
Fire	46,733
Public works	183,358
Solid waste	22,018
Recreation	12,871
Cemetery	<u>10,813</u>
Total depreciation expense – Governmental activities	<u>\$ 376,707</u>
<i>Business-type activities</i>	
Sewer fund	<u>\$ 336,483</u>

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Portion due within one year
Governmental Funds Liabilities					
General Obligation Bonds					
<i>Maine Municipal Bond Bank</i>					
General obligation bond dated May 25, 2009 due 2026. Interest ranges 2.15%-5.35% with annual principal and semiannual interest payments	\$ 191,250	\$ -	\$ (21,250)	\$ 170,000	\$ 21,250
General obligation bond dated May 25, 2009, due 2027. Interest ranges 2.2%-5.30% with annual principal and semiannual interest payments	135,000	-	(15,000)	120,000	15,000
<i>Camden National Bank</i>					
3.80% general obligation bond dated May 14, 2011, due May 14, 2020 with annual principal and interest payments	<u>20,000</u>	<u>-</u>	<u>(10,000)</u>	<u>10,000</u>	<u>10,000</u>
Total general obligation bonds	346,250	-	(46,250)	300,000	46,250
Capital Leases	277,757	526,765	(77,278)	727,244	141,123
Net OPEB Liability	174,921	7,983	(924)	181,980	N/A
Net Pension Liability	<u>516,149</u>	<u>-</u>	<u>(164,121)</u>	<u>352,028</u>	<u>N/A</u>
Total governmental long-term liabilities	<u>1,315,077</u>	<u>534,748</u>	<u>(288,573)</u>	<u>1,561,252</u>	<u>187,373</u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Portion due within one year
Proprietary Fund Liabilities					
General Obligation Bonds					
<i>Rural Development</i>					
2.50% general obligation sewer bonds dated February 16, 2011, due 2039	\$1,209,463	\$ -	\$ (44,499)	\$ 1,164,964	\$ 45,611
2.00% general obligation sewer bonds dated May 10, 2012, due 2040	248,923	-	(9,118)	239,805	9,301
<i>Maine Municipal Bond Bank</i>					
2.25% general obligation revolving loan dated November 13, 2003, due 2024	81,967	-	(13,146)	68,821	13,382
1.71% general obligation sewer bonds dated November 13, 2003, due 2019	128,085	-	(128,085)	-	-
1.00% general obligation sewer bonds dated September 14, 2012, due 2032	887,110	-	(59,349)	827,761	59,942
0.44% general obligation sewer bonds dated August 6, 2014, due 2034	<u>641,727</u>	<u>-</u>	<u>-</u>	<u>641,727</u>	<u>38,801</u>
Total proprietary general obligation bonds	<u>3,197,275</u>	<u>-</u>	<u>(254,197)</u>	<u>2,943,078</u>	<u>167,037</u>
Total governmental funds and proprietary fund long-term liabilities	<u>\$ 4,512,352</u>	<u>\$ 534,748</u>	<u>\$ (542,770)</u>	<u>\$ 4,504,330</u>	<u>\$ 354,410</u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds payable

Future maturities of general obligation and proprietary fund bonds payable are as follows:

Year ended June 30	General Obligations		Proprietary Obligations		Total
	Principal	Interest	Principal	Interest	
2020	\$ 46,250	\$ 12,213	\$ 167,037	\$ 48,246	\$ 273,746
2021	36,250	10,026	169,380	45,896	261,552
2022	36,250	8,218	171,775	43,496	259,739
2023	36,250	6,406	174,222	41,043	257,921
2024	36,250	4,593	176,040	38,537	255,420
2025-2029	108,750	4,866	846,116	157,209	1,116,941
2030-2034	-	-	771,034	95,841	866,875
2035-2039	-	-	453,657	33,961	487,618
2040	-	-	13,817	276	14,093
	<u>\$ 300,000</u>	<u>\$ 46,322</u>	<u>\$ 2,943,078</u>	<u>\$ 504,505</u>	<u>\$ 3,793,905</u>

The interest rate varies on the Maine Municipal Bond Bank bonds payable in the governmental funds according to a schedules established at the time of debt issuance.

