

TOWN OF BUCKSPORT, MAINE

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JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Bucksport
Bucksport, Maine

Report on the Financial Statements

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 12 and 72 through 80 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 Bucksport, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 20-A MRSA § 6051, Subchapter 1(K) of the Maine Revised Statutes as amended and is also 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, capital asset schedules and

the schedule of expenditures of federal awards 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, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2020 on our consideration of the Town of Bucksport, 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 Bucksport, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
February 4, 2020

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

(UNAUDITED)

The following management's discussion and analysis of the Town of Bucksport, 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 Bucksport'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, pension and OPEB information 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 separate columns for the two different types of town activities. The types of activities presented for the Town of Bucksport are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, protection, public works, health and sanitation, education, recreation, community and social agencies, cemeteries and unclassified.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Bucksport include the sewer fund and the marina fund.

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 Bucksport, 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 Bucksport can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Most 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 Bucksport 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 funds 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.

Proprietary Funds: The Town of Bucksport maintains two proprietary funds, the sewer fund and the marina fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

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 Statement of Cash Flows - Proprietary Funds.

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, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pension, a Schedule of Proportionate Share of the Net OPEB Liability - PLD, a Schedule of Contributions - PLD, a Schedule of Changes in Net OPEB Liability - MMEHT, a Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT, a Schedule of Contributions - OPEB - MMEHT 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 \$988,207 by \$19,495,970 to \$18,507,763. For the business-type activities the Town's total net position increased by \$162,599 from \$9,755,409 to \$9,918,008.

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 the governmental activities to a balance of \$7,768,368 at the end of the fiscal year. For the business-type activities, the unrestricted net position decreased to a balance of \$1,203,429.

Table 1
Town of Bucksport, Maine
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2019	2018 (Restated)	2019	2018
Assets:				
Current Assets	\$ 10,077,566	\$ 11,221,515	\$ 1,404,910	\$ 1,565,559
Noncurrent Assets	9,764,867	9,862,099	17,300,850	17,297,255
Other Assets	1,645,348	2,056,685	-	-
Total Assets	<u>21,487,781</u>	<u>23,140,299</u>	<u>18,705,760</u>	<u>18,862,814</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	193,271	439,782	-	-
Deferred Outflows Related to OPEB	28,465	1,758	-	-
Total Deferred Outflows of Resources	<u>221,736</u>	<u>441,540</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	725,874	723,340	406,845	398,133
Noncurrent Liabilities	2,258,177	3,025,204	8,380,907	8,709,272
Total Liabilities	<u>2,984,051</u>	<u>3,748,544</u>	<u>8,787,752</u>	<u>9,107,405</u>
Deferred Inflows of Resources:				
Prepaid Taxes	17,547	12,552	-	-
Deferred Inflows Related to Pensions	146,964	319,185	-	-
Deferred Inflows Related to OPEB	53,192	5,588	-	-
Total Deferred Inflows of Resources	<u>217,703</u>	<u>337,325</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	9,651,708	9,670,913	8,591,579	8,264,763
Restricted: Nonspendable - Principal	140,198	140,198	-	-
General Fund	357,358	357,358	-	-
Special Revenue Funds	541,405	616,405	-	-
Permanent Funds	48,726	53,218	-	-
Enterprise Funds	-	-	123,000	123,000
Unrestricted	7,768,368	8,657,878	1,203,429	1,367,646
Total Net Position	<u>\$ 18,507,763</u>	<u>\$ 19,495,970</u>	<u>\$ 9,918,008</u>	<u>\$ 9,755,409</u>

Revenues and Expenses

Revenues for the Town's governmental activities decreased by 2.20%, while total expenses increased by 2.92%. Decreases in charges for services, grants and contributions not restricted to specific programs and miscellaneous revenues, partially offset by an increase in property taxes and excise taxes resulted in the decrease in governmental revenues. Governmental expenditures recognized an increase, primarily in cost of public works, education and unclassified expenses, partially offset by decreases in capital outlay expenses. For the business-type activities, revenues decreased by 34.76% primarily due to a decrease in capital grants and contributions received for the secondary treatment project in the prior year, while total expenses increased by 3.95%.

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

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues				
<i>Programs Revenues:</i>				
Charges for services	\$ 691,874	\$ 729,517	\$ 870,590	\$ 864,812
Operating grants and contributions	66,495	65,718	-	-
Capital grants and contributions	-	-	297,548	969,790
<i>General Revenues:</i>				
Property taxes	7,038,854	7,004,595	-	-
Excise taxes	901,127	875,622	-	-
Grants and contributions not restricted to specific programs	798,523	885,744	-	-
Miscellaneous	384,035	542,028	114,837	131,994
Total Revenues	9,880,908	10,103,224	1,282,975	1,966,596
Expenses				
General government	1,749,311	1,765,218	-	-
Protection	1,772,497	1,754,268	-	-
Public works	1,458,419	1,313,468	-	-
Health and sanitation	239,149	278,761	-	-
Community and social agencies	87,162	86,331	-	-
Education	4,720,940	4,379,440	-	-
Recreation	294,122	269,624	-	-
Cemeteries	11,862	9,675	-	-
Tax increment financing agreement	-	500	-	-
County tax	189,491	186,625	-	-
Capital outlay	107,947	427,711	-	-
Sewer fund	-	-	1,014,561	971,660
Marina	-	-	121,227	120,996
Unclassified	222,803	74,656	-	-
Total Expenses	10,853,703	10,546,277	1,135,788	1,092,656
Transfers	(15,412)	(15,412)	15,412	15,412
Change in Net Position	(988,207)	(458,465)	162,599	889,352
Net Position - July 1, Restated	19,495,970	19,954,435	9,755,409	8,866,057
Net Position - June 30	\$ 18,507,763	\$ 19,495,970	\$ 9,918,008	\$ 9,755,409

