

TOWN OF ATHENS, MAINE
ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)
For the Year Ended December 31, 2018

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Independent Auditor's Report

Board of Selectmen
Town of Athens, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Athens, Maine, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes 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, each major fund, and the aggregate remaining fund information of the Town of Athens, Maine, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 6 through 11 and pages 35 through 37 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Athens, Maine's basic financial statements. The other supplementary information described in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented as required by the laws of the State of Maine and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019, on our consideration of the Town of Athens, 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 Athens, 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 Athens, Maine's internal control over financial reporting and compliance

Brentner Shibodeau & Associates

September 12, 2019

Town of Athens, Maine
Management's Discussion and Analysis (MD&A) (Unaudited)
December 31, 2018

As management of the Town of Athens, Maine, we offer the citizens of the Town of Athens, Maine's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2018. We encourage the citizens to consider the information presented in conjunction with additional information found within the body of the financial statements. This report covers all funds and accounts of the Town of Athens, that by law or other fiduciary obligation, the Town administers in conjunction with its responsibility in providing services.

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 and cash equivalents as of December 31, 2018 was \$2,274,406.
- The Town's actual revenues exceeded actual expenses by \$329,264. There result was a positive budget variance that increases the budget-basis fund balance which can be used to fund future expenditures.

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 are also made and other supplementary information 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, and other capital assets.

Government-wide statements distinguish business type activities from governmental activities. Business type activities are those that are funded through user fees or user-based revenue, no tax dollars being the key separation from governmental activities. It then follows that governmental activities are those that are primarily funded through taxes and governmental fees. The Town of Athens does not currently conduct any business type activities.

Fund Financial Statements

The Town segregates accounts into three basic 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 General Fund (Primary Fund), Special Reserves Fund, and Fiduciary Funds.

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 Reserves Funds

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

Fiduciary Funds

The fiduciary funds are private purpose trust funds and agency funds for which the Town acts as the fiscal agent.

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 20-34.

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) and pension information. Required supplementary information can be found on pages 35-37.

GOVERNMENT-WIDE ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$4,082,195 as of December 31, 2018.

A portion of the Town's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide service to citizens'; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's financial position is the product of several financing transactions including the net results of activities, acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

	Governmental Activities	
	2018	2017
Current and other assets	\$ 2,723,842	\$ 2,418,749
Capital assets	<u>2,062,526</u>	<u>2,107,619</u>
Total assets	<u>4,786,368</u>	<u>4,526,368</u>
Deferred outflows	<u>72,539</u>	<u>67,596</u>
Current liabilities		
Accounts payable and other accruals	12,502	25,984
Long-term liabilities	<u>735,298</u>	<u>898,716</u>
Total liabilities	<u>747,801</u>	<u>924,700</u>
Deferred inflows	<u>28,911</u>	<u>21,771</u>
Net assets		
Investment in capital assets	1,463,190	1,358,050
Restricted	650,983	665,261
Unrestricted	<u>1,968,022</u>	<u>1,624,182</u>
Total net assets	<u>\$ 4,082,195</u>	<u>\$ 3,647,493</u>

The following table presents a summary of revenues and expenses for the fiscal year ended December 31, 2018 and 2017.

	Governmental Activities	
	2018	2017
REVENUES		
Charges for services and other	\$ 2,158	\$ 1,938
Operating grants and contributions	145,750	248,396
Property taxes	1,227,955	1,194,665
Interest and lien charges	18,557	22,856
Excise taxes	178,822	172,812
Grants and contributions not restricted to specific purpose	336,146	300,666
Unrestricted investment income	8,576	3,181
Gain (loss) on sale of assets	-	(8,461)
Miscellaneous and transfers	<u>23,540</u>	<u>18,390</u>
Total revenues	<u>\$ 1,941,504</u>	<u>\$ 1,954,443</u>

EXPENSES		
General government	\$ 153,772	\$ 179,082
Public safety	12,487	30,133
Health and sanitation	67,081	71,581
Public works	347,700	429,779
Education	673,935	574,704
General assistance	13,214	16,096
Recreation	20,737	23,931
County tax	199,863	170,117
Interest on long-term debt	13,013	6,403
Cemeteries	5,000	3,000
	<u>1,506,802</u>	<u>1,504,826</u>
Total expenses		
Change in net assets	<u>434,702</u>	<u>449,617</u>
Net position, beginning of year	<u>3,647,493</u>	<u>3,197,876</u>
Restatement of beginning fund balance	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ 4,082,195</u>	<u>\$ 3,647,493</u>

Governmental Activities

For the year ended December 31, 2018, the Town's net assets for governmental activities increased by \$434,702. Expenses of governmental activities include depreciation expense of \$215,825. 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 December 31, 2018 totaled \$1,793,596. Of this amount, \$1,425,334 was from local property and excise taxes.