In accordance with Maine law, no municipality shall incur debt for specific purposes in excess of certain percentages of State valuation of such municipality. At June 30, 2019, the Town was in compliance with these limitations.

Capital leases payable

The Town is the lessee of a photocopier, two fire trucks, street lights, grader and a loader under capital leases expiring in 2020, 2021, 2024 and 2029. 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.

As of June 30, 2019, the Town had recorded \$300,178 in equipment, \$342,000 in infrastructure lights and \$553,220 in vehicles related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2019 is \$156,190.

Minimum future lease payments under capital leases as of June 30, 2019 are:

2020	\$ 167,341
2021	137,924
2022	107,969
2023	107,969
2024	107,877
2025-2029	<u>207,066</u>
	836,146
Less amount representing interest	<u>(108,902)</u>
Present value of minimum lease payments	<u>\$ 727,244</u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 5. 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, 2019, arising from these transactions and interfund transfers were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$158,512	\$ 16,710	\$ -
Special revenue fund	69,552	-	-	-
Nonmajor funds - Permanent fund	-	-	-	16,710
Sewer proprietary fund	<u>90,000</u>	<u>1,040</u>	<u>-</u>	<u>-</u>
	<u>\$ 159,552</u>	<u>\$ 159,552</u>	<u>\$ 16,710</u>	<u>\$ 16,710</u>

Transfers are used to move revenues from the fund that budget requires to collect them to the fund that budget requires to expend them and use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorization. The \$16,710 is a transfer from permanent fund endowments to the general fund for use in cemetery operations.

There is \$90,000 due to the sewer proprietary fund from the general fund for the remainder of an interfund advance that will be paid off in \$18,000 increments over the next five years with 2.3% interest.

NOTE 6. 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 payable adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2019:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets	\$ 9,220,974	\$ 20,824,063
Accumulated depreciation	(3,187,967)	(6,585,101)
Related bonds payable	(300,000)	(2,943,078)
Related capital leases payable	<u>(727,244)</u>	<u>-</u>
Total balance	<u>\$ 5,005,763</u>	<u>\$ 11,295,884</u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 7. FUND BALANCE – SPECIAL REVENUE FUND - RESTRICTED

At June 30, 2019 the Town maintained restricted fund balances in its special revenue fund for grants and contributions for the following programs:

Bike Maine grant	\$ 1,123
Dredging	39,232
Wellness grant	305
Balloon festival	447
Senior network	1,544
Downtown revitalization	314
Penquis community grant	300
Land use	3,545
Community & Economic development grants	2,501
Wood sales & sludge removal	<u>15,606</u>
	<u>\$ 64,917</u>

NOTE 8. FUND BALANCE – GENERAL FUND - ASSIGNED

At June 30, 2019 the Town maintained assigned fund balances for capital projects and other purposes as follows:

Homecoming	\$ 27,338
Unemployment	8,307
Health insurance co-pay	33,825
Emergency preparedness	5,986
Fire equipment	60,610
Fire station and donations	16,115
Community policing	450
Assessing	17,329
Greeley Landing	1,596
Public works equipment	98,516
Public works building	9,596
Office machines	57,634
Recreation facilities	53,413
Learn to skate	500
Promotion and development	25,900
Cable infrastructure	26,874
Police building	10,639
Police equipment	63,428
Police drug enforcement	8,277
Police drug forfeiture	3,657
Solid waste equipment	28,168
Solid waste facilities	16,590
Solid waste transitional MRC	35,365
Street lights	67,710
Cemetery equipment	7,584
Cemetery facilities	11,863
Morton Avenue building	18,838
Road improvement	101,880
Gravel pit stumpsale sales	16,661
Airport stumpsale sales	11,638
TIF Mill district	9,253
Personnel liabilities	73,510
Legal	8,051
Future retirement costs	<u>418,634</u>
	<u>\$ 1,355,735</u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 9. BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