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 Bucksport, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2019</u>	<u>2018</u>
General Fund:		
Nonspendable	\$ 11,524	\$ 9,678
Restricted	357,358	357,358
Committed	119,972	119,972
Assigned	868,468	808,778
Unassigned	5,727,596	6,573,260
Total General Fund	<u>\$ 7,084,918</u>	<u>\$ 7,869,046</u>
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 541,405	\$ 616,405
Assigned	383,170	372,620
Unassigned	(66,510)	(35,482)
Capital Projects Funds:		
Committed	1,455,679	1,651,047
Assigned	100,301	98,307
Unassigned	(80,871)	-
Permanent Funds:		
Nonspendable - Principal	140,198	140,198
Restricted	48,726	53,218
Unassigned	(3,228)	-
Total Nonmajor Funds	<u>\$ 2,518,870</u>	<u>\$ 2,896,313</u>

The general fund total fund balance decreased by \$784,128 from the prior fiscal year primarily due to expenditures and net transfers to other funds that were higher than revenues. The nonmajor funds total fund balances decreased by \$377,443 from the prior fiscal year as a result of expenditures exceeding revenues and net transfers from other funds.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The sewer fund had an increase of \$195,264 in net position for the year due to capital grant contributions during the current fiscal year along with positive operating net income. The marina fund had a decrease of \$32,665 in net position for the year due to an operating loss.

Budgetary Highlights

There were no major differences between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted amounts by \$199,461. This was mostly the result of greater than anticipated revenues in all categories with the exception of property taxes, intergovernmental and interest on taxes.

The general fund actual expenditures exceeded budget by \$65,357. Most expenditure categories were under or within budget, with the exception of general government, public works, unclassified and transfers to other funds.

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 \$93,637 from the prior year. The decrease is the result of capital additions of \$877,194, offset by current year depreciation of \$932,051 and disposals of \$38,780.

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

	<u>2019</u>	<u>2018</u>
Land	\$ 2,193,021	\$ 2,193,021
Construction in progress	13,155,005	12,885,727
Artwork	11,450	11,450
Buildings and improvements	3,885,412	4,117,555
Furniture and fixtures	6,088	6,978
Equipment	437,009	387,621
Vehicles	1,272,117	1,051,803
Infrastructure	6,105,615	6,505,199
Total	<u>\$ 27,065,717</u>	<u>\$ 27,159,354</u>

Debt

At June 30, 2019, the Town had \$10,467,778 of bonds and notes from direct borrowings outstanding versus \$11,280,363 last year, a decrease of 7.20%. Refer to Note 7 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

Bucksport's financial performance and management of resources remains strong despite a current year deficit in the general fund. The unassigned general fund balance decreased to \$5,727,596 for the year ended June 30, 2019 from \$6,573,260 for the same period in 2018 or a 12.87% increase.

Fiscal 2019 budget expectations continued to support operational and program needs within LD-1 tax limitations despite continued economic constraints and flat local economy. Property taxes remained the largest source of revenue for the Town in fiscal 2019 at \$7,026,749, comprising approximately 72.24% of revenues. The Town's mil rate decreased to \$16.30, a decrease of \$0.10 from the previous year rate of \$16.40.

To limit the Town's exposure to unforeseen cost and more specifically to provide an adequate level of funding in the event of a valuation loss from large taxpayers, Bucksport adopted an Undesignated Fund Balance Policy in May of 2007. The Town's management designed the policy around maintaining a level of funding in Undesignated Fund Balance (surplus) that provides financial stability for the community into the near future. In addition, the policy will assist the Town in maintaining its current favorable bond rating and provide direction to the Town Manager during annual budget preparation. The Town maintained balances in excess of the required minimum level for the fiscal years ended 2019 and 2018. The policy also includes a provision for the suggested utilization of excess funds on future capital improvements and/or accelerated payment of debt service.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, the Finance Director for the Town of Bucksport can be reached at P.O. Box X, Bucksport, Maine 04416, by phone at (207) 469-7368 or email address of financedirector@bucksportmaine.gov.

TOWN OF BUCKSPORT, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,155,525	\$ 836	\$ 1,156,361
Investments	9,045,773	-	9,045,773
Accounts receivable (net of allowance for uncollectibles):			
Taxes	1,445	-	1,445
Liens	316,077	-	316,077
Other	723,981	102,884	826,865
Note receivable	119,972	-	119,972
Inventory	11,524	4,205	15,729
Due from other governments	254	-	254
Internal balances	(1,296,985)	1,296,985	-
Total current assets	10,077,566	1,404,910	11,482,476
Noncurrent assets:			
Receivable for long-term debt obligations from RSU No. 25	1,645,348	-	1,645,348
Capital assets:			
Land, infrastructure, and other assets not being depreciated	1,527,572	13,831,904	15,359,476
Buildings and vehicles net of accumulated depreciation	8,237,295	3,468,946	11,706,241
Total noncurrent assets	11,410,215	17,300,850	28,711,065
TOTAL ASSETS	21,487,781	18,705,760	40,193,541
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	193,271	-	193,271
Deferred outflows related to OPEB	28,465	-	28,465
TOTAL DEFERRED OUTFLOWS OF RESOURCES	221,736	-	221,736
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 21,709,517	\$ 18,705,760	\$ 40,415,277
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 101,133	\$ -	\$ 101,133
Accrued payroll	112,384	-	112,384
Due to other governments	123	78,481	78,604
Current portion of long-term obligations	512,234	328,364	840,598
Total current liabilities	725,874	406,845	1,132,719
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds	1,234,011	8,380,907	9,614,918
Notes from direct borrowings payable	33,120	-	33,120
Accrued compensated absences	204,812	-	204,812
Net pension liability	459,726	-	459,726
Net OPEB liability	326,508	-	326,508
Total noncurrent liabilities	2,258,177	8,380,907	10,639,084
TOTAL LIABILITIES	2,984,051	8,787,752	11,771,803
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	17,547	-	17,547
Deferred inflows related to pensions	146,964	-	146,964
Deferred inflows related to OPEB	53,192	-	53,192
TOTAL DEFERRED INFLOWS OF RESOURCES	217,703	-	217,703
NET POSITION			
Net investment in capital assets	9,651,708	8,591,579	18,243,287
Restricted - nonspendable principal	140,198	-	140,198
Restricted	947,489	123,000	1,070,489
Unrestricted	7,768,368	1,203,429	8,971,797
TOTAL NET POSITION	18,507,763	9,918,008	28,425,771
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 21,709,517	\$ 18,705,760	\$ 40,415,277

