

Audited Financial Statements and
Other Financial Information

Town of Madison, Maine

June 30, 2019



Proven Expertise & Integrity

TOWN OF MADISON, MAINE

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Madison
Madison, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Madison, 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 Madison, Maine'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.

Auditors' Responsibility

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

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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 aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Madison, 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 OPEB information on pages 4 through 10 and 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Madison, Maine's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset

schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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 30, 2019, on our consideration of the Town of Madison, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Madison, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
September 30, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the Town of Madison, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Madison, Maine's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the Town's activities. The type of activity presented for the Town of Madison:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, parks and recreation, cemeteries, community and social agencies, education and unclassified.

The government-wide financial statements include not only the Town itself (known as the primary government), but also legally separate entities for which the Town is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. These component units include the Madison Electric Works. Madison Electric Works, although also legally separate, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Madison, Maine, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Madison, Maine can be classified as governmental funds.

Governmental funds: All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Madison, Maine presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, Schedule of Changes in Net OPEB Liability, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities decreased by \$179,062 from \$8.61 million to \$8.43 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$1,912,757 at the end of this year.

**Table 1
Town of Madison, Maine
Net Position
June 30,**

	Governmental Activities	
	2019	2018
Assets		
Current Assets	\$ 3,123,899	\$ 3,057,271
Capital Assets	5,855,495	5,914,237
Total Assets	<u>8,979,394</u>	<u>8,971,508</u>
Deferred Outflows of Resources:		
Deferred Outflows Related to OPEB	90,408	108,489
Total Deferred Outflows of Resources	<u>90,408</u>	<u>108,489</u>
Liabilities		
Current Liabilities	291,877	90,329
Long-term Debt Outstanding	270,007	293,535
Total Liabilities	<u>561,884</u>	<u>383,864</u>
Deferred Inflows of Resources		
Prepaid Taxes	50,136	83,835
Deferred Inflows Related to OPEB	24,546	-
Total Deferred Inflows of Resources	<u>74,682</u>	<u>83,835</u>
Net Position		
Net Investment in Capital Assets	5,855,495	5,914,237
Restricted: Special Revenue Funds	485,116	424,471
Permanent Funds	179,868	194,313
Unrestricted	1,912,757	2,079,277
Total Net Position	<u>\$ 8,433,236</u>	<u>\$ 8,612,298</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 1.61%, while total expenses increased by 1.33%. Grants and contributions not restricted to specific programs experienced the largest increase for revenues while unclassified had the largest increase for expenses.

Table 2
Town of Madison, Maine
Change in Net Position
For the Years Ended June 30,

	Governmental Activities	
	2019	2018
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 104,966	\$ 99,411
Operating grants and contributions	61,252	60,552
<i>General revenues:</i>		
Taxes	8,364,495	8,300,430
Grants and contributions not restricted to specific programs	1,075,907	914,863
Miscellaneous	75,978	154,266
Total Revenues	9,682,598	9,529,522
Expenses		
General government	612,600	570,213
Public safety	961,850	944,702
Public works	1,060,253	1,022,501
Parks and recreation	72,308	76,116
Cemeteries	21,841	34,158
Community and social agencies	173,219	171,953
Education	5,050,135	5,088,528
County tax	833,719	871,711
Unclassified	1,016,804	842,479
Capital outlay	58,931	110,132
Total Expenses	9,861,660	9,732,493
 Change in Net Position	 (179,062)	 (202,971)
 Net Position - July 1	 8,612,298	 8,815,269
 Net Position - June 30	 \$ 8,433,236	 \$ 8,612,298

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Madison, Maine
Fund Balances - Governmental Funds
June 30,

	2019	2018 (Restated)
General Fund:		
Nonspendable	\$ 4,909	\$ 10,784
Assigned	227,983	218,199
Unassigned	1,427,171	1,654,676
Total General Fund	\$ 1,660,063	\$ 1,883,659
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 32,499	\$ 42,430
Restricted	452,617	382,041
Assigned	127,996	128,301
Permanent Funds:		
Nonspendable	28,046	28,046
Restricted	151,822	166,267
Total Nonmajor Funds	\$ 792,980	\$ 747,085

The general fund total fund balance decreased by \$223,596 from the prior fiscal year due to positive budget to actual variances of \$103,488 in revenues and a positive budget to actual variance of \$273,133 in expenditures less a budgeted use of fund balance of \$600,217. The nonmajor fund balances increased by \$45,895 from the prior fiscal year primarily due to a current year excess in the special revenue funds that exceeded the current year deficit in the permanent funds.

Budgetary Highlights

The significant difference between the original and final budget for the general fund was due to the use of assigned fund balance.

The general fund actual revenues were under budget by \$103,488. This was the result of all revenue categories exceeding expectations with the exception of property taxes.

The general fund actual expenditures were under the budget by \$273,133. All expenditure categories were within or under budget although Article 7 that includes storm drains and waste disposal was overspent.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the Town decreased by \$58,742 from the prior year. This decrease is the result of current year depreciation expense of \$262,517 and net disposals of \$40,724 less capital additions of \$244,499.

Table 4
Town of Madison, Maine
Capital Assets (Net of Depreciation)
June 30,

	<u>2019</u>	<u>2018</u>
Land and non-depreciable assets	\$ 951,169	\$ 976,169
Buildings, building improvements and land improvements	726,053	755,997
Machinery, equipment and vehicles	671,391	698,800
Infrastructure	<u>3,506,882</u>	<u>3,483,271</u>
Total	<u>\$ 5,855,495</u>	<u>\$ 5,914,237</u>

Debt

The Town had no long-term debt as of June 30, 2019.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

In the summer of 2019, the former upper mill of Madison Paper Industries was sold from liquidators Somerset Acquisitions to GO-Lab of Belfast, Maine. The sale begins the process of redevelopment of the site to manufacture wood fiber insulation. Phase one of production is scheduled for summer/fall of 2020. At full production the GO-Lab venture is expected to provide 120 jobs.

As part of a cooperative effort with Somerset Economic Development, the Finance Authority of Maine (FAME) and the State Department of Economic and Community Development (DECD), the Town of Madison issued a \$400,000 loan to GO-Lab to help fund the engineering necessary to make the former mill site ready to accept the new equipment. The \$400,000 loan is made up of \$300,000 in funds from the Community Development Block Grant Special Project Program and \$100,000 from the Town of Madison Economic Development Revolving Loan Program.