The Town is an income beneficiary of assets held by Maine Community Foundation (MCF) as a result of making reciprocal transfers of assets to MCF and specifying itself as the beneficiary. As such, the Town receives distributions amounting to a percentage of the fair value of these assets each year. The Town has granted variance power to MCF. The Board of Trustees of the MCF has the power to modify, consistent with State law, including seeking approval of the appropriate court or Attorney General, where applicable, any restriction or condition on the distribution of funds for any specified Towns if, in the sole judgment of the Board (without the necessity of the approval of any participating trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Annual distributions from these assets have been reported as revenue.

The estimated fair market value of the beneficial interests in the assets, which approximate the present values of expected future cash flows from the assets, are recognized in the statement of financial position as beneficial interests in assets held by others. This amounted to \$1,888,051 in the year ended June 30, 2019. Of this amount, \$734,597 is reported in governmental funds and \$1,153,454 is reported in fiduciary funds.

NOTE 10. MUNICIPAL SOLID WASTE LANDFILL CLOSURE

State and federal laws and regulations required the Town to incur certain landfill closure and post closure costs for its landfill which was closed in prior years. The future post-closure costs are estimated to be approximately \$8,500 per year.

NOTE 11. DEFINED BENEFIT PENSION PLAN

Maine Public Employees Retirement System – Town

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.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Maine Public Employees Retirement System – Town (Continued)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.4%.

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.

Contributions - PLD Plan

Participating employees are required to contribute 8.0% of their annual salary to the Plan by State Statute. The Town is required to pay between 7-10.0% of members' compensation, as determined on an annual basis by the Plan's actuaries. The contribution requirements of plan members and the Town are established by and may be amended by the State legislature. The Town had covered payroll of \$965,369 for the year ended June 30, 2019.

	Year ended 6/30/19		Year ended 6/30/18		Year ended 6/30/17	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Town						
Employer	\$ 67,576	7.00%	\$ 96,513	9.50%	\$ 94,434	9.50%
Employee	84,308	8.00	81,274	8.00	79,524	8.00

Net Pension Liability

The collective net pension liability measured as of June 30, 2018 was as follows:

	<u>PLD Plan</u>
Plan collective total pension liability	\$ 3,089,857,220
Less plan net position	<u>(2,816,179,855)</u>
Plan collective net pension liability	<u>\$ 273,677,365</u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

At June 30, 2019, the Town reported a liability of \$352,028 for its proportionate share of the net pension liability.

The net pension liability for the Town was measured as of June 30, 2018, 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 0.128629%, allocated based on adjusted contributions to the plan for the year ended June 30, 2018. This percentage was 0.126063% at the prior measurement date of June 30, 2017.

Pension Expense

For the year ended June 30, 2019, the Town recognized pension expense of \$(36,497) related to the PLD Plan, made up of the Town's proportionate share of plan pension expense \$(65,867), pension expense related to specific liabilities of individual employers (\$744), and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$30,114.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan – Town	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 1,102	\$ 3,866
Changes of assumptions	56,186	-
Net difference between projected and actual investment earnings on pension plan investments	-	85,001
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,857	199
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>67,576</u>	<u>-</u>
Total	<u>\$ 153,721</u>	<u>\$ 89,066</u>

\$67,576 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, 2020. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	PLD Plan Town
2020	\$ 71,379
2021	5,496
2022	(57,826)
2023	<u>(21,970)</u>
	<u>\$ (2,921)</u>

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.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 12. 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, 2018 was as follows:

	PLD Plan
Plan collective total OPEB liability	\$ 36,022,905
Less plan net fiduciary position	<u>(15,821,928)</u>
Plan collective net OPEB liability	<u>\$ 20,200,977</u>

At June 30, 2019, 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 \$42,088.

The net OPEB liability for the Town was measured as of June 30, 2018, 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 0.208346%, allocated based on adjusted contributions to the plan for the year ended June 30, 2018. This percentage was 0.219992% at the prior measurement date of June 30, 2017.