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

STATEMENT B

TOWN OF BUCKSPORT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 1,749,311	\$ 101,654	\$ 4,015	\$ -	\$ (1,643,642)	\$ -	\$ (1,643,642)
Protection	1,772,497	495,652	-	-	(1,276,844)	-	(1,276,844)
Public works	1,458,419	555	62,480	-	(1,395,385)	-	(1,395,385)
Health and sanitation	239,149	27,950	-	-	(211,199)	-	(211,199)
Community and social agencies	87,162	-	-	-	(87,162)	-	(87,162)
Education	4,720,940	-	-	-	(4,720,940)	-	(4,720,940)
Recreation	294,122	66,063	-	-	(228,058)	-	(228,058)
Cemeteries	11,862	-	-	-	(11,862)	-	(11,862)
County tax	189,491	-	-	-	(189,491)	-	(189,491)
Capital outlay	107,947	-	-	-	(107,947)	-	(107,947)
Unclassified	222,803	-	-	-	(222,803)	-	(222,803)
Total governmental activities	10,853,703	691,874	66,495	-	(10,095,334)	-	(10,095,334)
Business-type activities:							
Sewer fund	1,014,561	782,145	-	297,548	-	65,132	65,132
Marina fund	121,227	88,445	-	-	-	(32,782)	(32,782)
Total business-type activities	1,135,788	870,590	-	297,548	-	32,350	32,350
Total government	\$ 11,989,491	\$ 1,562,464	\$ 66,495	\$ 297,548	(10,095,334)	32,350	(10,062,984)

STATEMENT B (CONTINUED)

TOWN OF BUCKSPORT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	(10,095,334)	32,350	(10,062,984)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	7,038,854	-	7,038,854
Excise taxes	901,127	-	901,127
Grants and contributions not restricted to specific programs	798,523	-	798,523
Miscellaneous	384,035	114,837	498,872
Transfers	(15,412)	15,412	-
Total general revenues and transfers	9,107,126	130,249	9,237,375
Change in net position	(988,207)	162,599	(825,608)
NET POSITION - JULY 1, RESTATED	19,495,970	9,755,409	29,251,379
NET POSITION - JUNE 30	\$ 18,507,763	\$ 9,918,008	\$ 28,425,771

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

STATEMENT C

TOWN OF BUCKSPORT, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,074,798	\$ 80,727	\$ 1,155,525
Investments	8,927,875	117,898	9,045,773
Accounts receivable (net of allowance for uncollectibles):			
Taxes	1,445	-	1,445
Liens	316,077	-	316,077
Other	629,093	94,888	723,981
Note receivable	119,972	-	119,972
Inventory	11,524	-	11,524
Due from other governments	254	-	254
Due from other funds	169,097	2,394,454	2,563,551
TOTAL ASSETS	<u>\$ 11,250,135</u>	<u>\$ 2,687,967</u>	<u>\$ 13,938,102</u>
LIABILITIES			
Accounts payable	\$ 101,133	\$ -	\$ 101,133
Accrued payroll and related items	112,384	-	112,384
Due to other governments	123	-	123
Due to other funds	3,691,439	169,097	3,860,536
TOTAL LIABILITIES	<u>3,905,079</u>	<u>169,097</u>	<u>4,074,176</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	17,547	-	17,547
Deferred tax revenues	242,591	-	242,591
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>260,138</u>	<u>-</u>	<u>260,138</u>
FUND BALANCES			
Nonspendable - inventory and principal	11,524	140,198	151,722
Restricted	357,358	590,131	947,489
Committed	119,972	1,455,679	1,575,651
Assigned	868,468	483,471	1,351,939
Unassigned	5,727,596	(150,609)	5,576,987
TOTAL FUND BALANCES	<u>7,084,918</u>	<u>2,518,870</u>	<u>9,603,788</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 11,250,135</u>	<u>\$ 2,687,967</u>	<u>\$ 13,938,102</u>

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

TOWN OF BUCKSPORT, MAINE

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

	Total Governmental Funds
Total Fund Balances	\$ 9,603,788
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	9,764,867
Long-term assets are not available in the current period and therefore are not reported as assets in the funds:	
Receivable for long-term debt obligations from RSU No. 25	1,645,348
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	242,591
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds:	
Pensions	193,271
OPEB	28,465
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(1,693,511)
Notes from direct borrowings payable	(64,996)
Accrued compensated absences	(225,670)
Net pension liability	(459,726)
Net OPEB liability	(326,508)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds:	
Pensions	(146,964)
OPEB	(53,192)
Net position of governmental activities	<u>\$ 18,507,763</u>

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

TOWN OF BUCKSPORT, 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	\$ 7,026,749	\$ -	\$ 7,026,749
Excise	901,127	-	901,127
Intergovernmental	861,828	3,190	865,018
Charges for services	691,874	-	691,874
Miscellaneous revenues	245,915	138,120	384,035
TOTAL REVENUES	<u>9,727,493</u>	<u>141,310</u>	<u>9,868,803</u>
EXPENDITURES			
Current:			
General government	1,805,931	16,421	1,822,352
Protection	1,638,940	18,354	1,657,294
Public works	1,101,599	-	1,101,599
Health and sanitation	227,466	-	227,466
Community and social agencies	87,162	-	87,162
Education	4,720,940	-	4,720,940
Recreation	240,902	-	240,902
Cemeteries	2,775	9,087	11,862
County tax	189,491	-	189,491
Unclassified	222,803	-	222,803
Capital outlay	-	733,091	733,091
TOTAL EXPENDITURES	<u>10,238,009</u>	<u>776,953</u>	<u>11,014,962</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(510,516)</u>	<u>(635,643)</u>	<u>(1,146,159)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	79,500	438,691	518,191
Transfers (out)	(353,112)	(180,491)	(533,603)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(273,612)</u>	<u>258,200</u>	<u>(15,412)</u>
NET CHANGE IN FUND BALANCES	(784,128)	(377,443)	(1,161,571)
FUND BALANCES - JULY 1	<u>7,869,046</u>	<u>2,896,313</u>	<u>10,765,359</u>
FUND BALANCES - JUNE 30	<u>\$ 7,084,918</u>	<u>\$ 2,518,870</u>	<u>\$ 9,603,788</u>