The term of the loan is seven years with a balloon note at the end. Assuming the loan is paid off early or on time the funds will be returned to the Towns Economic Development Revolving Loan Program.

The Town's most recent valuation of the hydro-electric assets owned by Eagle Creek Renewable Energy was reduced from \$51M to \$44M. Nonetheless the Town anticipates Eagle Creek to file for an abatement based on a market reduction in energy prices.

In April of 2019 the State Board of Property Tax Review ruled in the Town's favor and denied Madison Paper Industries appeal for an abatement of approximately \$800,000 of taxes paid in 2016. Despite the ruling, MPI and its attorneys have filed for an appeal in Somerset County Superior Court.

Woodlands Senior Living has broken ground on a 42 bed Memory Care facility in East Madison on the border with Skowhegan. At a special Town Meeting in March 2019, residents voted to approve a 10-Year TIF with a Credit Enhancement Agreement for Woodlands.

Energy Storage Batteries have been installed at the Jones Street Power Station owned and operated by Madison Electric Works. These batteries represent approximately \$4M work of taxable value for the Town and MEW leases the property for \$1,000 per month.

In June of 2019, Town Meeting voters approved use of \$400,000 from undesignated fund balance to keep the tax rate increase at a minimum. With an increase in State Revenue Sharing the assessors were able slightly lower the mil rate from \$21.50 per thousand to \$21.25 per thousand.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, the Treasurer for the Town of Madison can be reached at P.O. Box 190, Madison, Maine 04950.

TOWN OF MADISON, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Governmental Activities	Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,945,726	\$ 1,183,591
Investments	519,392	-
Accounts receivable (net of allowance for uncollectibles):		
Taxes	391,181	-
Liens	132,184	-
Notes	32,499	154,451
Other	98,008	1,203,779
Prepaid items	-	132,456
Inventory	-	336,929
Tax acquired property	4,909	-
Total current assets	<u>3,123,899</u>	<u>3,011,206</u>
Noncurrent assets:		
Note receivable, less current portion	-	1,314,829
Capital assets:		
Land and other assets not being depreciated	951,169	-
Buildings and vehicles, net of accumulated depreciation	4,904,326	4,864,863
Total noncurrent assets	<u>5,855,495</u>	<u>6,179,692</u>
TOTAL ASSETS	<u>8,979,394</u>	<u>9,190,898</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to OPEB	90,408	54,245
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>90,408</u>	<u>54,245</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 9,069,802</u>	<u>\$ 9,245,143</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 133,492	\$ 501,739
Other accrued payables	155,800	38,991
Customer deposits	-	19,381
Current portion of long-term obligations	2,585	155,000
Total current liabilities	<u>291,877</u>	<u>715,111</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations:		
Bond payable, less current portion	-	1,170,000
Accrued compensated absences	18,096	48,012
Net OPEB liability	251,911	134,040
Total noncurrent liabilities	<u>270,007</u>	<u>1,352,052</u>
TOTAL LIABILITIES	<u>561,884</u>	<u>2,067,163</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes	50,136	-
Deferred inflows related to OPEB	24,546	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>74,682</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	5,855,495	3,539,863
Restricted for: Special revenue funds	485,116	-
Permanent funds	179,868	-
Unrestricted	1,912,757	3,638,117
TOTAL NET POSITION	<u>8,433,236</u>	<u>7,177,980</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 9,069,802</u>	<u>\$ 9,245,143</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Governmental Activities	Component Unit
Primary government:						
Governmental activities:						
General government	\$ 612,600	\$ 36,003	\$ -	\$ -	\$ (576,597)	\$ -
Public safety	961,850	1,270	-	-	(960,580)	-
Public works	1,060,253	46,658	61,252	-	(952,343)	-
Parks and recreation	72,308	11,310	-	-	(60,998)	-
Cemeteries	21,841	-	-	-	(21,841)	-
Community and social agencies	173,219	9,725	-	-	(163,494)	-
Education	5,050,135	-	-	-	(5,050,135)	-
County tax	833,719	-	-	-	(833,719)	-
Unclassified	1,016,804	-	-	-	(1,016,804)	-
Capital outlay	58,931	-	-	-	(58,931)	-
Total governmental activities	<u>\$ 9,861,660</u>	<u>\$ 104,966</u>	<u>\$ 61,252</u>	<u>\$ -</u>	<u>(9,695,442)</u>	<u>-</u>
Component unit:						
Madison electric works	\$ 5,353,154	\$ 4,908,466	\$ -	\$ -	\$ -	\$ (444,688)
Total component unit	<u>\$ 5,353,154</u>	<u>\$ 4,908,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(444,688)</u>

TOWN OF MADISON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Primary Government <u>Governmental</u> Activities	Component Unit
Changes in net position:		
Net (expense) revenue	<u>(9,695,442)</u>	<u>(444,688)</u>
General revenues:		
Taxes:		
Property taxes, levied for general purposes	7,569,836	-
Excise taxes	794,659	-
Grants and contributions not restricted to specific programs	1,075,907	-
Miscellaneous	75,978	21,944
Total general revenues	<u>9,516,380</u>	<u>21,944</u>
Change in net position	(179,062)	(422,744)
NET POSITION - JULY 1	<u>8,612,298</u>	<u>7,600,724</u>
NET POSITION - JUNE 30	<u>\$ 8,433,236</u>	<u>\$ 7,177,980</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT C

TOWN OF MADISON, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,779,012	\$ 166,714	\$ 1,945,726
Investments	-	519,392	519,392
Accounts receivable (net of allowance for uncollectibles):			
Taxes	391,181	-	391,181
Liens	132,184	-	132,184
Notes	-	32,499	32,499
Other	98,008	-	98,008
Tax acquired property	4,909	-	4,909
Due from other funds	5,000	79,375	84,375
TOTAL ASSETS	\$ 2,410,294	\$ 797,980	\$ 3,208,274
LIABILITIES			
Accounts payable	\$ 133,492	\$ -	\$ 133,492
Accrued expenses	155,800	-	155,800
Due to other funds	79,375	5,000	84,375
TOTAL LIABILITIES	368,667	5,000	373,667
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	50,136	-	50,136
Deferred tax revenues	331,428	-	331,428
TOTAL DEFERRED INFLOWS OF RESOURCES	381,564	-	381,564
FUND BALANCES			
Nonspendable	4,909	60,545	65,454
Restricted	-	604,439	604,439
Committed	-	-	-
Assigned	227,983	127,996	355,979
Unassigned	1,427,171	-	1,427,171
TOTAL FUND BALANCES	1,660,063	792,980	2,453,043
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,410,294	\$ 797,980	\$ 3,208,274