OPEB Expense

For the year ended June 30, 2019, the Town recognized OPEB expense of \$1,739 related to the PLD Plan, made up of the Town's proportionate share of plan OPEB expense \$1,828, OPEB expense related to specific liabilities of individual employers \$0, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$(89).

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 12. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, 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	\$ 3,552	\$ -
Changes of assumptions	2,698	7,766
Net difference between projected and actual investment earnings on OPEB plan investments	-	2,209
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,370	2,153
Employer's contributions to plan subsequent to measurement date of collective net OPEB liability	<u>1,301</u>	<u>-</u>
Total	<u>\$ 8,921</u>	<u>\$ 12,128</u>

\$1,301 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 OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows will be recognized as OPEB expense as follows:

Year ended June 30	PLD Plan Amount
2020	\$ (1,436)
2021	(1,436)
2022	(1,436)
2023	(1,019)
2024	<u>819</u>
	<u>\$ (4,508)</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.mainepepers.org/Publications/Publications.htm#Annual Reports.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 13. 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 Council 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. The table below shows the sensitivity of the TOL to the discount rate.

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 and/or will be collecting MEPERS retirement, 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, 2019, the following employees were covered by the Health Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employee entitled to but not yet receiving benefits	-
Active employees	<u>23</u>
Total	<u>23</u>

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 13. OTHER POST RETIREMENT BENEFIT (OPEB) PLAN (CONTINUED)

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 \$139,892 was measured as of January 1, 2019, 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, 2018	\$ 138,135
Changes for the year:	
Service Cost	12,615
Interest	5,182
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(15,809)
Benefit payments	(231)
Net changes	1,757
Balance at June 30, 2019	\$ 139,892

Change in assumptions reflects a change in the discount rate from 3.44% to 4.10% and also a change in valuation method from Projected Unit Credit funding to the Entry Age Normal funding method.

For the year ended June 30, 2019, The Town recognized OPEB expense of \$14,466 related to the Health Plan. At June 30, 2019, The Town reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 35,808
Changes in assumptions or other inputs	16,892	-
Employer contributions after measurement date	295	-
Total	\$ 17,187	\$ 35,808

\$295 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 OPEB liability in the year ended June 30, 2020. 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:	
2020	\$ (3,331)
2021	(3,331)
2022	(3,331)
2023	(3,331)
2024	(3,331)
Thereafter	(2,261)
Total	\$(18,916)

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 13. OTHER POST RETIREMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Assumptions - Health Plan - The total OPEB liability in the January 1, 2019 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	4.10% 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, 2019 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 4.10% 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.

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 4.10%, 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 (3.10%) or 1 percentage-point higher (5.10%) than the current rate:

	1% Decrease 3.10%	Discount Rate 4.10%	1% Increase 5.10%
Total OPEB Liability	\$ 164,733	\$ 139,892	\$ 119,660
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 164,733</u>	<u>\$ 139,892</u>	<u>\$ 119,660</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 17.8%. A one percent increase in the discount rate decreases the NOL by approximately 14.5%.

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>\$ 117,807</u>	<u>\$ 139,892</u>	<u>\$ 167,477</u>

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 15.8%. A one percent increase in the healthcare trend rate increases the NOL by approximately 19.7%.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 14. RISK COVERAGE

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.

NOTE 15. 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 16. JOINT VENTURE

Penobscot Energy Recovery Company

Under terms of a waste disposal agreement, the Town has guaranteed a certain amount of tons of acceptable waste per year to be hauled from Dover-Foxcroft to PERC at the agreed upon tipping fee, which changes quarterly. The Town is one of many members of a waste pool. Should the Town not deliver the guaranteed tonnage, and the waste pool did not cover the shortage, the Town could be billed for the shortfall. Additionally, the Town is a member of a Municipal Review Committee (MRC) participating in, among other things, prepayment of PERC debt in exchange for limited partnership interests in the entity. At June 30, 2019, the Town's proportionate interest was 1.2881%. For the year ended June 30, 2019, the Town paid \$176,748 in tipping fees to PERC. The MRC issues its own financial statements which can be found on its website at www.mrcmaine.org.