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

TOWN OF BUCKSPORT, 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>\$ (1,161,571)</u>
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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	551,374
Capital asset disposals	(4,257)
Depreciation expense	<u>(644,349)</u>
	<u>(97,232)</u>

Revenues in the Statement of Activities that do not provide current financial
resources are not reported.

Taxes and liens receivable	<u>12,105</u>
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Decrease in the receivable for long-term debt obligations from RSU No. 25	<u>(411,337)</u>
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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:

Pensions	(246,511)
OPEB	26,707
	<u>(219,804)</u>

Repayment of long-term debt principal is an expenditure in the governmental
funds, but the repayment reduces long-term obligations in the Statement of
Net Position

	<u>489,364</u>
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Deferred inflows of resources are an acquisition of net position by the
government that are applicable to a future reporting period and therefore
are not reported in the funds

Pensions	172,221
OPEB	(47,604)
	<u>124,617</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	(17,091)
Net pension liability	263,160
Net OPEB liability	29,582
	<u>275,651</u>

Change in net position of governmental activities (Statement B)	<u>\$ (988,207)</u>
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See accompanying independent auditors' report and notes to financial statements.

STATEMENT G

TOWN OF BUCKSPORT, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Enterprise Funds		
	Sewer Fund	Marina Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 336	\$ 500	\$ 836
Accounts receivable (net of allowance for uncollectibles)	91,096	11,788	102,884
Inventory	-	4,205	4,205
Due from other funds	1,283,450	13,535	1,296,985
Total current assets	1,374,882	30,028	1,404,910
Noncurrent assets:			
Capital assets:			
Construction in progress	13,155,005	-	13,155,005
Land	676,899	-	676,899
Buildings	4,546,320	45,593	4,591,913
Building improvements	875,270	-	875,270
Furniture and fixtures	-	704	704
Infrastructure	5,760,930	25,813	5,786,743
Equipment	78,331	4,603	82,934
Total capital assets	25,092,755	76,713	25,169,468
Less: accumulated depreciation	(7,853,661)	(14,957)	(7,868,618)
Total noncurrent assets	17,239,094	61,756	17,300,850
TOTAL ASSETS	\$ 18,613,976	\$ 91,784	\$ 18,705,760
LIABILITIES			
Current liabilities:			
Accrued interest	\$ 78,481	\$ -	\$ 78,481
Current portion of long-term obligations	328,364	-	328,364
Total current liabilities	406,845	-	406,845
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	8,380,907	-	8,380,907
Total noncurrent liabilities	8,380,907	-	8,380,907
TOTAL LIABILITIES	8,787,752	-	8,787,752
NET POSITION			
Net investment in capital assets	8,529,823	61,756	8,591,579
Restricted	123,000	-	123,000
Unrestricted	1,173,401	30,028	1,203,429
TOTAL NET POSITION	9,826,224	91,784	9,918,008
TOTAL LIABILITIES AND NET POSITION	\$ 18,613,976	\$ 91,784	18,705,760

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

TOWN OF BUCKSPORT, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Funds		
	Sewer Fund	Marina Fund	Total
OPERATING REVENUES			
Charges for services	\$ 782,145	\$ 88,445	\$ 870,590
Other	114,720	117	114,837
TOTAL OPERATING REVENUES	<u>896,865</u>	<u>88,562</u>	<u>985,427</u>
OPERATING EXPENSES			
Payroll	106,303	61,425	167,728
Supplies	38,512	751	39,263
Equipment, maintenance and repairs	40,850	11,680	52,530
Utilities	87,380	5,971	93,351
Fuel	18,387	28,136	46,523
Insurance	5,528	350	5,878
Depreciation	284,999	2,703	287,702
Contracted services	239,000	625	239,625
Other	27,927	9,586	37,513
TOTAL OPERATING EXPENSES	<u>848,886</u>	<u>121,227</u>	<u>970,113</u>
OPERATING INCOME (LOSS)	<u>47,979</u>	<u>(32,665)</u>	<u>15,314</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	-	-
Interest expense	(165,675)	-	(165,675)
Capital grant	297,548	-	297,548
Transfers in	15,412	-	15,412
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>147,285</u>	<u>-</u>	<u>147,285</u>
CHANGE IN NET POSITION	195,264	(32,665)	162,599
NET POSITION - JULY 1	<u>9,630,960</u>	<u>124,449</u>	<u>9,755,409</u>
NET POSITION - JUNE 30	<u>\$ 9,826,224</u>	<u>\$ 91,784</u>	<u>\$ 9,918,008</u>