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	Total Governmental Funds
	Funds
Total Fund Balances	\$ 2,453,043
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	5,855,495
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	331,428
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	90,408
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(20,681)
Net OPEB liability	(251,911)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(24,546)
	\$ 8,433,236
Net position of governmental activities	

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	\$ 7,494,408	\$ -	\$ 7,494,408
Excise taxes	794,659	-	794,659
Intergovernmental	1,137,159	-	1,137,159
Charges for services	104,966	-	104,966
Miscellaneous revenues	82,894	(6,916)	75,978
TOTAL REVENUES	9,614,086	(6,916)	9,607,170
EXPENDITURES			
Current:			
General government	568,289	-	568,289
Public safety	931,407	-	931,407
Public works	855,103	-	855,103
Parks and recreation	71,648	-	71,648
Cemeteries	21,841	-	21,841
Community and social agencies	173,219	-	173,219
Education	5,050,135	-	5,050,135
County tax	833,719	-	833,719
Unclassified	44,250	972,554	1,016,804
Capital outlay	262,706	-	262,706
TOTAL EXPENDITURES	8,812,317	972,554	9,784,871
EXCESS REVENUES OVER (UNDER) EXPENDITURES	801,769	(979,470)	(177,701)
OTHER FINANCING SOURCES			
Transfers in	-	1,031,145	1,031,145
Transfers (out)	(1,025,365)	(5,780)	(1,031,145)
TOTAL OTHER FINANCING SOURCES (USES)	(1,025,365)	1,025,365	-
NET CHANGE IN FUND BALANCES	(223,596)	45,895	(177,701)
FUND BALANCES - JULY 1, RESTATED	1,883,659	747,085	2,630,744
FUND BALANCES - JUNE 30	\$ 1,660,063	\$ 792,980	\$ 2,453,043

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, 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 (Statement E)	<u>\$ (177,701)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	244,499
Capital asset disposals	(40,724)
Depreciation expense	<u>(262,517)</u>
	<u>(58,742)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(18,081)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>75,428</u>
Deferred inflows of resources are an aquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(24,546)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	8,412
Net OPEB liability	<u>16,168</u>
	<u>24,580</u>
Change in net position of governmental activities (Statement B)	<u>\$ (179,062)</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Madison was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government, public safety, public works, parks and recreation, cemeteries, community and social agencies, education and unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has one component unit, Madison Electric Works (MEW), a department of the Town of Madison, Maine, as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61. December 31st is the year-end of MEW and the last separate financial statements were as of and for the year ended December 31, 2017. The amounts included in the Town's 2019 financial statements for MEW are as of and for the year ended December 31, 2017. Refer to Note 17 of Notes to Financial Statements for additional information.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. The Town categorizes all activities as governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.) excluding

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

1. Governmental Funds:

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

Major Fund:

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds:

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

The emphasis in fund financial statements is on the major funds in the governmental activities' category. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

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

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

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

The Town of Madison has no formal investment policy but instead follows the State of Maine Statutes.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$130,507 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). In the component unit, inventory consists of parts.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

Capital Assets

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term obligations 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 obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist primarily of accrued compensated absences and net OPEB 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 funds is the same in the fund statements as it is in the government-wide statements.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between all other elements in a statement of financial position. 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 enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of item, deferred outflows related to OPEB. This item is reported in the statements of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred tax revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to OPEB qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied on August 20, 2018 at 21.5 mils on the assessed value listed as of April 1, 2018, for all real and personal property located in the Town. Taxes were due on in two installments on September 20, 2018 and March 15, 2019. Interest on unpaid taxes commenced on September 21, 2018 and March 16, 2019, at 8% per annum.

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 revenues.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$252,944 for the year ended June 30, 2019.

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

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2019, the Town's cash balances amounting to \$1,945,726 were comprised of bank deposits of \$2,029,527. Of these bank deposits, \$2,016,868 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk and \$4,301 were covered by the Securities Investor Protection Corporation (SIPC). The remaining deposits of \$8,358 were uncollateralized and uninsured.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 260,065
Repurchase agreements	1,765,161
Cash and cash equivalents	4,301
	<u>\$ 2,029,527</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2019, the Town's investment balances amounting to \$519,391 were comprised of mutual funds, real estate investment trusts and equities and options. All of the Town's investments were fully covered by the Securities Investor Protection Corporation (SIPC).

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Fair Value	Maturity		
		<1 Year	1 - 5 Years	N/A
Equity Securities:				
Mutual funds	\$ 364,866	\$ -	\$ -	\$ 364,866
REIT	18,538	-	-	18,538
Equities and options	135,987	-	-	135,987
	<u>\$ 519,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,391</u>

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2019:

	June 30, 2019 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Mutual funds - domestic and foreign	\$ 364,866	\$ 364,866	\$ -	\$ -
Real estate investment trusts	18,538	18,538	-	-
Equities and options	135,987	135,987	-	-
Total equity securities	<u>519,391</u>	<u>519,391</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>519,391</u>	<u>\$ 519,391</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	4,301			
Total cash equivalents measured at the NAV	<u>4,301</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 523,692</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Town has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

per share (or its equivalent) is calculated as of June 30, 2019 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk - Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk.