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.

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, its governmental funds reported a combined fund balance of \$2,523,366 which is \$314,987 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 \$1,224,366. Excise taxes accounted for \$179,541 of total revenue.

Total governmental fund expenditures for the year are broken down as follows:

	2018	2017
General government	\$ 150,763	\$ 179,082
Public safety	11,612	30,133
Health and sanitation	67,081	71,581
Public works/roads	389,343	255,674
Education	673,521	673,521
Welfare	13,214	16,096
Recreation	20,737	23,931
County tax	199,863	170,117
Cemeteries	5,000	3,000
Debt service	23,855	77,698
Capital outlay	-	379,193
Total governmental funds expenditures	<u>\$ 1,622,929</u>	<u>\$ 1,880,026</u>

Capital Assets

	Balance 12/31/17	Additions	Retire- ment	Balance 12/31/18
Land	\$ 47,600	\$ -	\$ -	\$ 47,600
Building	2,378,048	-	-	2,378,048
Infrastructure	5,025,901	126,913	-	5,152,814
Vehicles	542,906	10,500	-	553,406
Equipment	99,048	67,104	(33,785)	132,367
Improvements	8,000	-	-	8,000
Total capital assets	8,101,503	204,517	(33,785)	8,272,235
Less accumulated depreciation	<u>(5,993,886)</u>	<u>(215,825)</u>	-	<u>(6,209,711)</u>
Total capital assets, net	<u>\$ 2,107,619</u>	<u>\$ (11,308)</u>	<u>\$ (33,785)</u>	<u>\$ 2,062,526</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

General Fund Budgetary Highlights

The Town recognizes revenues and expenditures on a budget basis that differs from how revenues and expenditures should be recognized under generally accepted accounting principles (GAAP). Additional information about this difference can be found in the notes to the basic financial statements. The amount of the difference is disclosed on page 35 of the financial statements.

The following expenditures were overspent:

- Public works expense was overspent by \$24,555 due to increase outside services costs and sand and salt.

FINANCIAL HIGHLIGHTS

During the year, budgeted revenues exceeded actual revenues by \$148,604.

Budgeted expenditures exceeded actual expenditures by \$184,636.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The overall budget for 2018 was up slightly from 2017. The Town made another payment on the Roads general obligation bond. An amount of over \$90,000.00 was left in the School bond account and it was decided to carry this amount over to spend on future school projects. Most of the 2018 budgeted articles were completed within the appropriated amounts with the biggest exception being winter roads where costs continue to escalate due to weather changes not easily foreseen. Another major road paving project was completed within budget. At a special Town Meeting the town voted to take over the Independent Volunteer Fire Department and accept all its assets including equipment and buildings therefore making it a Municipal Fire Department. It is not yet fully known how this may affect the budget. There were a few improvements to the town's infrastructure however there is much left to do and a "Towns Building Committee" has been formed to study and make suggestions on how to proceed.

There will be a tax increase of perhaps up to 1 mil for the year 2019. The school budget is up an increase in other expenditures especially road maintenance, sand, salt and snow plowing make this increase necessary. There is much to do in our town however we feel confident in our financial future as we move forward.

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 Office, at 26 Academy St., Athens, Maine 04912.

Town of Athens, Maine
Statement of Net Position
December 31, 2018

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 2,274,406
Taxes and tax liens receivable, net of allowance of \$15,000	238,718
Tax acquired property	11,932
Due from other governments	198,786
Capital assets, net	2,062,526
Total assets	4,786,368
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	72,539
LIABILITIES	
Accrued payroll and other liabilities	10,777
Taxes paid in advance	40
Due to other governmental agencies	1,685
Long-term liabilities	
Due within one year	
Due to MSAD 59 - bond and lease payable	64,860
Capital leases payable	25,745
Bonds payable	66,825
Due in more than one year	
Due to MSAD 59 - bond and lease payable	199,206
Bonds payable	247,237
Net pension liability	81,603
Compensated absences	49,823
Total liabilities	747,801
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	28,911
NET POSITION	
Invested in capital assets, net of related debt	1,463,190
Restricted for	
Reserves	650,983
Unrestricted	1,968,022
Total net position	\$ 4,082,195