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

STATEMENT I

TOWN OF BUCKSPORT, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Funds		
	Sewer Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 870,721	\$ 86,818	\$ 957,539
Internal activity - receipts (payments) from/to other funds	156,835	31,606	188,441
Payments to suppliers	(454,016)	(57,099)	(511,115)
Payments to employees	(106,303)	(61,425)	(167,728)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	467,237	(100)	467,137
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating subsidies and transfers to/from other funds	15,412	-	15,412
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(297,549)	-	(297,549)
Disposal of capital assets	6,252	-	6,252
Proceeds from capital grants	297,548	-	297,548
Principal payments on bonds payable	(323,221)	-	(323,221)
Interest payments on bonds payable	(165,675)	-	(165,675)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(482,645)	-	(482,645)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4	(100)	(96)
CASH AND CASH EQUIVALENTS - JULY 1	332	600	932
CASH AND CASH EQUIVALENTS - JUNE 30	\$ 336	\$ 500	\$ 836
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 47,979	\$ (32,665)	\$ 15,314
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	284,999	2,703	287,702
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(26,144)	(1,282)	(27,426)
(Increase) decrease in due from other funds	156,835	31,606	188,441
(Increase) decrease in inventory	-	(462)	(462)
Increase (decrease) in accrued interest	3,568	-	3,568
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 467,237	\$ (100)	\$ 467,137
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	\$ 165,675	\$ -	\$ 165,675

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

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Bucksport was incorporated under the laws of the State of Maine. The Town operates under the council-manager form of government and provides the following services: general government, protection, public works, health and sanitation, education, recreation, community and social agencies, cemeteries 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 no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

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 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

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 either governmental or business-type. The Town's sewer fund and marina fund are categorized as business-type activities. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type 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 and business-type activities (general government, protection, etc.) excluding 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

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (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 and 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 BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- e. 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.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. 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

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A meeting of the Town Council 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 Town Council.

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. The Town's investment policy requires collateralization of accounts and deposits exceeding an amount equal to 25% of capital, surplus and undivided profits as defined by the laws of the State of Maine.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. 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

Receivables

Receivables include amounts due from ambulance services, local businesses and sewer receivables. 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 \$947,091 for the year ended June 30, 2019. The allowance for uncollectible accounts for the ambulance receivables and micro-loans was estimated to be \$26,174 and \$92,012, respectively, as of June 30, 2019.

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).

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory in the general fund consists of diesel and gasoline and in the marina fund, gasoline and supplies. Inventories of supplies in the sewer fund are considered to be expenditures at the time of purchase and are not included in the sewer fund balance sheet.

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".

Transactions Between Funds

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

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.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

Buildings and improvements	10 - 70 years
Infrastructure	20 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 30 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 bonds and a note from direct borrowings payable, accrued compensated absences, net pension liability 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.

Pensions

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

OPEB

For purposes of measuring the Town's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System OPEB Plan and Maine Municipal Employees Health Trust (MMEHT) (the Plans)

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 and/or the Town Council 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 BUCKSPORT, 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 Town Council.

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 has deferred outflows related to pensions and OPEB. These items are reported in the statement 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. The Town has deferred tax revenues, which arises only under a modified accrual basis of accounting that 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 pensions and OPEB qualify for reporting in this category as well. These items are reported only in the statement of net position. All items in these categories are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF BUCKSPORT, 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 July 2, 2018 on the assessed value listed as of April 1, 2018, for all real and personal property located in the Town. Taxes were due in two installments on August 31, 2018 and March 31, 2019. Interest on unpaid taxes commenced on September 1, 2018 and April 1, 2019, at 4.00% 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 \$83,031 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).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to 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 and cash equivalent balance of \$1,156,361 was comprised of bank deposits and cash equivalents amounting to \$1,907,266. Of these bank deposits and cash equivalents, \$902,742 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining deposits of \$1,004,524 were collateralized with securities held by the financial institution in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 1,135,501
Repurchase agreement	613,052
Money market account	42,492
Cash equivalents	116,221
	<u>\$ 1,907,266</u>

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 investments of \$9,045,773 were comprised of \$25,312 of stocks that are registered in the Town's name, held by the Town and therefore not exposed to custodial credit risk. \$92,586 of open-ended mutual funds was also not exposed to custodial credit risk. \$7,166,785 of certificates of deposits were collateralized with securities held by the financial institution in the Town's name. \$500,000 of debt securities, mutual funds and equity securities were covered by the Securities Investors Protection Corporation (SIPC) and the remaining \$1,261,090 was uninsured and uncollateralized.

At June 30, 2019, the Town had the following investments and maturities:

Investment Type	Fair Value	Not Applicable	Less than 1 Year	1 - 5 Years	Over 5 Years
Certificates of deposit	\$ 7,166,785	\$ -	2,995,777	\$ 4,171,008	\$ -
Debt securities:					
U.S. agency securities	18,610	-	-	18,610	-
Corporate bonds	211,554	-	131,411	80,143	-
Brokered certificates of deposit	720,800	-	149,964	545,791	25,045
Mutual funds:					
Equities	346,418	346,418	-	-	-
Fixed income	229,045	229,045	-	-	-
Equity securities:					
Common stock	352,561	352,561	-	-	-
	<u>\$ 9,045,773</u>	<u>\$ 928,024</u>	<u>\$ 3,277,152</u>	<u>\$ 4,815,552</u>	<u>\$ 25,045</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:

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

		Fair Value Measurements Using		
	June 30, 2019 Total	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>				
Debt securities:				
U.S. agency securities	\$ 18,610	\$ -	\$ 18,610	\$ -
Corporate bonds	211,554	-	211,554	-
Brokered certificates of deposit	720,800	-	720,800	-
Total debt securities	950,964	-	950,964	-
Equity securities:				
Common stock	352,561	352,561	-	-
Mutual funds and exchange-traded funds - domestic and foreign	575,463	575,463	-	-
Total equity securities	928,024	928,024	-	-
Total investments by fair value level	1,878,988	\$ 928,024	\$ 950,964	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	116,221			
Total cash equivalents measured at the NAV	116,221			
Total investments measured at fair value	\$ 1,995,209			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 3 investments or cash equivalents that are measured at NAV per share (or its equivalent). Certificates of deposit held with local financial institutions for \$7,166,785 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk – Statutes for the State of Maine authorize the Unit 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. Generally, the Town invests excess funds in repurchase agreements, savings accounts and various insured certificates of deposit. Certain long-term trust funds are invested through a financial

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

institution with trust powers in a mix of securities that comply with state and federal regulations to provide long-term growth and income. As of June 30, 2019, the Town's investments in U.S. agency securities were rated AA+ by Standard & Poor's Rating Service. The Town's investments in corporate bonds were rated A+, A, AA- and BBB+ by Standard & Poor's Rating Service. The Town's holdings in brokered certificates of deposit totaling \$407,086 were not rated.