Interest rate risk - The risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 5,000	\$ 79,375
Nonmajor Special Revenue Funds	79,375	5,000
	<u>\$ 84,375</u>	<u>\$ 84,375</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Disposals	Balance, 6/30/19
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 976,169	\$ -	\$ (25,000)	\$ 951,169
	<u>976,169</u>	<u>-</u>	<u>(25,000)</u>	<u>951,169</u>
Depreciated assets:				
Buildings and improvements	935,317	-	-	935,317
Land improvements	284,601	-	-	284,601
Vehicles and equipment	2,708,413	83,591	(92,089)	2,699,915
Infrastructure	7,043,001	160,908	-	7,203,909
	<u>10,971,332</u>	<u>244,499</u>	<u>(92,089)</u>	<u>11,123,742</u>
Less: accumulated depreciation	(6,033,264)	(262,517)	76,365	(6,219,416)
	<u>4,938,068</u>	<u>(18,018)</u>	<u>(15,724)</u>	<u>4,904,326</u>
Net governmental capital assets	<u>\$ 5,914,237</u>	<u>\$ (18,018)</u>	<u>\$ (40,724)</u>	<u>\$ 5,855,495</u>
 <u>Current year depreciation:</u>				
General government				\$ 26,264
Public safety				30,443
Public works				205,150
Recreation				660
Total depreciation expense				<u>\$ 262,517</u>

NOTE 5 - NOTES RECEIVABLE

Amounts recorded as loans receivable represent notes made under an economic development program to local businesses. Management has determined that no allowance for loan losses is necessary at June 30, 2019. Bad debt expense for the year ended June 30, 2019 was \$0. The portion of the notes receivable balance expected to be collected beyond a period of one year is reported in the fund financial statements as nonspendable because those resources are unavailable for use in the near term.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LINE OF CREDIT

The Town has secured a revolving line of credit with a bank. The maximum amount of the line is \$2,500,000. Interest is payable at a fixed rate of 3.19%. The line of credit is unsecured. The term of the loan will be six years. The first three years will be the revolving period, the final three years will be the repayment period. The loan will permit revolving advances and principal payments on an as needed basis during the first three years and require semiannual payments of interest based on the use of funds during the prior six months. On April 26, 2019, the note was paid in full. Interest in the amount of \$5,589 was paid on the note.

	Balance, 7/1/18	Additions	Reductions	Balance, 6/30/19
Bond anticipation note	\$ -	\$ 400,000	\$ (400,000)	\$ -
Totals	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ (400,000)</u>	<u>\$ -</u>

NOTE 7 - LONG-TERM OBLIGATIONS

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

	Balance, 7/1/18 (Restated)	Additions	Deletions	Balance, 6/30/19	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 29,093	\$ -	\$ (8,412)	\$ 20,681	\$ 2,585
Net OPEB liability	268,079	-	(16,168)	251,911	-
	<u>\$ 297,172</u>	<u>\$ -</u>	<u>\$ (24,580)</u>	<u>\$ 272,592</u>	<u>\$ 2,585</u>

Please see Notes 8 and 17 for more detailed information on each of these long-term obligations.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the Town's liability for compensated absences is \$20,681.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - NONSPENDABLE FUND BALANCES

At June 30, 2019, the Town had the following nonspendable fund balances:

General Fund:	
Tax Acquired Property	\$ 4,909
Nonmajor Special Revenue Funds (Schedule E)	32,499
Nonmajor Permanent Funds (Schedule G)	28,046
	<u>\$ 65,454</u>

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2019, the Town had the following restricted fund balances:

Nonmajor Special Revenue Funds (Schedule E)	\$ 452,617
Nonmajor Permanent Funds (Schedule G)	151,822
	<u>\$ 604,439</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - ASSIGNED FUND BALANCES

At June 30, 2019, the Town had the following assigned fund balances:

	Balance, 7/1/18	Appropriations	Additions	Reductions	Balance, 6/30/19
General Fund Carryforwards:					
Public safety - fire department capital	\$ 1,935	\$ 4,000	\$ -	\$ (5,912)	\$ 23
Public works - equipment	28,783	55,000	-	(83,591)	192
Public safety	-	1,935	-	-	1,935
Highway	-	28,783	-	-	28,783
Highway general operations	-	2,000	-	-	2,000
Summer roads	-	15,000	-	-	15,000
Public safety - vehicle	-	3,000	-	-	3,000
Public safety - building	-	1,500	-	-	1,500
General government admin - capital	-	13,000	-	-	13,000
Town Legal Expense	10,842	77,000	-	(97,594)	(9,752)
Garden	1,094	-	-	(965)	129
Madison Anson Days	21,229	7,500	10,967	(17,488)	22,208
Internship Funds	800	-	-	(800)	-
Mug Up Social Gathering	925	-	-	(925)	-
Beach Access	3,432	-	-	(58)	3,374
Recreation Funds	585	-	-	-	585
Christmas Parade Committee	7,732	2,500	1,595	(4,670)	7,157
189 Main Street Playground/Parking	1,928	-	20	(136)	1,812
Emergency Management	526	-	2,138	(1,067)	1,597
Fortin Playground at OPA	23,754	-	-	(14,072)	9,682
Rec Participation	8,213	-	12,242	(11,290)	9,165
Foreclosure Sales	56,096	-	31,695	(21,252)	66,539
Police Contract Reimbursement	32,177	(77,000)	77,644	-	32,821
Families in Need	-	1,000	-	-	1,000
Age Friendly	-	2,544	-	-	2,544
Highway Equipment	-	13,689	-	-	13,689
	<u>200,051</u>	<u>151,451</u>	<u>136,301</u>	<u>(259,820)</u>	<u>227,983</u>
Nonmajor Special Revenue Funds (Schedule E)	128,301	-	-	(305)	127,996
	<u>\$ 328,352</u>	<u>\$ 151,451</u>	<u>\$ 136,301</u>	<u>\$ (260,125)</u>	<u>\$ 355,979</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. As of June 30, 2019, the Town's share of school, Madison Electric Works, and county debt was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of Somerset	\$ 12,975,000	6.95%	\$ 901,727
Madison Electric Works	1,325,000	100.00%	1,325,000
MSAD No. 59	3,464,166	100.00%	3,464,166
			<u>\$ 5,690,893</u>

NOTE 13 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2019, the Town had the following overspent appropriations:

	<u>Excess</u>
Storm Drains and Waste Disposal (Article 7)	<u>\$ 22,096</u>
	<u>\$ 22,096</u>

The Town is aware of this over-expenditure and plans to address it in the next fiscal year.

NOTE 14 - ECONOMIC DEPENDENCY

A single taxpayer, Eagle Creek Renewable Energy, is assessed approximately \$1,048,998 or approximately 13.99% of the Town of Madison's current year tax commitment.