Town of Athens, Maine
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities				
General government	\$ 153,772	\$ 329	\$ 6,144	\$ (147,299)
Public safety	12,487	60	46,593	34,166
Public works	347,700	-	36,840	(310,860)
Health and sanitation	67,081	1,769	-	(65,312)
General assistance	13,214	-	3,293	(9,921)
Recreation	20,737	-	2,880	(17,857)
Interest on long-term debt	13,013	-	-	(13,013)
Education	673,935	-	50,000	(623,935)
County tax	199,863	-	-	(199,863)
Cemeteries	5,000	-	-	(5,000)
Total governmental activities	<u>\$ 1,506,802</u>	<u>\$ 2,158</u>	<u>\$ 145,750</u>	<u>(1,358,894)</u>
General revenues				
Taxes				
				1,227,955
				18,557
				178,822
Grants and contributions not restricted to specific programs				
				336,146
Unrestricted interest				
				8,576
Miscellaneous				
				<u>23,540</u>
				<u>1,793,596</u>
				434,702
				<u>3,647,493</u>
				<u>\$ 4,082,195</u>

Town of Athens, Maine
Balance Sheet
Governmental Funds
December 31, 2018

	<u>General Fund</u>	<u>Special Revenue - Reserves Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and equivalents	\$ 1,623,422	\$ 650,984	\$ 2,274,406
Taxes and tax liens receivable, net	238,718	-	238,718
Tax acquired property	11,932	-	11,932
Due from other governments	198,787	-	198,787
	<u>1,972,859</u>	<u>650,984</u>	<u>2,623,843</u>
Total assets	<u>\$ 2,072,859</u>	<u>\$ 650,984</u>	<u>\$ 2,723,843</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,685	\$ -	\$ 1,685
Taxes paid in advance	40	-	40
Accrued payroll and other liabilities	10,777	-	10,777
	<u>12,502</u>	<u>-</u>	<u>12,502</u>
Total liabilities	<u>12,502</u>	<u>-</u>	<u>12,502</u>
Deferred inflows of resources - property taxes	<u>187,975</u>	<u>-</u>	<u>187,975</u>
Fund balances			
Restricted for			
Education	96,297	-	96,297
Special revenue - reserve funds	-	650,984	650,984
Unassigned	1,776,085	-	1,776,085
	<u>1,872,382</u>	<u>650,984</u>	<u>2,523,366</u>
Total fund balances	<u>1,872,382</u>	<u>650,984</u>	<u>2,523,366</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,072,859</u>	<u>\$ 650,984</u>	<u>\$ 2,723,843</u>

Town of Athens, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2018

Total fund balance, governmental funds	\$ 2,523,366
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 fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	2,062,526
Deferred inflows - more specifically, deferred inflows - property taxes not reported in governmental activities of the Statement of Net Position.	187,975
Certain deferred outflows of resources and deferred inflows of resources related to pensions are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Deferred outflows related to pensions	72,539
Deferred inflows related to pensions	(28,911)
Some liabilities, (such as note payable, and net pension liability accrued compensated absences), 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>(735,300)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 4,082,195</u>

Town of Athens, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Special Revenue - Reserves Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 1,224,366	\$ -	\$ 1,224,366
Excise taxes	179,541	-	179,541
Interest and lien fees	18,557	-	18,557
Licenses, permits and fees	78	-	78
Intergovernmental	383,086	-	383,086
Intergovernmental - education	50,000	-	50,000
Charges for services	2,080	-	2,080
Contributions	-	46,593	46,593
Interest income	6,532	2,043	8,575
Miscellaneous	25,040	-	25,040
Total revenues	<u>1,889,280</u>	<u>48,636</u>	<u>1,937,916</u>
EXPENDITURES			
Current			
General government	150,763	-	150,763
Protection	11,612	-	11,612
Welfare	13,214	-	13,214
Health and sanitation	67,081	-	67,081
Public works	335,499	-	335,499
Culture and recreation	20,737	-	20,737
Education	741,461	-	741,461
County tax	199,863	-	199,863
Cemeteries	5,000	-	5,000
Debt service			
Principal	64,686	-	64,686
Interest	13,013	-	13,013
Total expenditures	<u>1,622,929</u>	<u>-</u>	<u>1,622,929</u>
Net change in fund balances, before other financing sources	<u>266,351</u>	<u>48,636</u>	<u>314,987</u>
OTHER FINANCING SOURCES			
Transfers in	77,413	14,500	91,913
Transfers out	(14,500)	(77,413)	(91,913)
Total other financing sources and uses	<u>62,913</u>	<u>(62,913)</u>	<u>-</u>
Net change in fund balances	329,264	(14,277)	314,987
FUND BALANCES - BEGINNING	<u>1,543,118</u>	<u>665,261</u>	<u>2,208,379</u>
FUND BALANCES - ENDING	<u>\$ 1,872,382</u>	<u>\$ 650,984</u>	<u>\$ 2,523,366</u>