Interest rate risk – is 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	\$ 169,097	\$ 3,691,439
Nonmajor Special Revenue Funds	769,450	66,510
Nonmajor Capital Projects Funds	1,555,980	80,871
Nonmajor Permanent Funds	69,024	21,716
Enterprise Funds	1,296,985	-
	<u>\$ 3,860,536</u>	<u>\$ 3,860,536</u>

TOWN OF BUCKSPORT, 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	\$ 1,516,122	\$ -	\$ -	\$ 1,516,122
Construction in progress	28,271	-	(28,271)	-
Artwork	11,450	-	-	11,450
	<u>1,555,843</u>	<u>-</u>	<u>(28,271)</u>	<u>1,527,572</u>
Depreciated assets:				
Buildings	3,816,046	-	-	3,816,046
Building improvements	1,094,469	-	-	1,094,469
Furniture and fixtures	13,563	-	-	13,563
Equipment	1,719,103	73,646	-	1,792,749
Vehicles	3,205,850	438,000	(46,927)	3,596,923
Infrastructure	13,625,423	67,999	-	13,693,422
	<u>23,474,454</u>	<u>579,645</u>	<u>(46,927)</u>	<u>24,007,172</u>
Less: accumulated depreciation	<u>(15,168,198)</u>	<u>(644,349)</u>	<u>42,670</u>	<u>(15,769,877)</u>
	<u>8,306,256</u>	<u>(64,704)</u>	<u>(4,257)</u>	<u>8,237,295</u>
Net governmental capital assets	<u>\$ 9,862,099</u>	<u>\$ (64,704)</u>	<u>\$ (32,528)</u>	<u>\$ 9,764,867</u>
	Balance, 7/1/18	Additions	Disposals	Balance, 6/30/19
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 676,899	\$ -	\$ -	\$ 676,899
Construction in progress	12,857,456	297,549	-	13,155,005
	<u>13,534,355</u>	<u>297,549</u>	<u>-</u>	<u>13,831,904</u>
Depreciated assets:				
Buildings	4,591,913	-	-	4,591,913
Building improvements	875,270	-	-	875,270
Furniture and fixtures	704	-	-	704
Equipment	82,934	-	-	82,934
Vehicles	53,205	-	(53,205)	-
Infrastructure	5,786,743	-	-	5,786,743
	<u>11,390,769</u>	<u>-</u>	<u>(53,205)</u>	<u>11,337,564</u>
Less: accumulated depreciation	<u>(7,627,869)</u>	<u>(287,702)</u>	<u>46,953</u>	<u>(7,868,618)</u>
	<u>3,762,900</u>	<u>(287,702)</u>	<u>(6,252)</u>	<u>3,468,946</u>
Net business-type capital assets	<u>\$ 17,297,255</u>	<u>\$ 9,847</u>	<u>\$ (6,252)</u>	<u>\$ 17,300,850</u>

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

<u>Current year depreciation:</u>	
General government	\$ 107,423
Protection	115,203
Public works	356,820
Health and sanitation	11,683
Recreation	53,220
Total governmental activities depreciation expense	<u>644,349</u>
Sewer fund	284,999
Marina fund	2,703
Total business-type activities depreciation expense	<u>287,702</u>
Total depreciation expense	<u><u>\$ 932,051</u></u>

NOTE 5 - NOTE RECEIVABLE

On December 5, 2011, the Town entered into a note receivable from Chambers Realty LLC for an assisted living facility. The original amount of the note was for \$200,000 with 0% interest. As long as the property is maintained and operated as an assisted living facility for 15 years in accordance with the terms set forth in the agreement, there shall be no payments due from the borrower in repayment of the loan and the loan shall be forgiven at the end of the 15 year period. The following is a summary of changes in the note receivable for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19
Note receivable	<u>\$ 119,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,972</u>

NOTE 6 - LONG-TERM RECEIVABLE

As of July 1, 2009, the Bucksport School Department became a member of Regional School Unit (RSU) No. 25. The RSU Plan requires that the RSU be responsible for payment of all school-related long-term debt on behalf of the Town. As of June 30, 2019, a long-term receivable has been recorded for \$1,645,348, which represents school-related general obligation bonds. The State of Maine Department of Education is responsible for paying approximately 92% of the debt service on general obligation bonds directly to the Maine Municipal Bond Bank. The remaining debt service for bonds is paid by the RSU.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT

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

	Balance 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 2,152,172	\$ -	\$ (458,661)	\$ 1,693,511	\$ 459,500
Notes from direct borrowings payable	95,699	-	(30,703)	64,996	31,876
	<u>\$ 2,247,871</u>	<u>\$ -</u>	<u>\$ (489,364)</u>	<u>\$ 1,758,507</u>	<u>\$ 491,376</u>
<u>Business-type activities:</u>					
Bonds payable	<u>\$ 9,032,492</u>	<u>\$ -</u>	<u>\$ (323,221)</u>	<u>\$ 8,709,271</u>	<u>\$ 328,364</u>

The following is a summary of outstanding bonds and note from direct borrowings payable:

Governmental activities:

\$8,226,730, 2002 General Obligation Bonds due in annual principal payments of \$411,336, through November of 2022. Interest is charged at a fixed rate varying from 3.050% to 5.250% per annum.	\$ 1,645,348
\$141,986, 2016 General Obligation Bonds due in annual principal payments, through November of 2020. Interest is charged at a fixed rate of 1.75% per annum.	48,163
\$75,466, 2017 Note due in annual principal payments, through June of 2021. Interest is charged at a fixed rate of 3.99% per annum.	30,778
\$83,940, 2016 capital lease due in annual payments of \$18,039, through January of 2021. Interest is charged at a fixed rate of 3.60% per annum.	<u>34,218</u>
Total governmental activities	<u>1,758,507</u>