NOTE 17. 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, 2019, the Town abated property taxes totaling \$122,014 under this program, including the following tax abatement agreements.

Arnold Development Group, LLC received a 90 percent property tax abatement for undertaking the renovation and rehabilitation of the former Moosehead Manufacturing facility in the Town and for making certain income generating improvements to the property. The abatement amounted to \$73,017.

Pleasant River Lumber Company received a 33 percent property tax abatement of the tax on certain facility improvements, including investment of \$7,050,000 into a mill modernization project. The percent of taxes abated will decrease yearly until the year ending June 30, 2021. The abatement amounted to \$48,997.

Town of Dover-Foxcroft, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2019, the date on which the financial statements were available to be issued.

Town of Dover-Foxcroft, Maine
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2019

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original*	Changes**	Final*		
REVENUES					
Property taxes	\$ 6,357,479	\$ -	\$ 6,357,479	\$ 6,334,464	\$ (23,015)
Excise and miscellaneous taxes	784,500	-	784,500	839,604	55,104
Interest and lien costs	48,000	-	48,000	46,838	(1,162)
Licenses, permits and fees	43,705	-	43,705	46,331	2,626
Intergovernmental	735,786	-	735,786	773,996	38,210
Charges for services	285,265	42,072	327,337	331,526	4,189
Recycling credits	1,950	-	1,950	12,796	10,846
Contributions	-	-	-	13,705	13,705
Interest earnings	33,000	-	33,000	83,215	50,215
Payment in lieu of taxes	26,900	-	26,900	23,000	(3,900)
Miscellaneous	5,000	-	5,000	3,064	(1,936)
Total revenues	8,321,585	42,072	8,363,657	8,508,539	144,882
EXPENDITURES					
Current					
General government	1,454,750	-	1,454,750	1,336,381	118,369
Protection					
Police and lights	512,346	-	512,346	509,102	3,244
Hydrant rental	214,430	-	214,430	214,429	1
Fire department	179,865	-	179,865	180,433	(568)
Public works	920,325	42,072	962,397	960,458	1,939
Solid waste	515,315	-	515,315	496,521	18,794
Welfare and social service	54,135	-	54,135	31,823	22,312
Culture and recreation	124,597	-	124,597	106,882	17,715
Cemetery	121,855	-	121,855	121,702	153
Contingency and abatements	25,000	-	25,000	32,806	(7,806)
Library	178,525	-	178,525	178,525	-
Tax increment financing	122,014	-	122,014	122,014	-
County tax	434,662	-	434,662	434,662	-
Education	2,785,395	-	2,785,395	2,785,395	-
Debt service					
Principal	46,250	73,122	119,372	119,372	-
Interest and other charges	12,710	8,238	20,948	20,947	1
Capital outlay	1,879,419	444,905	2,324,324	1,024,448	1,299,876
Total expenditures	9,581,593	568,337	10,149,930	8,675,900	1,474,030
Excess (deficiency) of revenues over expenditures	(1,260,008)	(526,265)	(1,786,273)	(167,361)	1,618,912
OTHER FINANCING SOURCES (USES)					
Use of carryover unassigned fund balances	225,000	-	225,000	-	(225,000)
Use of carryover assigned fund balances	1,220,170	-	1,220,170	-	(1,220,170)
Overlay	(200,162)	-	(200,162)	-	200,162
Lease proceeds	-	526,265	526,265	526,765	500
Transfers in	15,000	-	15,000	16,710	1,710
Total other financing sources and uses	1,260,008	526,265	1,786,273	543,475	(1,242,798)
Net change in fund balances	\$ -	\$ -	\$ -	376,114	\$ 376,114
FUND BALANCES - BEGINNING				2,570,127	
FUND BALANCES - ENDING				\$ 2,946,241	

* Includes designated carryforward accounts

**Changes made for additional revenues budgeted, debt service payments and capital leases

Town of Dover-Foxcroft, 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>2019</u>	<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>
Town's proportion of the net pension liability	0.128629%	0.126063%	0.120883%	0.103125%	0.096517%	0.090781%				
Town's proportionate share of the net pension liability	\$ 352,028	\$ 516,149	\$ 642,289	\$ 329,017	\$ 148,521	\$ 279,841				
Town's covered-employee payroll	\$ 1,015,927	\$ 994,044	\$ 1,012,922	\$ 1,028,138	\$ 961,394	\$ 955,445				
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.65%	51.92%	63.41%	32.00%	15.45%	29.29%				
Plan fiduciary net position as a percentage of the total pension liability	91.14%	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 Dover-Foxcroft, Maine
 Schedule of Town Pension Contributions
 Participating Local Districts Plan
 Last 10 Fiscal Years*
 For the years ended June 30,**

	<u>2019</u>	<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>
Contractually required contribution	\$ 71,115	\$ 64,613	\$ 56,754	\$ 71,970	\$ 62,491	\$ 62,104				
Contributions in relation to the contractually required contribution	<u>(71,115)</u>	<u>(64,613)</u>	<u>(56,754)</u>	<u>(71,970)</u>	<u>(62,491)</u>	<u>(62,104)</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Town's covered-employee payroll	\$ 1,015,927	\$ 994,044	\$ 1,012,922	\$ 1,028,138	\$ 961,394	\$ 955,445				
Contributions as a percentage of covered-employee payroll	7.00%	6.50%	5.60%	7.00%	6.50%	6.50%				

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

Town of Dover-Foxcroft, 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>2019</u>	<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>
Town's proportion of the net OPEB liability	0.208346%	0.219992%								
Town's proportionate share of the net OPEB liability	\$ 42,088	\$ 36,786								
Town's covered-employee payroll	\$ 516,000	\$ 622,000								
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	8.16%	5.91%								
Plan fiduciary net position as a percentage of the total OPEB liability	43.92%	47.42%								

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

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

	<u>2019</u>	<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>
Contractually required contribution	\$ 623	\$ 2,282								
Contributions in relation to the contractually required contribution	<u>(623)</u>	<u>(2,282)</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Town's covered-employee payroll	\$ 516,000	\$ 622,000								
Contributions as a percentage of covered-employee payroll	0.12%	0.37%								

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

Town of Dover-Foxcroft, Maine
Schedule of Changes in Net OPEB Liability and Related Ratios -
Postretirement Employee Healthcare Plan
For the Years Ended

	June 30, 2019	June 30, 2018
	Actuarial	Actuarial
	Valuation Date	Valuation Date
	January 1, 2019	January 1, 2018
<u>Total OPEB Liability</u>		
Service cost (BOY)	\$ 12,615	\$ 8,288
Interest (includes interest on service cost)	5,182	5,307
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(31,161)
Changes in assumptions	(15,809)	23,650
Benefit payments, including refunds of member contributions	(231)	(118)
Net change in total OPEB liability	\$ 1,757	\$ 5,966
Total OPEB liability - beginning	\$ 138,135	\$ 132,169
Total OPEB liability - ending	\$ 139,892	\$ 138,135
<u>Plan fiduciary net position</u>		
Contributions - employer	231	118
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(231)	(118)
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	-	-
Net OPEB liability - ending	\$ 139,892	\$ 138,135
Covered employee payroll	\$ 897,147	\$ 897,147
Net OPEB liability as a percentage of covered employee payroll	<u>15.6%</u>	<u>15.4%</u>

Town of Dover-Foxcroft, Maine
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Permanent Fund and Special Revenue Fund Trusts
For the Year ended June 30, 2019

	Permanent Fund		Special Revenue Fund		Totals
	Special Funds	Cemetery Funds	Gray Fire Trust Fund	Babson Student Loan and Town Fund	
PRINCIPAL (AND FUNDS FUNCTIONING AS PRINCIPAL)					
Revenue					
Capital gains and principal additions	\$ -	\$ 3,150	\$ -	\$ -	\$ 3,150
Fund balance, beginning	<u>50,168</u>	<u>361,428</u>	<u>-</u>	<u>-</u>	<u>411,596</u>
Fund balance, ending	<u>50,168</u>	<u>364,578</u>	<u>-</u>	<u>-</u>	<u>414,746</u>
RESTRICTED					
Revenues					
Investment income, net of fees	3,081	17,468	8,547	3,271	32,367
Contributions	-	-	-	1,011	1,011
Operating transfers in (out)	<u>-</u>	<u>(16,710)</u>	<u>-</u>	<u>-</u>	<u>(16,710)</u>
Excess of revenue and other financing sources over expenditures and other financing uses	3,081	758	8,547	4,282	16,668
Fund balance, beginning	<u>26,583</u>	<u>75,476</u>	<u>186,484</u>	<u>209,671</u>	<u>454,747</u>
Fund balance, ending	<u>29,664</u>	<u>76,234</u>	<u>195,031</u>	<u>213,953</u>	<u>514,882</u>
TOTAL PRINCIPAL AND RESTRICTED FUND BALANCE, ENDING	<u>\$ 79,832</u>	<u>\$ 440,812</u>	<u>\$ 195,031</u>	<u>\$ 213,953</u>	<u>\$ 929,628</u>

Town of Dover-Foxcroft, Maine
Schedule of Permanent Fund and Special Revenue Fund Trust Balances
June 30, 2019

	<u>Principal</u>	<u>Restricted</u>	<u>Total</u>
PERMANENT FUNDS			
Cemetery funds			
Funds held by Town of Dover-Foxcroft in Maine Community Foundation	\$ 364,578	\$ 76,234	\$ 440,812
Special Funds			
Funds held by Town of Dover-Foxcroft in Maine Community Foundation			
Victor L. and Laura A. Warren Scholastic Fund	12,584	7,442	20,026
Henry N. Spaulding Funds	22,826	13,492	36,318
Ministerial and School Fund	14,758	8,730	23,488
	<u>50,168</u>	<u>29,664</u>	<u>79,832</u>
Total special trust funds			
	<u>50,168</u>	<u>29,664</u>	<u>79,832</u>
Total permanent funds	<u>\$ 414,746</u>	<u>\$ 105,898</u>	<u>\$ 520,644</u>
SPECIAL REVENUE FUNDS			
Special Funds			
Funds held by Town of Dover-Foxcroft in Maine Community Foundation			
George J. Babson - Loan Fund	\$ -	\$ 213,953	\$ 213,953
Funds held by the American Funds			
Gray Fire Department Fund	-	180,031	180,031
Other assets			
Receivables	-	15,000	15,000
	<u>-</u>	<u>408,984</u>	<u>408,984</u>
Total special trust funds			
	<u>-</u>	<u>408,984</u>	<u>408,984</u>
Total special revenue funds	<u>\$ -</u>	<u>\$ 408,984</u>	<u>\$ 408,984</u>

Town of Dover-Foxcroft, Maine
Combining Schedule of Changes in Net Position
Private Purpose Trust Funds
For the Year ended June 30, 2019

	Mayo Memorial Hospital	Thompson Free Library	Special Funds	Totals
PRINCIPAL (AND FUNDS FUNCTIONING AS PRINCIPAL)				
Revenue				
Capital gains and principal additions	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
Net position, beginning	<u>167,165</u>	<u>604,226</u>	<u>430,438</u>	<u>1,201,829</u>
Net position, ending	<u>167,165</u>	<u>604,226</u>	<u>430,438</u>	<u>1,201,829</u>
RESTRICTED				
Revenues				
Investment income	18,508	32,327	21,464	72,299
Expenditures	<u>(10,070)</u>	<u>(28,556)</u>	<u>(15,600)</u>	<u>(54,226)</u>
Excess of revenue and other financing sources over expendi- tures and other financing uses	8,438	3,771	5,864	18,073
Net position, beginning	<u>321,134</u>	<u>344,768</u>	<u>122,412</u>	<u>788,314</u>
Net position, ending	<u>329,572</u>	<u>348,539</u>	<u>128,276</u>	<u>806,387</u>
TOTAL PRINCIPAL AND RESTRICTED NET POSITION, ENDING	<u>\$ 496,737</u>	<u>\$ 952,765</u>	<u>\$ 558,714</u>	<u>\$ 2,008,216</u>

Town of Dover-Foxcroft, Maine
Schedule of Private Purpose Trust Funds Balances
June 30, 2019

	<u>Principal</u>	<u>Restricted</u>	<u>Total</u>
Mayo Memorial Hospital Fund			
Funds held by Town of Dover-Foxcroft in			
Maine Community Foundation			
Mayo Memorial trust	\$ 167,165	\$ 107,501	\$ 274,666
Funds held in trust by The First			
Theodora Gray	<u>-</u>	<u>222,071</u>	<u>222,071</u>
Total Mayo Memorial Hospital Fund	<u>167,165</u>	<u>329,572</u>	<u>496,737</u>
Thompson Free Library			
Funds held by Town of Dover-Foxcroft in			
Maine Community Foundation			
Eugene S. Favor	27,206	5,815	33,021
Frank E. Guernsey	13,384	2,851	16,235
E.A. Thompson	11,322	2,413	13,735
Eva Gilman	5,924	1,253	7,177
Barbara Goodwin	11,749	2,491	14,240
Dudley C. Goodwin	10,681	2,266	12,947
Dorothy F. Greenlaw	10,147	2,169	12,316
Goodwin charitable trust	167,560	36,319	203,879
Sanford	5,009	1,069	6,078
Gellerson	2,136	442	2,578
Funds held in trust by The First			
Theodora Gray	-	224,021	224,021
Funds held in trust by The First			
Marion Morrison	<u>339,108</u>	<u>67,430</u>	<u>406,538</u>
Total Thompson Free Library Trust Fund	<u>604,226</u>	<u>348,539</u>	<u>952,765</u>
Special Funds			
Funds held by Town of Dover-Foxcroft in			
Maine Community Foundation			
Victor L. and Laura A. Warren Home Fund	268,084	57,728	325,812
Ruby Williams	66,982	16,010	82,992
Ambulance Fund	8,763	5,178	13,941
Guy M. Buck - Education Fund	4,710	918	5,628
Flora Mayo - Rent subsidy	70,799	41,858	112,657
Mary E. Page Fund	10,222	6,047	16,269
Lawrence - Peabody - Museum	878	517	1,395
Other assets			
Checking	<u>-</u>	<u>20</u>	<u>20</u>
Total special trust funds	<u>430,438</u>	<u>128,276</u>	<u>558,714</u>
Total funds	<u>\$ 1,201,829</u>	<u>\$ 806,387</u>	<u>\$ 2,008,216</u>

Town of Dover-Foxcroft, Maine
Taxes Receivable, Tax Liens, and Tax Acquired Property
General Fund
June 30, 2019

Taxes receivable	
2019	\$ 235,349
2018 and prior	<u>3,198</u>
Total taxes receivable	<u>238,547</u>
Tax liens and tax acquired property	
2018	97,878
2017 and prior	2,399
Tax acquired	<u>128,807</u>
Total tax liens and tax acquired property	<u>229,084</u>
Total taxes receivable, tax liens, and tax acquired property	467,631
Less allowance for uncollectibles and writeoffs	<u>(5,000)</u>
Total	<u>\$ 462,631</u>

**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**

Board of Selectmen
Town of Dover-Foxcroft

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 business-type activities, each major fund, and the aggregate remaining fund information of Town of Dover-Foxcroft, Maine as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Dover-Foxcroft, Maine's basic financial statements and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Dover-Foxcroft, 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 Dover-Foxcroft, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Dover-Foxcroft, 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 Dover-Foxcroft, 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.

Brantley Hibodan & Associates

December 12, 2019