See accompanying notes to basic financial statements.

Town of Athens, 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 December 31, 2018

Net change in fund balances - total governmental funds: \$ 314,987

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

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

Capital outlay	\$ 170,731	
Depreciation expense	<u>(215,825)</u>	(45,094)

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 inflows - property taxes. 3,589

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

Deferred outflows related to pensions		4,943
Deferred intflows related to pensions		<u>(7,140)</u>

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

Principal repaid		154,655
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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:

Net pension expense		<u>8,762</u>
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Change in net position of governmental activities		<u><u>\$ 434,702</u></u>
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Town of Athens, Maine
Statement of Fiduciary Net Position -
Fiduciary Funds
December 31, 2018

	<u>Private Purpose</u>	<u>Agency Fund</u>
ASSETS		
Cash and equivalents	\$ 298,095	\$ 42,141
Investments	404,022	-
	<u>702,117</u>	<u>42,141</u>
Total assets		
LIABILITIES		
Due to school groups	-	42,141
	<u>-</u>	<u>42,141</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 702,117</u>	<u>\$ -</u>

Town of Athens, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2018

	Private Purpose
ADDITIONS	
Interest and dividends	\$ 4,207
Unrealized and realized loss on investments	(3,376)
Total additions	831
DEDUCTIONS	
Administrative and other expenses	1,504
Scholarships	5,400
Total deductions	6,904
Change in net assets	(6,073)
NET POSITION - BEGINNING	708,190
NET POSITION - ENDING	\$ 702,117

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Athens, Maine, was incorporated under the laws of the State of Maine on March 7, 1804. The Town operates under a selectmen form of government and provides the following services: general government services, protection, public works, welfare, culture and recreation, and education.

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 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.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

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

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

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and fiduciary activities. The governmental statements present each major fund as a separate column on the fund financial statements. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

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 always classified as a major fund. This fund is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue - Reserves Fund

The special revenue - reserves fund is used to account for monies set aside for special projects and expendable portions of trust funds.

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

The Town has presented the following fiduciary funds:

Private Purpose Trust Funds

The private purpose trust fund is used to account for resources that are legally restricted to the extent that only earnings and not the principal may be used for the purposes that support the government's programs.

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity and includes student activity funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

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 are recorded only when payment is due.

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The Town utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the Town's operations. During the month of March, the townspeople approve the budget at a town meeting. The school budget is approved during June.

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

Formal budgets are not adopted for the other funds.

F. FINANCIAL STATEMENT AMOUNTS

1. Deposits and Investments

For purposes of the statement of net position, cash and cash equivalents include all demand and savings accounts, and nonnegotiable certificates of deposits of the Town.

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

2. Inventories

Inventories of food and supplies for the food service program are valued at the lower of cost or market value using the first in first out basis.

3. 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 statement of net position, except for amounts owed to fiduciary funds. Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the government-wide financial statements as "due from or due to fiduciary funds".

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

4. 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.

5. Capital Assets

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

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

Buildings	50 years
Infrastructure	20 years
Equipment	5-10 years
Vehicles	10-15 years

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

6. Long-term Liabilities

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

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists of compensated absences, net pension liability, due to MSAD 59 and capital lease payables.

The Town's school department policies regarding sick time allows the employee to accumulate earned but unused sick leave. The liability for these governmental compensated absences is recorded in the government-wide financials.

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

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

7. Pensions

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

8. Government-wide Net Position

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

Net position invested in capital assets, net of related debt 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 their 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 qualifying from either classification, amounts will be considered spent first 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 government's highest level of decision-making authority. The Town's fund balance can be committed by a majority vote of the voters of the Town.

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 amounts for the Town, under authority granted by the voters of the Town.

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 Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

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. Until the Town adopts its own policy, paragraph 18 of GASB 54 allows for a default policy whereby unrestricted funds are spent after all other funds are exhausted.

10. 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

11. Revenue Recognition - Property Taxes

Property taxes were assessed and levied on assessed values of April 1, 2018, and were due December 31, 2018. Interest was charged at 7.00% per annum on amounts not paid by the due date. Upon the expiration of eight months, and within one year from the date of the original commitment, a tax lien is recorded for all delinquent taxes on real estate.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred inflows.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay.

Assessed value	
Real estate	\$ 65,304,000
Personal property	<u>1,023,293</u>
	66,327,293
Tax rate (per \$1,000)	<u>18.50</u>
Commitment	1,227,054
Add supplemental taxes	400
Less collections and abatements	<u>(1,051,785)</u>
Receivable at December 31, 2018	<u>\$ 175,669</u>
Collection rate	86%

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

12. Recent Accounting Pronouncements

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

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 December 31, 2018, the Town reported deposits of \$2,614,641 with bank balances of \$2,646,064. Of the Town's total bank balance of \$2,646,064, \$357,792 was exposed to custodial credit risk and the remainder was insured or collateralized.

Deposits have been reported as follows:

Reported in governmental funds	\$ 2,274,406
Reported in private purpose funds	298,094
Reported in agency funds	<u>42,141</u>
Total deposits	<u>\$ 2,614,641</u>

Investments

Statutes authorize the Town to invest in certificates of deposit (CDs), repurchase agreements, and other available bank investments. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The trust and agency 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.

The Town's investments at December 31, 2018 are as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Certificates of deposit	\$380,714	-	-	\$380,714
Common stock	<u>23,308</u>	-	-	<u>23,308</u>
Total investments	<u>\$404,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$404,022</u>

All of the Town's investments at December 31, 2018 are valued using quoted market prices (Level 1 inputs).

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

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

Investments (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments. The Town does not have an investment policy for custodial credit risk. The Town's investments of \$23,308 in common stock are exposed to custodial credit risk as the investments are not in the Town's name. They are registered in the name of the bank's or broker's custodian, as applicable. The Town has investments of \$380,714 invested in CDs. Of this amount, \$0 is exposed to custodial credit risk as all CDs are fully insured brokered CDs.

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

Interest Rate Risk: The Unit does not have a policy related to investment rate risk.

Investments of \$404,022 have been reported in the fiduciary funds.

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Increases	Decreases	Balance 12/31/18
Capital assets not being depreciated				
Land	\$ 47,600	\$ -	\$ -	\$ 47,600
Capital assets being depreciated				
Buildings	2,378,048	-	-	2,378,048
Equipment	99,048	67,104	(33,785)	132,367
Improvements	8,000	-	-	8,000
Vehicles	542,906	10,500	-	553,406
Infrastructure	<u>5,025,901</u>	<u>126,913</u>	-	<u>5,152,814</u>
Total assets being depreciated	<u>8,053,903</u>	<u>204,517</u>	<u>(33,785)</u>	<u>8,224,635</u>
Less accumulated depreciation for:				
Buildings	(1,876,914)	(53,122)	-	(1,930,036)
Equipment	(49,315)	(2,687)	-	(52,002)
Improvements	(2,620)	(5,084)	-	(7,704)
Vehicles	(381,739)	(26,111)	-	(407,850)
Infrastructure	<u>(3,683,296)</u>	<u>(126,821)</u>	-	<u>(3,812,117)</u>
Accumulated depreciation	<u>(5,993,884)</u>	<u>(215,825)</u>	-	<u>(6,210,709)</u>
Total assets being depreciated, net	<u>2,060,019</u>	<u>(11,308)</u>	<u>(33,785)</u>	<u>2,014,926</u>
Governmental activities, net	<u>\$ 2,107,619</u>	<u>\$ (11,308)</u>	<u>\$ (33,785)</u>	<u>\$ 2,062,526</u>

Depreciation expense for the year ended December 31, 2018 was charged as direct expenses to governmental activities programs as follows:

General government	\$ 3,009
Education	62,327
Public works	149,614
Public safety	875
Total	<u>\$215,825</u>

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2018 is summarized as follows:

	Principal Balance 12/31/17	Increases	Decreases	Principal Balance 12/31/18	Portion due within one year
Due to MSAD #59					
2000 Series D school construction bond obligation	\$224,700	\$ -	\$ (56,175)	\$168,525	\$56,175
Capital lease payable	<u>104,226</u>	<u>-</u>	<u>(8,685)</u>	<u>95,541</u>	<u>8,685</u>
Total due to MSAD #59	<u>328,926</u>	<u>-</u>	<u>(64,860)</u>	<u>264,066</u>	<u>64,860</u>
Skowhegan Savings Bank					
3.1% general obligation bond dated 2017, due November 2021 with annual principal and interest payments for roads	199,450	-	(47,575)	151,875	49,070
3.71% general obligation bond dated 2017, due November 2026, principal and interest payments for school renovations	<u>179,298</u>	<u>-</u>	<u>(17,111)</u>	<u>162,187</u>	<u>17,755</u>
Total general obligation bonds	<u>378,748</u>	<u>-</u>	<u>(64,686)</u>	<u>314,062</u>	<u>66,825</u>
Capital leases payable	50,854	-	(25,109)	25,745	25,745
Net pension liability	90,365	-	(8,762)	81,603	N/A
Compensated absences	<u>49,823</u>	<u>-</u>	<u>-</u>	<u>49,823</u>	N/A
Total long-term liabilities	<u>\$898,716</u>	<u>\$ -</u>	<u>\$ (154,655)</u>	<u>\$744,061</u>	<u>\$157,430</u>

Future maturities of amounts owed to MSAD #59 at December 31, 2018 for long-term debt from the transfer of the school department are as follows:

Year ended December 31	Principal	Interest	Total
2019	\$ 64,861	\$ 3,230	\$ 68,091
2020	64,861	1,615	66,476
2021	64,861	-	64,861
2022	8,685	-	8,685
2023	8,685	-	8,685
2024-2028	43,427	-	43,427
2029-2030	<u>8,686</u>	<u>-</u>	<u>8,686</u>
	<u>\$ 264,066</u>	<u>\$ 4,845</u>	<u>\$ 268,911</u>

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

Future maturities of general obligation bonds at December 31, 2018 are as follows:

Year ended December 31	Principal	Interest	Total
2019	\$ 66,825	\$ 10,874	\$ 77,699
2020	69,011	8,688	77,699
2021	71,318	6,381	77,699
2022	19,834	4,021	23,855
2023	20,580	3,275	23,855
2024-2026	<u>66,494</u>	<u>5,071</u>	<u>71,565</u>
	<u>\$ 314,062</u>	<u>\$ 38,310</u>	<u>\$ 352,372</u>

Capital leases payable

The Town is the lessee of buses and copiers under capital leases expiring in 2019. 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 December 31, 2018, the Town had recorded \$83,817 in vehicles and \$18,407 in equipment related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at December 31, 2018 is \$18,407.

Minimum future lease payments under capital leases as of December 31, 2018 are:

2019	\$ 26,396
Less amount representing interest	<u>(651)</u>
Present value of minimum lease payments	<u>\$ 25,745</u>

In accordance with Maine law, no municipality shall incur debt for specific purpose in excess of certain percentages of State valuation of such municipality. At December 31, 2018, the Town was in compliance with these limitations.

NOTE 5. INTER-FUND TRANSACTIONS

Interfund transfers during the year ended December 31, 2018 were as follows:

	Transfers in	Transfers Out
General fund	\$ 77,413	\$ 14,500
Special revenue - reserves fund	<u>14,500</u>	<u>77,413</u>
	<u>\$ 91,913</u>	<u>\$ 91,913</u>

The Town transferred a total of \$76,913 from the special revenue fund – highway reserve and \$500 from the special revenue fund – equipment to the general fund. The Town also transferred \$14,500 from the general fund to the special revenue fund for budget approved amounts.

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 6. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of capital lease payable, adding back any unspent proceeds. The Town's net position invested in capital assets, net of related debt was calculated as follows at December 31, 2018:

Capital assets	\$8,272,235
Accumulated depreciation	(6,209,711)
Related bonds and capital leases payable	<u>(599,334)</u>
Total balance	<u>\$1,463,190</u>

NOTE 7. FUND BALANCE – RESTRICTED FOR RESERVES FUND

Fund balance restricted for reserves consisted of the following at December 31, 2018:

Highway	\$ 91,775
Equipment	3,399
Legal	9,873
Dr. Greene Fund	383,943
Recreation	7,005
Somerset Academy	101,383
Fire Dept	<u>53,605</u>
 Total	 <u>\$650,983</u>

NOTE 8. DEFINED BENEFIT PENSION PLAN – SCHOOL DEPARTMENT

Maine Public Employees Retirement System

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's State Employee and Teacher (SET) Plan. The SET plan is a cost-sharing multiple employer defined benefit plan with a special funding situation, established by the Maine State legislature. The State of Maine is a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. The Maine Public Employees Retirement System (MainePERS) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the SET plan. That report may be obtained by calling 1-800-451-9800.

Contributions

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

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 8. DEFINED BENEFIT PENSION PLAN – SCHOOL DEPARTMENT (CONTINUED)

SET Plan - Contributions

Contribution requirements are established and may be amended by the state legislature. Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education (DOE) is required to contribute 13.03% of compensation for non-federally funded employees. The School Department is required to contribute 2.65% of compensation to cover the normal costs for non-federally funded employees. The School Department is also required to contribute 16.15% of compensation for federally funded employees.

Pension Benefits

Benefit terms are established in Maine statute. 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. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

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

Net Pension Liability

The System separately accounts for the two groups within the SET plan, state employees being one group, and teachers the second group. Amounts disclosed for the SET plan reflect only the teachers' group portion, where applicable.

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

	SET Plan
Plan collective total pension liability	\$ 9,099,129,498
Less plan net position	<u>(7,749,686,754)</u>
Plan collective net pension liability	<u>\$ 1,349,442,744</u>

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 8. DEFINED BENEFIT PENSION PLAN – SCHOOL DEPARTMENT (CONTINUED)

Net Pension Liability (Continued)

At December 31, 2018, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the School Department for contributions to the SET Plan. The amount recognized by the School Department as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the School Department were as follows:

	SET Plan
Department's proportionate share of the net pension liability	\$ 81,603
State's proportionate share of the net pension liability associated with the Department	<u>812,602</u>
Total	<u>\$ 894,205</u>

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 Department's proportionate share percentage of the collective net pension liability for the SET Plan was .005618%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.005115% at the prior measurement date of June 30, 2017.

Deferred Outflows and Inflows of Resources

For the year ended December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SET Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 3,431	\$ -
Changes of assumptions	-	1,274
Net difference between projected and actual investment earnings on pension plan investments	22,767	23,967
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,857	3,670
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>41,489</u>	<u>-</u>
Total	<u>\$ 72,539</u>	<u>\$ 28,911</u>

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 8. DEFINED BENEFIT PENSION PLAN – SCHOOL DEPARTMENT (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

\$41,489 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 December 31, 2018. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	Amount
2019	(2,256)
2020	8,223
2021	546
2022	(4,369)
2023	-
	<u>\$ 2,144</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.mainepeers.org/Publications/Publications.htm#Annual Reports](http://www.mainepeers.org/Publications/Publications.htm#Annual%20Reports).

NOTE 9. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town is a member of the Maine Municipal Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the Fund for its worker's compensation coverage. The Town's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts, individual stop loss coverage for member Town's for claims in excess of \$500,000 with an excess limit of \$2,000,000.

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

Town of Athens, Maine
Notes to Basic Financial Statements
December 31, 2018

NOTE 10. CONTINGENCIES

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

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 17, 2019, the date on which the financial statements were available to be issued.

Town of Athens, Maine
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Actual Amounts, GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Changes*	Final		
REVENUES					
Property taxes	\$ 1,227,055	\$ -	\$ 1,227,055	\$ 1,224,366	\$ (2,689)
Excise taxes	169,868	-	169,868	179,541	9,673
Interest and lien fees	-	-	-	18,557	18,557
Licenses, permits and fees	-	-	-	78	78
Intergovernmental	293,753	-	293,753	383,086	89,333
Intergovernmental - education	-	50,000	50,000	50,000	-
Charges for services	-	-	-	2,080	2,080
Interest income	-	-	-	6,532	6,532
Other	-	-	-	25,040	25,040
Total revenues	1,690,676	50,000	1,740,676	1,889,280	148,604
EXPENDITURES					
Current					
General government	172,050	-	172,050	150,763	21,287
Protection	23,000	-	23,000	11,612	11,388
General assistance	17,639	-	17,639	13,214	4,425
Health and sanitation	74,500	-	74,500	67,081	7,419
Public works	287,575	76,913	364,488	335,499	28,989
Culture and recreation	17,500	9,349	26,849	20,737	6,112
Education	874,176	50,000	924,176	765,316	158,860
County tax	199,863	-	199,863	199,863	-
Cemeteries	5,000	-	5,000	5,000	-
Total expenditures	1,671,303	136,262	1,807,565	1,569,085	238,480
Excess of revenues over expenditures	19,373	(86,282)	(66,889)	320,195	387,084
OTHER FINANCING SOURCES (USES)					
Use of carryover fund balances	23,610	9,349	32,959	-	(32,959)
Overlay	(28,483)	-	(28,483)	-	28,483
Transfers in	-	76,913	76,913	77,413	500
Transfers out	(14,500)	-	(14,500)	(14,500)	-
Total other financing sources and uses	(19,373)	86,262	66,889	62,913	(3,976)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>329,264</u>	<u>\$ 329,264</u>
FUND BALANCES - BEGINNING				<u>1,543,118</u>	
FUND BALANCES - ENDING				<u>\$ 1,872,382</u>	

*Includes use of assigned and use of additional revenue.

Town of Athens, Maine
Schedule of the Department's Proportionate Share of the Net Pension Liability
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Department's proportion of the net pension liability	0.005618%	0.005115%	0.005115%	0.005911%
Department's proportionate share of the net pension liability	\$ 81,603	\$ 90,365	\$ 100,238	\$ 79,805
State's proportionate share of the net pension liability associated with the Department	<u>812,602</u>	<u>1,018,055</u>	<u>1,018,055</u>	<u>758,340</u>
Total	<u>\$ 894,205</u>	<u>\$ 1,108,420</u>	<u>\$ 1,118,293</u>	<u>\$ 838,145</u>
Department's covered-employee payroll	\$ 793,997	\$ 736,701	\$ 736,701	\$ 702,858
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.28%	12.27%	13.61%	11.35%
Plan fiduciary net position as a percentage of the total pension liability **	83.35%	79.05%	79.05%	83.55%

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

** Plan net position and collective net pension liability reflect only the teachers' group portion of the SET plan

Town of Athens, Maine
Schedule of Department Contributions
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 31,888	\$ 30,791	\$ 30,791	\$ 22,617
Contributions in relation to the contractually required contribution	<u>(31,888)</u>	<u>(30,791)</u>	<u>(30,791)</u>	<u>(22,617)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered-employee payroll	\$ 793,997	\$ 736,701	\$ 736,701	\$ 702,858
Contributions as a percentage of covered-employee payroll	4.02%	4.18%	4.18%	3.22%

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

Town of Athens, Maine
Taxes and Tax Liens Receivable
December 31, 2018

Taxes receivable	
2018	\$ 175,669
2017 and thereafter	<u>3,072</u>
Total taxes receivable	<u>178,741</u>
Tax liens	
2017	52,641
2016	<u>22,336</u>
Total tax liens	<u>74,977</u>
Allowance for uncollectible	<u>(15,000)</u>
Total taxes receivable and tax liens	<u><u>\$ 238,718</u></u>

Town of Athens, Maine
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Disbursements/ Expenditures
<i>U.S. Department of Education</i>			
Passed through State Department of Education			
Title I disadvantaged	84.010A	13-05A-3107-13	\$ 87,283
Title IIA Improving teacher quality	84.367A	13-05A-3042-11	4,715
Special Education - Grants to States	84.027A	13-05A-3046-12	<u>111,679</u>
Total U.S. Department of Education			<u>203,677</u>
<i>U.S. Department of Agriculture</i>			
Passed through State Department of Education			
Fresh Fruit & Vegetable Program	10.582	013-05A-3028-05	<u>5,650</u>
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	13-05A-3024-05	32,958
School lunch breakfast	10.553	13-05A-3014-05	<u>6,423</u>
<i>Total Child Nutrition Cluster</i>			<u>39,381</u>
Total U.S. Department of Agriculture			<u>45,031</u>
Total expenditures of federal awards			<u>\$ 248,708</u>



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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 Athens, Maine

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Athens, Maine as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Town of Athens, Maine's basic financial statements and have issued our report dated September 12, 2019.

Internal Control Over Financial Reporting

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

We noted certain other matters that we have reported to management of the Town of Athens, Maine, in a separate letter dated September 12, 2019.

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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Branter Thibodeau & Associates

September 12, 2019