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-type activities:

\$2,151,880, 2010 General Obligation Bonds due in annual installments, calculated using the level debt method, through October of 2030. Interest is charged at a fixed rate of 1.00% per annum. 1,342,135

\$1,500,000, 2016 General Obligation Bonds due in annual installments, calculated using the level debt method, through November of 2044. Interest is charged at a fixed rate of 1.875% per annum. 1,416,757

\$6,300,000, 2016 General Obligation Bonds due in annual installments, calculated using the level debt method, through November of 2044. Interest is charged at a fixed rate of 1.875% per annum. 5,950,379

Total business-type activities 8,709,271

Total bonds and notes from direct borrowings payable \$ 10,467,778

The following is a summary of outstanding bond and note principal and interest requirements for the next five fiscal years ending June 30:

	Governmental Activities			Business-type Activities		
	Bonds and Notes from Direct Borrowings			Sewer - Bonds		
	Principal	Principal Credit	Interest	Principal	Interest	Total Debt Service
2020	\$ 491,376	\$ -	\$ 52,240	\$ 328,364	\$ 156,962	\$ 1,028,942
2021	444,457	-	28,420	333,595	151,725	958,197
2022	411,337	-	10,798	338,914	146,400	907,449
2023	411,337	(22,481)	-	344,325	140,985	874,166
2024	-	-	-	349,827	135,477	485,304
2025-2029	-	-	-	1,834,999	591,429	2,426,428
2030-2034	-	-	-	1,625,992	426,553	2,052,545
2035-2039	-	-	-	1,526,420	276,940	1,803,360
2040-2044	-	-	-	1,674,990	128,370	1,803,360
2045-2049	-	-	-	351,845	6,597	358,442
	<u>\$ 1,758,507</u>	<u>\$ (22,481)</u>	<u>\$ 91,458</u>	<u>\$ 8,709,271</u>	<u>\$ 2,161,438</u>	<u>\$ 12,698,193</u>

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense in business-type activities for the year ended June 30, 2019 was \$165,675.

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town. Principal credit represents the Town's portion of savings realized by the Maine Municipal Bond Bank upon debt refunding, amortized over the remaining life of the bond.

NOTE 8 - OTHER LONG-TERM OBLIGATIONS

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

	Balance, 7/1/18 (Restated)	Additions	Deletions	Balance, 6/30/19	Current Portion
Accrued compensated absences	\$ 208,579	\$ 17,091	\$ -	\$ 225,670	\$ 20,858
Net pension liability	722,886	-	(263,160)	459,726	-
Net OPEB liability	356,090	-	(29,582)	326,508	-
Totals	<u>\$ 1,287,555</u>	<u>\$ 17,091</u>	<u>\$ (292,742)</u>	<u>\$ 1,011,904</u>	<u>\$ 20,858</u>

Please see Notes 9, 17, 19 and 20 for detailed information on each of the other long-term obligations.

NOTE 9 - 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 obligations 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 \$225,670.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - NONSPENDABLE FUND BALANCES

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

General fund:	
Inventory	\$ 11,524
Nonmajor permanent funds (Schedule I)	140,198
	<u>\$ 151,722</u>

NOTE 11 - RESTRICTED FUND BALANCES

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

General fund:	
Education	\$ 357,358
Nonmajor special revenue funds (Schedule E)	541,405
Nonmajor permanent funds (Schedule I)	48,726
	<u>\$ 947,489</u>

NOTE 12 - COMMITTED FUND BALANCES

At June 30, 2019, the Town has the following committed fund balances:

General fund:	
Loans receivable	\$ 119,972
Nonmajor capital projects funds (Schedule G)	1,455,679
	<u>\$ 1,575,651</u>

NOTE 13 - ASSIGNED FUND BALANCES

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

General fund:	
2020 budget reduction	\$ 350,000
Maine PERS distribution	518,468
Nonmajor special revenue funds (Schedule E)	383,170
Nonmajor capital projects funds (Schedule G)	100,301
	<u>\$ 1,351,939</u>

TOWN OF BUCKSPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2019, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
RSU #25	\$ 3,848,775	59.70%	\$ 2,297,719

NOTE 15 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town participates in a public entity risk pool sponsored by the Maine Municipal Association. The Maine Municipal Association Group Risk Pool is a state chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2019.

The Town is a member of the Maine Municipal Association – Property and Casualty Pool and pays an annual premium for its coverage. Under the property portion of the policy, coverage is provided after a per occurrence deductible is met. The limit of coverage for liability claims brought under the Maine Tort Claims Act is \$400,000 per occurrence. A \$2,000,000 limit of liability is provided for liability claims outside the Maine Tort Claims Act. There is no aggregate liability limit. Coverage for Public Officials Liability, including Employment Practices, is a part of the program. Coverage is on an occurrence basis, rather than a "claims made" form. A \$2,000,000 limit of liability is provided for all claims for Wrongful Acts seeking monetary damages pursuant to federal or state law for which the Maine Tort Claims Act does not provide immunity or limitations. Each member has a \$4,000,000 annual aggregate limit. An annual sublimit of \$100,000 per member applies for all back wages and/or future salary awards for employment related claims, subject to a \$5,000 retention and a 10% contribution by the member.

The Town is self-insured in the area of unemployment compensation and accounts for and finances its uninsured risk of loss in the special revenue funds.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - RISK MANAGEMENT (CONTINUED)

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 amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 16 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town of Bucksport's landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. Federal and state laws require that certain post closure care be met. The Town estimates that on an annual basis, some immaterial costs will be incurred for post closure care. The annual amount will be paid for within the Town's annual operating budget.

NOTE 17 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.mainebers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2018, there were 304 employers in the plan.

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

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's police and fire department employees are part of the PLD's special plan "4N" and are required to contribute 9.0% of their annual covered salary, while all other employees are part of the PLD's plan "AN" and are required to contribute 8.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rates for special plan "4N" and plan "AN" are 3.9% and 7.0%, respectively of covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2019 was \$103,252.