NOTE 15 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS

Tax Increment Financing District

The Town has established a tax increment financing district in accordance with Maine statutes to finance economic development programs located in the Town of Madison, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the district's so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

Municipal Development and Tax Increment Financing District

On March 30, 2006, the Madison Board of Selectmen, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy. The original District, known as the "Backyard Farms Tract," is comprised of 160 acres with an original assessed value of \$349,840. This agreement was amended in February of 2008 to adjust the District boundaries and to add 85 acres of town-owned public roads. This area is known as "Town Tract 1." In November of 2013 a second amendment request was approved to further adjust the District boundaries and add an additional 94.46 acres with an original assessed value of \$6,817,100. This area is known as "Town Tract 2." The potential projects that will be implemented under this Development Program include: the development of up to 8 multi-acre greenhouses, a cogeneration facility and other ancillary improvements, along with the related machinery and equipment, reconstruction and maintenance of roads, sidewalks and infrastructure, construction of a centrally located public safety building, creation of a local transfer station, economic development planning and administrative expenses associated with the development effort. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$31,641,914 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$14,849,791. The Development Program provides for 100% of the increase in assessed value of the Backyard Farms Tract to be captured and designated as captured assessed value for 30 years, starting with the Town's 2007-2008 fiscal year. The Town will not capture any of the increased assessed value of Town Tract 1 or Town Tract 2. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5227(3)(A).

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period of 15 or 20 years, or the remainder of the term of the District designation, whichever is less. The actual term will depend on a combination of Company investment in the Backyard Farms Tract of the District and the number of full-time employees (Less than \$60 million invested and less than 170 full-time employees - lesser of 15 years or the remainder of the District term. \$60 million or more invested and 170 or more full-time employees - lesser of 20 years or the remainder of the District term). The percentage of TIF revenues to be paid to the Company varies from 70% to 75%, depending on the number of full-time employees hired and retained by the Company (Less than 350 full-time employees - 70% returned to the Company and 30% retained by the Town. 350 or more full-time

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

employees - 75% returned to the Company and 25% retained by the Town). If the value of the taxable property within the original District drops below \$8 million, the Company will not receive any TIF revenues. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Selectmen shall determine, in its discretion, whether it is necessary or appropriate to enter any Credit Enhancement Agreement to grant these abatements. The state law does not provide for the recapture of abated taxes in the event an abatement recipient does not fill the commitment it makes in return for the tax abatement. The Town reserves the right to incur indebtedness to finance, in part or in whole, the projects within the Development Program. Any projects financed through municipal bonded indebtedness must be approved in advance by the Madison voters.

Abatements

The Town has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities. The Town currently only has one tax abatement agreement, the Backyard Farms Municipal Development and Tax Increment Financing District, which is summarized below:

Backyard Farms Municipal Development and Tax Increment Financing District

In March of 2006, the Town of Madison entered into a credit enhancement agreement with Backyard Farms, LLC for the development of the Backyard Farms greenhouse facility. The agreement is effective for 20 years. 70% of the property taxes to be generated on the improvements within the District will be returned to the developer and 30% will be retained by the Town and used to fund the development plan of the District. If certain hiring thresholds are achieved by Backyard Farms at any point during the 20 year period, the percentage of tax increment revenues captured and returned to Backyard Farms, LLC would increase from 70% to 75%. As such, the percentage of tax increment revenues captured and retained by the Town would decrease from 30% to 25%.

For the fiscal year ended June 30, 2019, the Town abated property taxes for the following program:

<u>Tax Abatement Program</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Backyard Farms Municipal Development and Tax Increment Financing District	70%	\$ 466,254

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

The total amount of captured tax increment revenues for this TIF District was \$666,077. The amount of captured tax increment revenues returned to Backyard Farms LLC was \$466,254; representing 70% of the total captured tax increment revenues. The remaining 30% (\$199,823) was retained by the Town for economic development and infrastructure initiatives. In addition, the BETE reimbursement from the State (\$359,268) related to the property added in this TIF district is also captured and retained for the noted designated purpose for a total of \$559,111.

NOTE 16 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the International City Management Association Retirement Corporation (ICMA-RC).

The plan, available to all full-time and permanent part-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plan.

The Town's deferred compensation plan contribution for the employees for the year ended June 30, 2019, was approximately \$41,247 which was expensed to the general fund. The amount withheld from the Town's employees' as deferred compensation which was contributed to the plan was approximately \$24,811 which was charged to the general fund as wages. In addition, Madison Electric Works is allowed to participate in the plan. The amount contributed to the plan from Madison Electric Works (both employee and employer portions) was approximately \$82,000 for the year ended June 30, 2019, which was reimbursed in full by the Electric Works.

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. 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*. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

Employees Covered by Benefit Terms

At January 1, 2019, the following employees were covered by the benefit terms:

Active members	19
Retirees and spouses	<u>2</u>
Total	<u><u>21</u></u>

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
POS C	\$1,044.20	\$2,342.30
PPO 1500	\$804.11	\$1,803.74
 <u>Medicare</u>		
Medicare-Eligible Retirees	\$527.65	\$1,055.29

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Town reported a liability of \$251,911 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2019 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2019, the Town recognized OPEB expense of \$26,459. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>MMEHT</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 71,307	\$ -
Changes of assumptions	19,101	24,546
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 90,408</u>	<u>\$ 24,546</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

	<u>MMEHT</u>	
Plan year ended June 30:		
2019	\$	13,990
2020		13,990
2021		13,990
2022		13,990
2023		13,993
Thereafter		(4,091)

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of January 1, 2019. The discount rate determination is based on the high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 4.10% per annum for December 31, 2019 was based upon a measurement date of December 31, 2018. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	3.10%	4.10%	5.10%
Total OPEB liability	\$ 215,597	\$ 251,911	\$ 297,022
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 215,597</u>	<u>\$ 251,911</u>	<u>\$ 297,022</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 213,057	\$ 251,911	\$ 300,520
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 213,057</u>	<u>\$ 251,911</u>	<u>\$ 300,520</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2018. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Assumptions

The actuarial assumptions used in the January 1, 2019 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2018 and December 31, 2019.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2018 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2019, they are as follows:

Discount Rate - 4.10% per annum.

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

Administrative and claims expense - 3% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC _2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected.

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2019 was \$71,307.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2018 and June 30, 2017 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2017 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2019. For the fiscal year ended June 30, 2019, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town office at P.O. Box 190, Madison, Maine 04950.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 - RISK MANAGEMENT

The Town faces a full realm of risks typical of a thriving entity. Liabilities associated with torts and protections against damage of loss of assets are the general categories of risk for which the Town carries commercial insurance. Specific insurance related to these categories includes general, police and public officials' liability coverage, workers compensation, and automobile insurance. The Town is liable for deductibles ranging up to \$1,000 for settlements exceeding the limits of coverage, which range from \$50,000 to \$3,000,000.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2019. There were no significant reductions in insurance coverage from that of the prior year and the amounts of settlements have not exceeded insurance coverage for each of the past three years.

NOTE 19 - COMPONENT UNIT

The Town of Madison, Maine has discretely presented the following component unit in the financial statements:

Madison Electric Works (MEW), a department of the Town, was created by a legislative act of the State of Maine for the purpose of performing all duties of the Town of Madison in connection with the management and operation of the service area's electric works. MEW services parts of the towns of Madison, Anson, Norridgewock and Starks. Operations of MEW are financed through usage fees charged to customers. MEW is a separate legal entity from the Town, however, debt issued for MEW is backed by the full faith and credit of the Town. Financing costs for MEW debt are provided through user charges. Separately issued financial statements of MEW can be obtained by contacting the Electric Works' superintendent at 6 Business Park Drive, Madison, ME.

NOTE 20 - 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.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 - CONTINGENCIES (CONTINUED)

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 21 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 22 - RESTATEMENT

A restatement was made as of July 1, 2018 to reclassify the revaluation reserve fund balance of \$128,301 from the general fund to a special revenue fund.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Changes in Net OPEB Liability
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

TOWN OF MADISON, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 1,883,659	\$ 1,883,659	\$ 1,883,659	\$ -
Resources (Inflows):				
Taxes:				
Property taxes	7,495,733	7,495,733	7,494,408	(1,325)
Excise taxes	730,730	730,730	794,659	63,929
Intergovernmental revenues:				
State revenue sharing	339,957	339,957	350,454	10,497
Homestead exemption	290,824	290,824	290,824	-
Local road assistance	61,252	61,252	61,252	-
BETE reimbursement	399,084	399,084	399,161	77
Other	31,950	31,950	35,468	3,518
Charges for services	101,948	101,948	104,966	3,018
Interest income	10,000	10,000	28,027	18,027
Miscellaneous revenues	49,120	49,120	54,867	5,747
Amounts Available for Appropriation	11,394,257	11,394,257	11,497,745	103,488
Charges to Appropriations (Outflows):				
General government	575,295	588,295	568,289	20,006
Public safety	929,380	933,880	931,407	2,473
Public works	846,525	863,525	855,103	8,422
Parks and recreation	73,950	73,950	71,648	2,302
Cemeteries	21,900	21,900	21,841	59
Community and social agencies	175,735	175,735	173,219	2,516
Education	5,050,135	5,050,135	5,050,135	-
County tax	833,719	833,719	833,719	-
Unclassified	278,219	278,219	44,250	278,219
Capital outlay	235,375	266,093	262,706	266,093
Transfers to other funds	1,025,365	1,025,365	1,025,365	-
Total Charges to Appropriations	10,045,598	10,110,815	9,837,682	273,133
Budgetary Fund Balance, June 30	\$ 1,348,659	\$ 1,283,442	\$ 1,660,063	\$ 376,621
Utilization of assigned fund balance	\$ 235,000	\$ 300,217	\$ -	\$ (300,217)
Utilization of unassigned fund balance	300,000	300,000	-	(300,000)
	\$ 535,000	\$ 600,217	\$ -	\$ (600,217)

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 268,079	\$ -	\$ 268,079
Changes for the year:			
Service cost	5,737	-	5,737
Interest	9,374	-	9,374
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(28,637)	-	(28,637)
Contributions - employer	-	2,642	(2,642)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(2,642)	(2,642)	-
Administrative expense	-	-	-
Net changes	(16,168)	-	(16,168)
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 251,911</u>	<u>\$ -</u>	<u>\$ 251,911</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

	<u>2019</u>	<u>2018</u>
<u>Total OPEB liability</u>		
Service cost (BOY)	5,737	4,873
Interest (includes interest on service cost)	9,374	5,173
Changes of benefit terms	-	-
Differences between expected and actual experience	-	99,829
Changes of assumptions	(28,637)	26,741
Benefit payments, including refunds of member contributions	(2,642)	(1,032)
Net change in total OPEB liability	<u>\$ (16,168)</u>	<u>\$ 135,584</u>
Total OPEB liability - beginning	\$ 268,079	\$ 132,495
Total OPEB liability - ending	\$ 251,911	\$ 268,079
<u>Plan fiduciary net position</u>		
Contributions - employer	2,642	1,032
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(2,642)	(1,032)
Administrative expense	-	-
Net change in fiduciary net position	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	\$ -	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 251,911</u>	<u>\$ 268,079</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-
Covered employee payroll	\$ 1,018,396	\$ 1,018,396
Net OPEB liability as a percentage of covered payroll	24.7%	26.3%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST TEN FISCAL YEARS*

	<u>2019</u>	<u>2018</u>
<u>MMEHT:</u>		
Employer contributions	\$ -	\$ -
Benefit payments	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,018,396	\$ 1,018,396
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

TOWN OF MADISON, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes in Assumptions

The funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF MADISON, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Taxes:				
Property taxes	\$ 7,495,733	\$ 7,495,733	\$ 7,494,408	\$ (1,325)
Excise taxes	725,930	725,930	789,275	63,345
Boat excise	4,800	4,800	5,384	584
Intergovernmental revenues:				
State revenue sharing	339,957	339,957	350,454	10,497
Homestead exemption	290,824	290,824	290,824	-
Tree growth reimbursement	18,000	18,000	24,191	6,191
Veterans' exemption	4,000	4,000	4,286	286
Local road assistance	61,252	61,252	61,252	-
BETE reimbursement	399,084	399,084	399,161	77
Other state/federal funds	9,950	9,950	6,991	(2,959)
Charges for services:				
Town clerk fees/licenses	24,100	24,100	26,097	1,997
Code enforcement/permit fees	6,000	6,000	9,906	3,906
Public safety	2,000	2,000	1,270	(730)
Public works income	48,748	48,748	46,658	(2,090)
Community service	11,500	11,500	11,310	(190)
Library	9,600	9,600	9,725	125
Investment income:				
Regular investment income	10,000	10,000	28,027	18,027
Other revenues:				
Fees/interest on taxes	39,500	39,500	44,025	4,525
Misc. other	9,620	9,620	10,842	1,222
Amounts Available for Appropriation	<u>\$ 9,510,598</u>	<u>\$ 9,510,598</u>	<u>\$ 9,614,086</u>	<u>\$ 103,488</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES					
General government:					
Administration	\$ 475,220	\$ 13,000	\$ 488,220	\$ 480,527	\$ 7,693
Planning board	5,825	-	5,825	4,947	878
Code enforcement	26,400	-	26,400	19,521	6,879
Boards and commissions	19,350	-	19,350	19,527	(177)
Elections	3,000	-	3,000	3,514	(514)
Assessing	45,500	-	45,500	40,253	5,247
	<u>575,295</u>	<u>13,000</u>	<u>588,295</u>	<u>568,289</u>	<u>20,006</u>
Public safety:					
Ambulance	92,250	-	92,250	92,245	5
Police department	440,000	-	440,000	440,000	-
Fire department	103,230	4,500	107,730	104,106	3,624
Animal control officer	10,900	-	10,900	7,105	3,795
Street lights	58,000	-	58,000	63,075	(5,075)
Hydrants	225,000	-	225,000	224,876	124
	<u>929,380</u>	<u>4,500</u>	<u>933,880</u>	<u>931,407</u>	<u>2,473</u>
Public works:					
Public areas	44,000	-	44,000	43,502	498
Waste disposal	204,000	-	204,000	226,594	(22,594)
General operations	570,075	2,000	572,075	537,474	34,601
Winter roads	1,200	-	1,200	2,400	(1,200)
Summer roads	27,250	15,000	42,250	45,133	(2,883)
	<u>846,525</u>	<u>17,000</u>	<u>863,525</u>	<u>855,103</u>	<u>8,422</u>

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Parks and recreation:					
Preble Avenue	11,075	-	11,075	5,319	5,756
Recreation	62,875	-	62,875	66,329	(3,454)
	<u>73,950</u>	<u>-</u>	<u>73,950</u>	<u>71,648</u>	<u>2,302</u>
Cemeteries	<u>21,900</u>	<u>-</u>	<u>21,900</u>	<u>21,841</u>	<u>59</u>
Community and social agencies:					
Community programs	43,395	-	43,395	41,707	1,688
Library	113,940	-	113,940	112,960	980
Service organizations	18,400	-	18,400	18,552	(152)
	<u>175,735</u>	<u>-</u>	<u>175,735</u>	<u>173,219</u>	<u>2,516</u>
Education	<u>5,050,135</u>	<u>-</u>	<u>5,050,135</u>	<u>5,050,135</u>	<u>-</u>
County tax	<u>833,719</u>	<u>-</u>	<u>833,719</u>	<u>833,719</u>	<u>-</u>
Capital outlay:					
Roads	176,375	-	176,375	173,203	3,172
Public works equipment	55,000	28,783	83,783	83,591	192
Fire department	4,000	1,935	5,935	5,912	23
	<u>235,375</u>	<u>30,718</u>	<u>266,093</u>	<u>262,706</u>	<u>266,093</u>

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified:					
Old Point	18,600	-	18,600	18,777	(177)
Boat landing	1,200	-	1,200	936	264
55 Western Ave	2,400	-	2,400	2,738	(338)
189 Main Street Playground/Parking Overlay	3,075	-	3,075	2,763	312
	<u>252,944</u>	<u>-</u>	<u>252,944</u>	<u>19,036</u>	<u>233,908</u>
	<u>278,219</u>	<u>-</u>	<u>278,219</u>	<u>44,250</u>	<u>278,219</u>
Transfers to other funds:					
Special revenue funds	1,025,365	-	1,025,365	1,025,365	-
	<u>1,025,365</u>	<u>-</u>	<u>1,025,365</u>	<u>1,025,365</u>	<u>-</u>
Total Expenditures	<u>\$ 10,045,598</u>	<u>\$ 65,218</u>	<u>\$ 10,110,816</u>	<u>\$ 9,837,682</u>	<u>\$ 1,883,673</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 166,054	\$ 660	\$ 166,714
Investments	340,184	179,208	519,392
Notes receivable	32,499	-	32,499
Due from other funds	79,375	-	79,375
TOTAL ASSETS	<u>\$ 618,112</u>	<u>\$ 179,868</u>	<u>\$ 797,980</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	5,000	-	5,000
TOTAL LIABILITIES	<u>5,000</u>	<u>-</u>	<u>5,000</u>
FUND BALANCES			
Nonspendable	32,499	28,046	60,545
Restricted	452,617	151,822	604,439
Committed	-	-	-
Assigned	127,996	-	127,996
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>613,112</u>	<u>179,868</u>	<u>792,980</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 618,112</u>	<u>\$ 179,868</u>	<u>\$ 797,980</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Investment income, net of unrealized gains/(losses)	\$ (6,844)	\$ (4,612)	\$ (11,456)
Other	4,540	-	4,540
TOTAL REVENUES	<u>(2,304)</u>	<u>(4,612)</u>	<u>(6,916)</u>
EXPENDITURES			
Program expenses	968,501	4,053	972,554
TOTAL EXPENDITURES	<u>968,501</u>	<u>4,053</u>	<u>972,554</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(970,805)</u>	<u>(8,665)</u>	<u>(979,470)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,031,145	-	1,031,145
Transfers (out)	-	(5,780)	(5,780)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,031,145</u>	<u>(5,780)</u>	<u>1,025,365</u>
NET CHANGE IN FUND BALANCES	60,340	(14,445)	45,894
FUND BALANCES - JULY 1	<u>552,772</u>	<u>194,313</u>	<u>747,085</u>
FUND BALANCES - JUNE 30	<u><u>\$ 613,112</u></u>	<u><u>\$ 179,868</u></u>	<u><u>\$ 792,980</u></u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Public Library Expendable Trust Fund	Dorothy Brown Expendable Trust Fund	Backyard Farms Capture and Retain TIF	Backyard Farms Capture and Return TIF	Revolving Loan Fund	Cemetery Lot Sales Fund	Revaluation Reserve	Total
ASSETS								
Cash and cash equivalents	\$ 1,898	\$ 58	\$ 160,497	\$ 209	\$ -	\$ 3,392	\$ -	\$ 166,054
Investments	63,901	77,405	-	-	-	70,882	127,996	340,184
Notes receivable	-	-	-	-	32,499	-	-	32,499
Due from other funds	-	-	-	-	79,375	-	-	79,375
TOTAL ASSETS	\$ 65,799	\$ 77,463	\$ 160,497	\$ 209	\$ 111,874	\$ 74,274	\$ 127,996	\$ 618,112
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	5,000	-	-	-	-	5,000
TOTAL LIABILITIES	-	-	5,000	-	-	-	-	5,000
FUND BALANCES								
Nonspendable	-	-	-	-	32,499	-	-	32,499
Restricted	65,799	77,463	155,497	209	79,375	74,274	-	452,617
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	127,996	127,996
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	65,799	77,463	155,497	209	111,874	74,274	127,996	613,112
TOTAL LIABILITIES AND FUND BALANCES	\$ 65,799	\$ 77,463	\$ 160,497	\$ 209	\$ 111,874	\$ 74,274	\$ 127,996	\$ 618,112

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Public Library Expendable Trust Fund	Dorothy Brown Expendable Trust Fund	Backyard Farms Capture and Retain TIF	Backyard Farms Capture and Return TIF	Revolving Loan Fund	Cemetery Lot Sales Fund	Revaluation Reserve	Total
REVENUES								
Investment income, net of unrealized gains/(losses)	\$ (722)	\$ (2,370)	\$ 1,510	\$ 143	\$ 1,312	\$ (6,412)	\$ (305)	\$ (6,844)
Other	4,540	-	-	-	-	-	-	4,540
TOTAL REVENUES	<u>3,818</u>	<u>(2,370)</u>	<u>1,510</u>	<u>143</u>	<u>1,312</u>	<u>(6,412)</u>	<u>(305)</u>	<u>(2,304)</u>
EXPENDITURES								
Program expenditures	19,408	2,079	452,802	466,254	-	27,958	-	968,501
TOTAL EXPENDITURES	<u>19,408</u>	<u>2,079</u>	<u>452,802</u>	<u>466,254</u>	<u>-</u>	<u>27,958</u>	<u>-</u>	<u>968,501</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,590)</u>	<u>(4,449)</u>	<u>(451,292)</u>	<u>(466,111)</u>	<u>1,312</u>	<u>(34,370)</u>	<u>(305)</u>	<u>(970,805)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	559,111	466,254	-	5,780	-	1,031,145
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>559,111</u>	<u>466,254</u>	<u>-</u>	<u>5,780</u>	<u>-</u>	<u>1,031,145</u>
NET CHANGE IN FUND BALANCES	<u>(15,590)</u>	<u>(4,449)</u>	<u>107,819</u>	<u>143</u>	<u>1,312</u>	<u>(28,590)</u>	<u>(305)</u>	<u>60,340</u>
FUND BALANCES - JULY 1	<u>81,389</u>	<u>81,912</u>	<u>47,678</u>	<u>66</u>	<u>110,562</u>	<u>102,864</u>	<u>128,301</u>	<u>552,772</u>
FUND BALANCES - JUNE 30	<u>\$ 65,799</u>	<u>\$ 77,463</u>	<u>\$ 155,497</u>	<u>\$ 209</u>	<u>\$ 111,874</u>	<u>\$ 74,274</u>	<u>\$ 127,996</u>	<u>\$ 613,112</u>

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Madison, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of cemeteries and scholarships.

TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2019

	Perpetual Care	Jacobs Scholarship	Total
ASSETS			
Cash and cash equivalents	\$ 87	\$ 573	\$ 660
Investments	172,015	7,193	179,208
TOTAL ASSETS	<u>\$ 172,102</u>	<u>\$ 7,766</u>	<u>\$ 179,868</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	23,046	5,000	28,046
Restricted	149,056	2,766	151,822
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>172,102</u>	<u>7,766</u>	<u>179,868</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 172,102</u>	<u>\$ 7,766</u>	<u>\$ 179,868</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Perpetual Care	Jacobs Scholarship	Total
REVENUES			
Investment income, net of unrealized gains/(losses)	\$ (5,048)	\$ 436	\$ (4,612)
TOTAL REVENUES	<u>(5,048)</u>	<u>436</u>	<u>(4,612)</u>
EXPENDITURES			
Other	3,553	500	4,053
TOTAL EXPENDITURES	<u>3,553</u>	<u>500</u>	<u>4,053</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,601)</u>	<u>(64)</u>	<u>(8,665)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	(5,780)	-	(5,780)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,780)</u>	<u>-</u>	<u>(5,780)</u>
NET CHANGE IN FUND BALANCES	(14,381)	(64)	(14,445)
FUND BALANCES - JULY 1	<u>186,483</u>	<u>7,830</u>	<u>194,313</u>
FUND BALANCES - JUNE 30	<u>\$ 172,102</u>	<u>\$ 7,766</u>	<u>\$ 179,868</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position.

TOWN OF MADISON, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General government	\$ 267,910	\$ 918,894	\$ 22,473	\$ -	\$ 1,209,277
Public safety	20,000	158,760	984,080	-	1,162,840
Public works	7,500	132,664	1,690,862	7,203,909	9,034,935
Recreation	655,759	9,600	2,500	-	667,859
Total General Capital Assets	951,169	1,219,918	2,699,915	7,203,909	12,074,911
Less: Accumulated Depreciation	-	(493,865)	(2,028,524)	(3,697,027)	(6,219,416)
Net General Capital Assets	<u>\$ 951,169</u>	<u>\$ 726,053</u>	<u>\$ 671,391</u>	<u>\$ 3,506,882</u>	<u>\$ 5,855,495</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF MADISON, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
General government	\$ 1,245,990	\$ -	\$ (36,713)	\$ 1,209,277
Public safety	1,243,216	-	(80,376)	1,162,840
Public works	8,790,436	244,499	-	9,034,935
Recreation	667,859	-	-	667,859
Total General Capital Assets	11,947,501	244,499	(117,089)	12,074,911
Less: Accumulated Depreciation	<u>(6,033,264)</u>	<u>(262,517)</u>	<u>76,365</u>	<u>(6,219,416)</u>
Net General Capital Assets	<u>\$ 5,914,237</u>	<u>\$ (18,018)</u>	<u>\$ (40,724)</u>	<u>\$ 5,855,495</u>

See accompanying independent auditors' report and notes to financial statements.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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 Madison
Madison, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Madison, 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 Madison, Maine's basic financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting

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

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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 Madison, 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.

RHR Smith & Company

Buxton, Maine
September 30, 2019