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

At June 30, 2019, the Town reported a liability of for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2018, the Town's proportion was 0.17656%, which was a decrease of 0.00858% from its proportion measured as of June 30, 2017.

TOWN OF BUCKSPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2019, the Town recognized total pension expense of \$188,870. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,439	\$ 5,050
Changes of assumptions	73,375	-
Net difference between projected and actual earnings on pension plan investments	-	111,006
Changes in proportion and differences between contributions and proportionate share of contributions	15,205	30,908
Contributions subsequent to the measurement date	103,252	-
Total	<u>\$ 193,271</u>	<u>\$ 146,964</u>

\$103,252 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Plan year ended June 30:	
2019	\$ 56,207
2020	(8,945)
2021	(75,517)
2022	(28,690)
2023	-
Thereafter	-

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

The collective total pension 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 funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

Investment Rate of Return - For the PLD Plan, 6.75% per annum for the year ended June 30, 2018; the rate was 6.875% in 2017, compounded annually.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year

Mortality Rates - For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases - 1.91%; in 2017 the rate was 2.20%

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2018 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
Town's proportionate share of the net pension liability	\$ 1,083,513	\$ 459,726	\$ (123,344)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2018 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2018 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension 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 pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2018, this was three years; prior to 2018, this was four years for the PLD Consolidated Plan.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Differences between Projected and Actual Investment Earnings on Pension Plan Investments

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension 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 for the year ended June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2017. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension 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 pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2018 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (800) 451-9800.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 - DEFERRED COMPENSATION PENSION PLAN

INTERNATIONAL CITY MANAGERS ASSOCIATION - RETIREMENT CORPORATION

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits the employee to defer a portion of salary until future years. There is no employer match by the Town. The deferred compensation is not available to employees until termination, retirement, death or unforeseen 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 (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan of the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. As of June 30, 2018, there were 138 employers participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

TOWN OF BUCKSPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period. The Town's contribution to the Plan for the year ended June 30, 2019 was \$104,670.

Proportionate Net 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 \$8,124 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2018, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liabilities were based on a projection of the Town's long-term share of contributions to the Plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2018, the Town's proportion was 0.636887%, which was a decrease of 0.02987% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized net OPEB revenue of \$1,640. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TOWN OF BUCKSPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

	PLD Life Insurance	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,857	\$ -
Changes of assumptions	8,248	23,740
Net difference between projected and actual earnings on pension plan investments	-	6,751
Changes in proportion and differences between contributions and proportionate share of contributions	1,734	5,522
Total	<u>\$ 20,839</u>	<u>\$ 36,013</u>

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

	PLD Life Insurance
Plan year ended June 30:	
2019	\$ (4,791)
2020	(4,791)
2021	(4,791)
2022	(3,517)
2023	2,717
Thereafter	-

Actuarial Methods and Assumptions

The collective 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 funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

TOWN OF BUCKSPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Amortization

The net OPEB liability of the Plan is amortized on a level percentage of payroll over a thirty-year period on a closed basis. As of June 30, 2018, there were 12 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2018 and June 30, 2017 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

Investment Rate of Return - For the PLD Plan, 6.75% per annum, compounded annually; the rate for 2017 was 6.875%, compounded annually.

Inflation Rate - 2.75%

Annual Salary Increases including Inflation - For the PLD Plan, 2.75% to 9.00% per year.

Mortality Rates - For active members and non-disabled retirees of the Plan, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset

TOWN OF BUCKSPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Disabled Annuitant Mortality Table, for males and females, is used. These tables are adjusted by percentages ranging from 104% to 120% based on actuarially determined demographic differences.

Participation Rate for Future Retirees - 100% of those currently enrolled.

Conversion Charges - Apply to the cost of active group life insurance, not retiree group life insurance.

Form of Benefit Payment - Lump sum

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.00%	6.00%
Real estate	5.00%	5.20%
Traditional credit	15.00%	3.00%
US Government securities	10.00%	2.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the collective total OPEB liability was 5.13% for 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

TOWN OF BUCKSPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

The following table shows how the collective net OPEB liability/(asset) as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 5.13% for the PLD Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Life Insurance: Discount rate	4.13%	5.13%	6.13%
Town's proportionate share of the net OPEB benefits liability	\$ 169,976	\$ 128,657	\$ 96,081

Changes in Net OPEB Liability

Each employer's share of the collective net OPEB liability is equal to the collective net OPEB liability multiplied by the employer's proportionate share as of June 30, 2018 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors 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. There were no differences between expected and actual experience as of June 30, 2018.

Differences between Projected and Actual Investment 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.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic 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 on the results of an actuarial experience study conducted for the period of June 30, 2012 to 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 for the PLD Plan was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the use of a blended discount rate for the PLD Plan. Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions Plans*, requires the use of a blended discount rate for determining the total OPEB liability when it is projected that plan assets are not sufficient to meet benefit obligations in the future. In years where assets are projected to be sufficient to pay benefits, the Plan's assumed rate of return is used; in years where assets are not projected to be sufficient to pay benefits, the use of a municipal bond rate is required. The result is a single blended discount rate.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions 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. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2018.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2018 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

TOWN OF BUCKSPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 - OTHER POSTEMPLOYMENT BENEFITS (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. 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. 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	14
Retirees and spouses	<u>4</u>
Total	<u><u>18</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

TOWN OF BUCKSPORT, MAINE
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NOTE 20 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	2.10%	3.10%	4.10%
Total OPEB liability	\$ 223,255	\$ 197,851	\$ 176,656
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 223,255</u>	<u>\$ 197,851</u>	<u>\$ 176,656</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:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 175,174	\$ 197,851	\$ 225,239
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 175,174</u>	<u>\$ 197,851</u>	<u>\$ 225,239</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, 2017, using the following methods and assumptions applied to all periods included in the measurement: