

TOWN OF DAYTON

DAYTON, MAINE

FINANCIAL AUDIT REPORT

JUNE 30, 2018

**TOWN OF DAYTON
DAYTON, MAINE
JUNE 30, 2018**

TABLE OF CONTENTS

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

EXHIBITS

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position

Exhibit I

Statement of Activities

Exhibit II

Fund Financial Statements

Governmental Funds

Balance Sheet

Exhibit III

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Position

Exhibit IV

Statement of Revenues, Expenditures, and Changes in Fund Balance

Exhibit V

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities

Exhibit VI

Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – General Fund

Exhibit VII

Fiduciary Funds

Statement of Fiduciary Net Position

Exhibit VIII

Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE

Schedule of Town of Dayton School Department's Proportionate Share of
Net Pension Liability

I

Schedule of Town of Dayton School Department Pension Contributions

II

Schedule of Town of Dayton Health Plan Net OPEB Liability and Related Ratios

III

Schedule of Town of Dayton School Department Group Life Plan Proportionate
Share of Net OPEB Liability and of Department Contributions

IV

SUPPLEMENTARY INFORMATION

SCHEDULE

Schedule of Expenditures of Federal Awards

V

Smith & Associates, CPAs

A Professional Association

500 US Route One, Suite 102 • Yarmouth, Maine 04096
Ph (207) 846-8881 • Fax (207) 846-8882
www.smithassociatescpa.com

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Town Selectmen and Treasurer
TOWN OF DAYTON
Dayton, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, major fund and remaining fund information, which collectively comprise the financial statements, of the Town of Dayton, Maine as of and for the year ended June 30, 2018, as listed in the table of contents, and the related notes to the financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial statements in order to design audit procedures that are appropriate in the circumstance, 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.

Basis for Qualified Opinion on the Government-Wide Financial Statements

As disclosed in the notes to the financial statements, information necessary to determine the amounts of any OPEB liabilities or similar amounts arising in conjunction with the Town's School Department's participation in the Maine Education Association Benefit Trust health plan is not currently available. The amounts, if any, by which the government-wide financial statements may be misstated as a result are not known.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Government-Wide Financial Statements", the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town of Dayton as of June 30, 2018 and the changes in net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and aggregate remaining fund information of the Town of Dayton as of June 30, 2018 and the changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity 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 Discussion and Analysis, Schedule of the Town's Proportionate Share of Net Pension Liability, Schedule of Town Pension Contributions, and Schedules III and IV (relating to OPEB plans) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 response to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The signature of Smith & Associates is written in a cursive, handwritten style in dark ink.

SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
February 7, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis is an analysis of the financial condition and operating results of the town for the fiscal year ended June 30, 2018 written by town management. The purpose is to foster increased interest from citizenry and taxpayers and to provide an easily read overview of the town's financial condition in conjunction with the audited financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Dayton exceeded its liabilities at the close of the most recent fiscal year by \$6,036,383 per Exhibit I (net position).
- At the close of the current fiscal year, the Town of Dayton's governmental funds reported combined ending fund balances of \$2,772,911 representing an increase of \$317,202 over the prior year, per Exhibit III.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Dayton's financial statements. The Town's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* (Exhibit I) presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* (Exhibit II) presents revenue and expenses and shows how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by a private-sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities), if applicable. Currently the Town conducts no activities which qualify for treatment as business-type activities.

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 Dayton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can currently be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Fiduciary funds – When the Town holds and/or manages assets and executes financial transactions on behalf of other parties, these amounts and activities are typically reported in fiduciary funds, and are accounted for using the full accrual basis of accounting, which is the same basis of accounting used in preparing the government-wide financial statements discussed earlier. However, as these assets, liabilities and activities are for the benefit of parties other than the Town and its citizenry in a broad sense, these amounts are not included in the government-wide financial statements, but are presented in a separate set of financial statements included within the attached report.

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 fund financial statements.

COMPARATIVE DATA

The following tables provide a summary of the Town of Dayton’s net position and statement of activities for the year ended June 30, 2018, with comparative data for the previous year. Net position serves as a useful indicator of the Town’s financial position. Changes in net position generally indicate the direction (positive and negative) of the Town’s financial position over time. Note that the following information excludes the Town’s fiduciary fund amounts.

COMPARATIVE DATA (CONTINUED)

TOWN OF DAYTON'S NET POSITION

Condensed Statement of Net Position	Governmental Activities	
	30-Jun-18	30-Jun-17 (Restated)
Assets		
Current and Other Assets	\$ 3,396,380	\$ 3,443,863
Capital Assets	<u>3,674,578</u>	<u>3,413,146</u>
Total Assets	<u>\$ 7,070,958</u>	<u>\$ 6,857,009</u>
Deferred Outflows of Resources	<u>\$ 88,119</u>	<u>\$ 75,694</u>
Liabilities		
Current and Other Liabilities	\$ 638,048	\$ 976,306
Long Term Liabilities	<u>435,682</u>	<u>398,912</u>
Total Liabilities	<u>\$ 1,073,730</u>	<u>\$ 1,375,218</u>
Deferred Inflows of Resources	<u>\$ 48,964</u>	<u>\$ 18,546</u>
Net Position		
Net Investment in Capital Assets	\$ 3,220,828	\$ 3,034,306
Restricted	85,299	13,454
Unrestricted	<u>2,730,256</u>	<u>2,491,179</u>
Total Net Position	<u>\$ 6,036,383</u>	<u>\$ 5,538,939</u>

By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$2,730,256 may be used to meet the governments' ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position. The same situation held true for the prior year. The Town's net position increased by \$497,444 during the current fiscal year as per Exhibit II.

COMPARATIVE DATA (CONTINUED)

TOWN OF DAYTON'S CHANGES IN NET POSITION

Condensed Statement of Activities	Governmental Activities	
	30-Jun-18	30-Jun-17 (Restated)
Revenues:		
<i>Program Revenues</i>		
Charge for Services	\$ 123,196	\$ 104,548
Operating Grants and Contributions	2,615,823	2,339,074
Capital Grants and Contributions	0	0
<i>General Revenues</i>		
Property and Other Taxes	3,794,107	3,947,263
Grants and Contributions Not Restricted to Specific Programs	212,333	191,687
Unrestricted Investment Earnings	43,181	6,196
Miscellaneous	<u>2,798</u>	<u>809</u>
Total Revenues	<u>\$6,791,438</u>	<u>\$6,589,577</u>
Expenses		
General Government	\$ 268,710	\$ 272,979
Public Works and Sanitation	373,642	399,158
Public Safety	235,536	215,382
Health and Welfare	2,475	1,749
Education	5,101,483	4,695,670
Culture and Recreation	15,764	13,344
Fixed Charges	172,280	175,556
Interest	9,047	9,745
Depreciation, Unallocated and Other	<u>115,057</u>	<u>139,931</u>
Total Expenses	<u>\$6,293,994</u>	<u>\$5,923,514</u>
Increase (Decrease) In Net Position	\$ 497,444	\$ 666,063
Net Position, July 1	<u>\$5,538,939</u>	<u>\$4,872,876</u>
Net Position, June 30	<u>\$6,036,383</u>	<u>\$5,538,939</u>

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Statement of Activities indicates that the total revenues exceeded total expenses by \$497,444 indicating a strong overall financial position for the year ended June 30, 2018.

ANALYSIS OF SIGNIFICANT INDIVIDUAL FUND BALANCES, TRANSACTIONS AND CHANGES IN FUND BALANCES

General Fund – Revenues were in excess of expenditures and then decreased by net transfers of \$2,542,046 increasing the fund balance to \$1,552,708. While the amount of fund balance that any town needs to maintain is debatable, this amount is reasonable by most standards.

School Department – This fund balance grew by \$15,169 to \$706,288 at June 30, 2018.

Other Governmental Funds – On a combined basis these fund balances shrank compared to last year's total by \$4,983, to \$513,915.

GENERAL FUND BUDGETARY HIGHLIGHTS

As presented in Exhibit VII, actual revenues exceeded budget by \$263,449 and actual expenditures were kept under budget by \$367,275 producing a favorable variance on a net basis of \$630,724. Approximately 90% of operating revenue for the Town comes directly from our residents through Property and Excise taxes, and 80% of expenditures go directly to Education and York County Government.

CAPITAL ASSET AND DEBT**Capital Assets**

Additions to Capital Assets before depreciation totaled \$444,963 for the fiscal year ended June 30, 2018 and retirements, net of accumulated depreciation totaled \$0 for the current year. Depreciation expense was \$183,531 for this year. Several additions to our capital assets were completed in 2018, including the purchase of a used ladder/pumper fire truck and two school vehicles (buses) and the replacement of a large culvert on Buzzell Road.

Debt

The Town's total debt increased by \$71,824 to \$442,632. While the Town did pay down the bond for the Municipal Building, the School entered into new lease agreements for a total of \$134,963 for the purchase of two new vehicles/buses.

NEXT YEAR'S BUDGET AND OTHER CURRENTLY KNOWN FACTS AND CIRCUMSTANCES

A Special Town Meeting held on August 30, 2018 approved the funding for a Town-Wide Road Reconstruction, Paving and Overlay Paving of various roads in an amount not to exceed \$1,150,000. On November 30, 2018 the Town of Dayton was issued a \$1,150,000 general obligation bond with a 10 year term and yearly payments of \$115,000.

**TOWN OF DAYTON
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 3,284,617
Taxes Receivable	8,635
Tax Liens Receivable	64,994
Accounts Receivable	35,501
Inventory	2,633
Capital Assets, Net of Accumulated Depreciation	<u>3,674,578</u>
Total Assets	<u>\$ 7,070,958</u>
Deferred Outflows of Resources	
Related to OPEB Plans	\$ 133
Related to Pensions	<u>87,986</u>
Total Deferred Outflows of Resources	<u>\$ 88,119</u>
Liabilities	
Accounts Payable	\$ 282,900
Accrued Expenses	257,522
Non Current Liabilities	
Due Within One Year	97,626
Due Greater Than One Year	<u>435,682</u>
Total Liabilities	<u>\$ 1,073,730</u>
Deferred Inflows of Resources	
Related to Property Taxes	\$ 17,535
Related to OPEB Plans	8,978
Related to Pensions	<u>22,451</u>
Total Deferred Inflows of Resources	<u>\$ 48,964</u>
Net Position	
<i>Net Investment in Capital Assets</i>	\$ 3,220,828
<i>Restricted</i>	
Special Revenue Funds	85,299
<i>Unrestricted</i>	<u>2,730,256</u>
Total Net Position	<u>\$ 6,036,383</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT II

**TOWN OF DAYTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Business - Type Activities</u>	<u>Total</u>
Primary Government						
Governmental Activities						
General Government	\$ 268,710	\$ 40,010	\$ 24,825	\$ (203,875)	\$ 0	\$ (203,875)
Public Works and Sanitation	373,642	37,107	122,924	(213,611)	0	(213,611)
Public Safety	235,536	0	0	(235,536)	0	(235,536)
Health and Welfare	2,475	0	0	(2,475)	0	(2,475)
Education	5,101,483	46,079	2,468,074	(2,587,330)	0	(2,587,330)
Culture and Recreation	15,764	0	0	(15,764)	0	(15,764)
Fixed Charges	172,280	0	0	(172,280)	0	(172,280)
Interest on Long-Term Debt	9,047	0	0	(9,047)	0	(9,047)
Depreciation - Unallocated	<u>115,057</u>	<u>0</u>	<u>0</u>	<u>(115,057)</u>	<u>0</u>	<u>(115,057)</u>
Total Governmental Activities	\$ 6,293,994	\$ 123,196	\$ 2,615,823	\$ (3,554,975)	\$ 0	\$ (3,554,975)
Business - Type Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Primary Government	\$ 6,293,994	\$ 123,196	\$ 2,615,823	\$ (3,554,975)	\$ 0	\$ (3,554,975)
General Revenues						
Property and Other Taxes				\$ 3,794,107	\$ 0	\$ 3,794,107
Grants and Contributions Not Restricted to Special Programs				212,333	0	212,333
Unrestricted Investment Earnings				43,181	0	43,181
Gain on Asset Disposal				<u>2,798</u>	<u>0</u>	<u>2,798</u>
Total General Revenues				\$ 4,052,419	\$ 0	\$ 4,052,419
Changes in Net Position				\$ 497,444	\$ 0	\$ 497,444
Net Position – July 1, 2017				\$ 5,548,702	\$ 9,991	\$ 5,558,693
Prior Period Adjustments				<u>(9,763)</u>	<u>(9,991)</u>	<u>(19,754)</u>
Net Position – July 1, 2017 - Restated				<u>5,538,939</u>	<u>0</u>	<u>5,538,939</u>
Net Position – June 30, 2018				\$ 6,036,383	\$ 0	\$ 6,036,383

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT III

**TOWN OF DAYTON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Dayton School Department	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 3,208,482	\$ 0	\$ 76,135	\$ 3,284,617
Taxes Receivable	8,635	0	0	8,635
Tax Liens Receivable	64,994	0	0	64,994
Accounts Receivable	0	50	35,451	35,501
Inventory	0	0	2,633	2,633
Due From Other Funds	<u>0</u>	<u>1,180,508</u>	<u>475,663</u>	<u>1,656,171</u>
Total Assets	<u>\$ 3,282,111</u>	<u>\$ 1,180,558</u>	<u>\$ 589,882</u>	<u>\$ 5,052,551</u>
Deferred Outflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,282,111</u>	<u>\$ 1,180,558</u>	<u>\$ 589,882</u>	<u>\$ 5,052,551</u>
Liabilities, Deferred Inflows of Resources and Fund Balance				
Liabilities				
Accounts Payable	\$ 0	\$ 282,889	\$ 11	\$ 282,900
Accrued Expenses	73,615	178,919	0	252,534
Due to Other Funds	<u>1,567,753</u>	<u>12,462</u>	<u>75,956</u>	<u>1,656,171</u>
Total Liabilities	<u>\$ 1,641,368</u>	<u>\$ 474,270</u>	<u>\$ 75,967</u>	<u>\$ 2,191,605</u>
Deferred Inflows of Resources				
Unavailable Revenue – Property Taxes	<u>\$ 88,035</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88,035</u>
Fund Balance				
<i>Nonspendable</i>				
Inventory	\$ 0	\$ 0	\$ 2,633	\$ 2,633
<i>Restricted</i>				
Special Revenues Funds	0	0	85,299	85,299
<i>Committed</i>				
Dayton School Department	0	706,288	0	706,288
Appropriated for FY 18/19	35,000	0	0	35,000
Capital Project Funds	0	0	464,488	464,488
<i>Assigned</i>				
Permanent Funds – Expendable	0	0	1,965	1,965
<i>Unassigned</i>				
School Lunch Program	0	0	(40,470)	(40,470)
General Fund	<u>1,517,708</u>	<u>0</u>	<u>0</u>	<u>1,517,708</u>
Total Fund Balance	<u>\$ 1,552,708</u>	<u>\$ 706,288</u>	<u>\$ 513,915</u>	<u>\$ 2,772,911</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,282,111</u>	<u>\$ 1,180,558</u>	<u>\$ 589,882</u>	<u>\$ 5,052,551</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF DAYTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance – Total Governmental Funds \$ 2,772,911

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

Capital Assets Used In Governmental Activities are Not Current Financial Resources and Therefore are Not Reported in the Governmental Funds Balance Sheet. 3,674,578

Interest Payable on Long-Term Debt Does Not Require Current Financial Resources. Therefore, Interest Payable is Not Reported as a Liability in Governmental Funds Balance Sheet. (4,988)

Unavailable Property Tax Revenues are Not Available to Pay for Current Expenditures and, Therefore, are Deferred Inflows of Resources. 70,500

Long Term Liabilities are Not Due and Payable in The Current Period and Therefore They are Not Reported in The Governmental Funds Balance Sheet

Due in One Year	\$ 97,626	
Due in More than One Year	345,006	
Net Pension Liability	72,583	
Net OPEB Liability	11,118	
Accrued Compensated Absence Pay	<u>6,975</u>	(533,308)

Deferred Outflows and Deferred Inflow Related to Defined Benefit Pension Plan and Defined Benefit OPEB Plans 56,690

Net Position of Governmental Activities **\$ 6,036,383**

The Notes to the Financial Statements are an Integral Part of This Statement.

TOWN OF DAYTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Dayton School Department	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Taxes	\$ 3,794,107	\$ 0	\$ 0	\$ 3,794,107
Intergovernmental	335,256	2,182,828	196,330	2,714,414
On-Behalf Payments	0	91,671	0	91,671
Licenses, Permits and Fees	39,117	0	0	39,117
Charges for Services	1,590	20,409	25,670	47,669
Investment Income	43,158	0	23	43,181
Miscellaneous	893	254	65,929	67,076
Total Revenues	<u>\$ 4,214,121</u>	<u>\$ 2,295,162</u>	<u>\$ 287,952</u>	<u>\$ 6,797,235</u>
Expenditures				
<i>Current</i>				
General Government	\$ 269,556	\$ 0	\$ 0	\$ 269,556
Public Works and Sanitation	621,628	0	0	621,628
Public Safety	237,239	0	4,297	241,536
Public Health and Welfare	2,000	0	475	2,475
Education	0	4,744,347	266,469	5,010,816
Culture and Recreation	9,150	0	6,614	15,764
Debt Service	30,715	0	0	30,715
Fixed Charges	172,280	0	0	172,280
On-Behalf Payments	0	91,671	0	91,671
<i>Capital Outlay</i>	<u>12,500</u>	<u>0</u>	<u>181,678</u>	<u>194,178</u>
Total Expenditures	<u>\$ 1,355,068</u>	<u>\$ 4,836,018</u>	<u>\$ 459,533</u>	<u>\$ 6,650,619</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 2,859,053</u>	<u>\$ (2,540,856)</u>	<u>\$ (171,581)</u>	<u>\$ 146,616</u>
Other Financing Sources (Uses)				
Use of Inventory	0	0	(15)	(15)
Proceeds of Long-Term Debt			170,601	170,601
Transfers In (Out)	<u>(2,542,046)</u>	<u>2,556,025</u>	<u>(13,979)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (2,542,046)</u>	<u>\$ 2,556,025</u>	<u>\$ 156,607</u>	<u>\$ 170,586</u>
Net Change in Fund Balance	<u>\$ 317,007</u>	<u>\$ 15,169</u>	<u>\$ (14,974)</u>	<u>\$ 317,202</u>
Fund Balance - July 1, 2017 – Initially Reported	\$ 1,235,701	691,119	518,898	2,445,718
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>9,991</u>	<u>9,991</u>
Fund Balance – July 1, 2017 - Restated	<u>1,235,701</u>	<u>691,119</u>	<u>528,889</u>	<u>2,455,709</u>
Fund Balance - June 30, 2018	<u>\$ 1,552,708</u>	<u>\$ 706,288</u>	<u>\$ 513,915</u>	<u>\$ 2,772,911</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF DAYTON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net Change In Fund Balance – Total Governmental Funds \$ 317,202

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

Governmental Funds report Capital Outlays as Expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as Depreciation Expense. This is the amount of Capital Assets recorded in the current period, net of disposals. 442,164

Depreciation Expense on Capital Assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of Current Financial Resources. Therefore, Depreciation Expense is not reported as Expenditure in Governmental Funds. (183,532)

Gain on Disposal of Capital Assets, Not Recorded On Modified-Accrual Basis. 2,798

The Issuance of Long-Term Debt (e.g. Bonds, Leases, and Accrued Compensated Absence Pay) provides Current Financial Resources to Governmental Funds, while the repayment of the Principal of Long-Term Debt consumes the Current Financial Resources of Governmental Funds. Neither transaction, however, has any effect on Net Position. In addition, Governmental Funds report the effect of issuance cost, premiums, discounts, and similar items when Debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This Amount is the Net Effect of these differences in the treatment of Long-Term Debt and related items. (71,824)

Accrued Interest Expense on Long-Term Debt as Well as Accrued Compensated Absences are reported in the Government-Wide Statement of Activities and Changes in Net Position, But Do Not Require the Use of Current Financial Resources; Therefore, Accrued Interest Expense and Accrued Compensated Absence Expense are not Reported as Expenditures in Governmental Funds. 27

Changes Between Deferred Inflows and Deferred Outflows Related to Pension Expenses and Net Pension Liability Due to Implementation of GASB No. 68 and OPEB Balances in Connection with GASB No. 75 (9,391)

Change In Net Position of Governmental Activities \$ 497,444

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF DAYTON
GENERAL FUND(a)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues(b)				
Property and Other Taxes	\$ 3,636,219	\$ 3,636,219	\$ 3,794,107	\$ 157,888
Intergovernmental	2,418,944	2,513,944	2,518,084	4,140
Licenses, Permits and Fees	4,000	4,000	39,117	35,117
Charges for Services	0	0	21,999	21,999
Investment Income	0	0	43,158	43,158
Miscellaneous	0	0	1,147	1,147
Total Revenues	<u>\$ 6,059,163</u>	<u>\$ 6,154,163</u>	<u>\$ 6,417,612</u>	<u>\$ 263,449</u>
Expenditures(b)				
<i>Current</i>				
General Government	\$ 292,771	\$ 290,771	\$ 269,556	\$ 21,215
Public Works and Sanitation	583,000	623,302	621,628	1,674
Public Safety	240,039	237,239	237,239	0
Public Health and Welfare	2,000	2,000	2,000	0
Education	5,054,197	5,037,729	4,744,347	293,382
Culture and Recreation	9,150	9,150	9,150	0
Debt Service	30,715	30,715	30,715	0
Fixed Charges	223,284	223,284	172,280	51,004
Capital Outlay	12,500	12,500	12,500	0
Total Expenditures	<u>\$ 6,447,656</u>	<u>\$ 6,466,690</u>	<u>\$ 6,099,415</u>	<u>\$ 367,275</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ (388,493)</u>	<u>\$ (312,527)</u>	<u>\$ 318,197</u>	<u>\$ 630,724</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>(8,000)</u>	<u>13,979</u>	<u>13,979</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (8,000)</u>	<u>\$ 13,979</u>	<u>\$ 13,979</u>	<u>\$ 0</u>
Net Change in Fund Balance	<u>\$ (396,493)</u>	<u>\$ (298,548)</u>	<u>\$ 332,176</u>	<u>\$ 630,724</u>
Fund Balance - July 1, 2017	<u>1,926,820</u>	<u>1,926,820</u>	<u>1,926,820</u>	<u>0</u>
Fund Balance - June 30, 2018	<u>\$ 1,530,327</u>	<u>\$ 1,628,272</u>	<u>\$ 2,258,996</u>	<u>\$ 630,724</u>

(a) Inclusive of Dayton School Department's General Fund.

(b) Excluding On-Behalf Payments

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF DAYTON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	<u>\$ 2,135</u>
Liabilities	
Amounts Held for Others	<u>\$ 2,135</u>
Net Position	
Held in Trust	<u>\$ 0</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The Town of Dayton, Maine was incorporated in 1854 under the laws of the State of Maine and currently operates under a Town Meeting-Selectmen Form of Government.

The accounting and reporting policies of the Town relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Town are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town’s activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

B. – Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town of Dayton operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The Town holds the corporate powers of the organization.
- The Town appoints a voting majority of the organization's board.
- The Town is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Town.
- There is fiscal dependency by the organization on the Town.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. – Financial Reporting Entity (Continued)

Based on the aforementioned criteria, the Town of Dayton has no component units, other than the Dayton School Department which is included in this report.

C. –Financial Statements – Government-Wide Statements

The Town's 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.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are 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. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function of a business-type activity. Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc).

D. – Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, 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.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in 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:

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Financial Statements – Fund Financial Statements (Continued)

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.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Dayton School Department is a major fund.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

E. – Measurement Focus/Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. – Measurement Focus/Basis of Accounting (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. A one-year availability period is used for recognition of all other Governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

F. – Budgetary Control

Formal budgetary accounting is employed as a management control for the general fund of the Town of Dayton.

The Town of Dayton'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 last fiscal year the Town prepared a budget for this fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town of Dayton was then called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

G. – Inventories

The Lunch Program follows the purchases method of accounting for food and supplies. Inventories are valued at the lower of cost (first-in, first-out basis) or market. The cost of donated federal commodities is computed at fair market value on the date received.

H. – Cash and Cash Equivalents

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests certain funds in checking, savings accounts, or certificates of deposit.

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. – 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. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	15 – 40 Years
Land Improvements	25 Years
Vehicles	4 – 30 Years
Furniture, Fixtures, Machinery and Equipment	7 – 40 Years
Infrastructure	10 – 50 Years

The Town of Dayton has elected not to retroactively report their major general infrastructure assets.

J. – Compensated Absences

Under the terms of personnel policies, vacation, sick leave, and compensation time are granted in varying amounts according to length of service. For non-School Department personnel, the Town of Dayton recognizes accumulated sick and annual leave compensation during the period in which the related liability is incurred. In compliance with the Town's personnel policies, the total for accrued compensated absence pay for such personnel was \$6,975 at June 30, 2018. For School Department staff, established policy is to recognize the costs of compensated absences when actually paid, thus no liability for these amounts has been recorded.

K. – Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

L. – Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources - a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources - an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

The GASB emphasizes in GASB No. 63 that deferred inflows and deferred outflows are not assets or liabilities and therefore should be separately categorized in the financial statements.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. – Deferred Outflows and Inflows of Resources (Continued)

Per Exhibit I, the deferred inflows of resources listed at June 30, 2018 for the Town of Dayton amounted to \$48,964, while the deferred outflow of resources amounted to \$88,119. Per Exhibit III, the deferred inflows of resources listed at June 30, 2018 for the Town of Dayton amounted to \$88,035, and there was no deferred outflow of resources at that time.

M. – Equity Classifications

Government-Wide Statements

Net position represent the differences between assets and liabilities. Equity is classified as net position and displayed in three components:

- *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “Net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. The Town’s fund balances represent: **(1) Nonspendable Fund Balance**, resources that cannot be spent because of legal or contractual provisions that require they be maintained intact. (e.g. the principal of an endowment). **(2) Restricted Purposes**, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; **(3) Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen; **(4) Assigned Purposes**, which includes balances that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. **(5) Unassigned Fund Balance**, net resources in excess of what is properly categorized in one of the four categories already described. A positive amount of unassigned fund balance will never be reported in a governmental fund other than the general fund , because GASB Statement 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund. However, funds other than the general fund could report a negative amount of unassigned fund balance should the total of nonspendable, restricted and committed fund balance exceeds the total net resources of the fund.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. – Equity Classifications

Fund Financial Statements

The Town of Dayton has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the Town's policy to use committed or assigned resources first, then unassigned resources as they are needed.

N. – Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

O. – Accounts Receivable

Accounts Receivable at June 30, 2018, primarily consist of miscellaneous intergovernmental receivables. There is no allowance for doubtful accounts as the Town believes they are 100% collectible.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Town's deposits may be exposed at times to various risks, such as those that follow:

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy is to invest in only financial institutions that are insured by the F.D.I.C. or additional insurance. The Town's bank balances were covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Interest Rate Risk – The Town does not currently have a deposit policy for interest rate risk.

Credit Risk – The Town does not have a formal policy regarding credit risk. Maine statutes authorized the Town to invest in obligations of the U.S. Treasury and U.S. agencies and certain bonds.

Concentration of Credit Risk – The Town does not have a policy for concentration of credit risk.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – PROPERTY TAXES

The Town is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. The Town of Dayton’s property tax is levied on the assessed value listed as of the prior April 1st for all taxable real and personal property located in the Town. Assessed values are periodically established by the Assessor at 100% of assumed market value. The total assessed value for the list of April 1, 2017 upon which the levy for the year ended June 30, 2018, was based amounted to \$214,319,150. This assessed value was 96.13% of the 2018 State valuation of \$222,950,000.

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 \$82,761 for the year ended June 30, 2018.

In the fund financial statements, property taxes are recognized in compliance with NCGA Interpretation – 3, *Revenue Recognition – Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. In the government-wide financial statements, property taxes are recognized under the accrual method.

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. The following summarizes the 2017-2018 levy:

Assessed Value	\$ 214,319,150
Less: Homestead Exemption	(5,239,350)
BETE	<u>(1,383,500)</u>
Net Assessed Value	\$ 207,696,300
Tax Rate (Per \$1,000)	<u>15.75</u>
Commitment	\$ 3,271,217
Supplemental Taxes Assessed	<u>1,067</u>
Subtotal	\$ 3,272,284
Less: Abatements	(5,072)
Discount at 1.5%	(41,410)
Collections	<u>(3,184,037)</u>
Receivable (Including Liens) at Year End	<u>\$ 41,765</u>
Collection Rate	<u>98.6%</u>

Property taxes were due on October 19, 2017 with interest charged at a rate of 7% on delinquent accounts.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance <u>July 1</u>	Additions/ <u>Completions</u>	<u>Disposals</u>	Ending Balance <u>June 30</u>
Governmental Activities				
<i>Capital Assets not being Depreciated</i>				
Land	\$ 125,192	\$ 0	\$ 0	\$ 125,192
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	\$ 15,297	\$ 0	\$ 0	\$ 15,297
Buildings and Improvements	2,955,420	7,488	0	2,962,908
Furniture and Fixtures	69,860	0	0	69,860
Machinery and Equipment	406,495	297	0	406,792
Vehicles	1,217,579	208,497	109,012	1,317,064
Infrastructure	<u>1,158,550</u>	<u>228,681</u>	<u>0</u>	<u>1,387,231</u>
Total Capital Assets, being Depreciated	<u>\$ 5,823,201</u>	<u>\$ 444,963</u>	<u>\$ 109,012</u>	<u>\$ 6,159,152</u>
<i>Less Accumulated Depreciation for</i>				
Land Improvements	\$ 15,294	\$ 0	\$ 0	\$ 15,294
Buildings and Improvements	1,246,670	70,017	0	1,316,687
Furniture and Fixtures	68,079	890	0	68,969
Machinery and Equipment	336,163	16,032	0	352,195
Vehicles	729,293	63,590	109,012	683,871
Infrastructure	<u>139,748</u>	<u>33,002</u>	<u>0</u>	<u>172,750</u>
Total Accumulated Depreciation	<u>\$ 2,535,247</u>	<u>\$ 183,531</u>	<u>\$ 109,012</u>	<u>\$ 2,609,766</u>
Total Capital Assets, being Depreciated, Net	<u>\$ 3,287,954</u>	<u>\$ 261,432</u>	<u>\$ 0</u>	<u>\$ 3,549,386</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,413,146</u>	<u>\$ 261,432</u>	<u>\$ 0</u>	<u>\$ 3,674,578</u>

Depreciation expense has not been charged as a direct expense, except for \$68,475 charged to education.

NOTE 5 – LONG-TERM DEBT

At June 30, 2018, bonds, notes and capital leases payable consisted of the following individual issues:

	<u>Governmental Activities</u>
Maine Municipal Bond Bank	
<i>General Obligation Bond of 2008</i>	
Variable Interest Rates of 2.075% -5.575%,	
Original Issue of \$350,000 on October 30, 2008	
Annual Principal Payments of \$15,700 - \$29,797,	
Maturity Due November 1, 2024.	\$182,652

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Governmental Activities
(Continued)

US Bank

Commercial Lease Agreement between Towns of Lyman and Dayton and Lessor for Certain Fire Equipment. Each Town Owns 50% of the Asset and 50% of the Lease Obligation. Payments of \$1,000 for 60 Months. Interest Rate of 4.97%.

12,748

Biddeford Savings Bank

Term note secured by equipment, interest at 2.2%, annual payments of principal and interest in the amount of \$2,784, due July, 2021, with non-appropriation clause.

7,992

Biddeford Savings Bank

Term note secured by vehicle, interest at 2.56%, annual payments of principal and interest in the amount of \$17,867, prepayment penalty of 5%, cross-defaulted and cross-collateralized with other obligations due this lender, due September, 2021, with non-appropriation clause.

50,792

Biddeford Savings Bank

Term note secured by vehicle, interest at 2.56%, annual payments of principal and interest in the amount of \$18,762, prepayment penalty of 5%, cross-defaulted and cross-collateralized with other obligations due this lender, due November, 2021, with non-appropriation clause.

53,485

Biddeford Savings Bank

Term note secured by vehicle, interest at 2.74%, annual payments of principal and interest in the amount of \$18,432, cross-defaulted and cross-collateralized with other obligations due this lender, due in full February, 2023, with non-appropriation clause.

68,885

Biddeford Savings Bank

Term note secured by vehicle, interest at 2.70%, annual payments of principal and interest in the amount of \$17,630, cross-defaulted and cross-collateralized with other obligations due this lender, due in full August, 2022, with non-appropriation clause.

66,078

Total

\$ 442,632

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Change in Outstanding Debt

At June 30, 2018, long-term liability activity consisted of the following:

	Balance	Issues	Payments	Balance	Due
	<u>July 1</u>	<u>Additions</u>	<u>Expenditures</u>	<u>June 30</u>	<u>Within</u>
Governmental Activities					<u>One Year</u>
General Obligation Bonds	\$ 204,953	\$ 0	22,301	\$ 182,652	\$ 23,217
Notes Payable	147,883	170,601	71,252	247,232	68,919
Capital Lease	17,972	0	5,224	12,748	5,490
Net Pension Obligation	63,458	9,125	0	72,583	0
Net OPEB Liability	19,754	0	8,636	11,118	0
Accrued Compensation	<u>8,031</u>	<u>0</u>	<u>1,056</u>	<u>6,975</u>	<u>0</u>
Total	<u>\$ 462,051</u>	<u>\$ 179,726</u>	<u>108,469</u>	<u>\$ 533,308</u>	<u>\$ 97,626</u>

Annual Requirements to Retire Debt Obligation

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2018, are as follows:

Year Ending	Governmental Activities – Bonds and Notes		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018/19	\$ 92,136	\$ 13,955	\$ 106,091
2019/20	94,754	11,536	106,290
2021/21	97,290	8,677	105,967
2021/22	60,813	5,303	66,116
2022/23	26,954	2,826	29,780
2023/28	<u>57,937</u>	<u>719</u>	<u>58,656</u>
Total	<u>\$ 429,884</u>	<u>\$ 43,016</u>	<u>\$ 472,900</u>

In accordance with 30-A MRSA, Section 5702, as amended, the amount of long-term debt that can be incurred by the Municipality is limited by state statute. Total outstanding long-term obligations during a year can be no greater than 7.5%, with certain exceptions, of the state valuation of taxable property as of the beginning of the fiscal year. As of June 30, 2018, the amount of outstanding long-term debt was equal to 0.21% of property valuation for the year then ended.

Lease Payable

The following is a schedule of future minimum lease payments for the capital leases together with the present value of net minimum lease payments as of June 30, 2018:

<u>Year Ending June 30</u>	<u>Total</u>
2018/19	6,000
2019/20	6,000
2020/21	<u>1,500</u>
Total Minimum Lease Payments	\$ 13,500
Less: Amount Representing Interest	<u>(752)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 12,748</u>

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – RETIREMENT PLAN

The Dayton School Department provides retirement pension plan for its employees through a defined benefit pension plan.

I. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

A. Plan Description

Qualifying personnel of the School Department participate in the Maine Public Employees Retirement System. The plan is a multiple employer, cost-sharing pension plan with a special funding situation. The State of Maine is a non-employer contributing entity in that the state pays the unfunded actuarial liability (UAL) on behalf of the teachers, while the School Department contributes the normal cost, which is actuarially calculated. The School Department has been enrolled in the MEPERS system since July 1, 2014. MEPERS is established under Maine law found in 5 MRSA Part 20. The authority to establish and amend benefit provisions rests with the State legislature.

B. Funding Policy

The School Department makes available to all full-time employees the option to make a one-time irrevocable election to participate in the Maine Public Employees Retirement System (MEPERS), State Employees and Teachers Plan. The employee shall pay, through payroll deduction(s), his/her required contribution determined by MEPERS, 7.65%. The School shall pay its required contribution determined by MEPERS. This benefit shall be offered to eligible employees on the date of hire.

C. Pension Benefits

Benefit terms are established in Maine Statute. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Full vesting (i.e. eligibility for maximum benefits upon reaching qualification) occurs upon the earning of 25 years of service credit for School Department employees. Normal retirement age of State Employees and Teachers members is age 60 to 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.

The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members. 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 interest credited to member's accounts is set by the System's Board of Trustees.

D. Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred.

**TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 – RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2018, the member contribution rate was 7.65%, the School Department’s contribution rate was 3.97% (normal cost), and the State of Maine contributed 11.68% (UAL).

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

At June 30, 2018, the School Department reported a net pension liability of \$72,583. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date.

The School Department proportion of the net pension liability was based on a projection of the School Department’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At the June 30, 2017 measurement date, the School Department proportion was 0.004997%, while at the June 30, 2016 measurement date it was 0.003593%.

At June 30, 2018 the School Department’s reported net pension liability was a portion of the total proportionate share of the collective net pension liability associated with the School Department’s participation in the Teacher plan, as follows:

School Department’s Proportionate Share of Net Pension Liability	\$ 72,583
State of Maine’s Proportionate Share of Net Pension Liability	<u>1,060,692</u>
Total	<u>\$1,133,275</u>

For the fiscal year ended June 30, 2018, the School Department recognized pension expense of \$135,165, on-behalf payments of \$89,211 and State support of \$80,055.

**TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 – RETIREMENT PLANS (CONTINUED)

F. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

At June 30, 2018, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources are as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between Expected and Actual Experience	\$ 3,052	\$ 0
Changes in Assumptions	0	1,133
Net Difference between Projected and Actual Earnings on Pension Plan Investments	20,250	21,318
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions.	18,757	0
School Department Contributions Subsequent to the Measurement Date	<u>45,927</u>	<u>0</u>
Total	<u>\$ 87,986</u>	<u>\$ 22,451</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended June 30,	<u>Amount</u>
2019	\$ 56,999
2020	11,937
2021	485
2022	<u>(3,886)</u>
Total	<u>\$ 65,535</u>

G. *Actuarial Assumptions*

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

- **Inflation** 2.75%
- **Salary Increases** 2.75% to 14.50%
- **Investment Rate of Return** 6.875%
- **Cost of Living Benefit Increases** 2.20%

For the School Department employees, the mortality rate is based on the RP2014 Total Dataset Mortality Tables for males and females.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – RETIREMENT PLANS (CONTINUED)

G. *Actuarial Assumptions (Continued)*

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates or 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 weighing 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 of June 30, 2017 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	30%	6.0%
US Government	7.5%	2.3%
Private Equity	15%	7.6%
Real Assets:		
Real Estate	10%	5.2%
Infrastructure	10%	5.3%
Hard Assets	5%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5%	4.2%
Diversifiers	<u>10%</u>	5.9%
	<u>100%</u>	

H. *Discount Rate*

The discount rate used to measure the total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that plan member contribution will be made the current contribution rate and that 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.

I. *Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the School Department’s proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the School Department proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.875%) or 1 percentage point higher (7.875%) than the current rate:

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
Proportionate Share of the Net Pension Liability	\$127,362	\$72,583	\$27,356

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – RETIREMENT PLANS (CONTINUED)

J. Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2017 Comprehensive Annual Financial Report available online at www.maineprs.org or by contacting the System at (207) 512-3100.

NOTE 7 – GRAVEL PIT ESCROW COLLATERAL

The Town has instituted a policy of requiring collateral from Shaw Brothers desiring to build from the Town. The amount of the collateral is 150% of the estimated cost of the gravel pit to be built.

Under this agreement Shaw Brothers are required to deposit into a bank account the required amount of the collateral. Only the Treasurer of the Town has the authority to withdraw funds, and is required to release the funds back to the developer upon receiving confirmation from the Code Enforcement Officer that the Town's consulting engineer has approved the refund payment based upon a site inspection, and has certified that a certain percentage of the required work has been performed by the developer. At June 30, 2018, the Town held such collateral for Shaw Brothers in the amount of \$45,387.

NOTE 8 – 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 carries commercial insurance. There have been no significant reductions in insurance coverages during the fiscal year and no significant settlements that exceeded insurance coverage.

NOTE 9 – OVERLAPPING DEBT

Town's proportionate share of York County's debt is not recorded in the financial statements of the Town of Dayton. At June 30, 2018, the Town's share was 0.72% (or \$28,080) of the County's outstanding debt of \$3,900,000.

NOTE 10 - CONTINGENCIES

A. Grants

The Town received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Town.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – GOVERNMENTAL FUND BALANCES

The Town’s General Fund unassigned fund balance total of \$1,517,708 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund, and is in keeping with the Town’s adopted fund balance policy calling for this amount to meet or exceed 25% of the corresponding budget. As per Exhibit III, a summary of the nature and purpose of these reserves by fund type at June 30, 2018 follows.

<i>Nonspendable</i>	
School Lunch Inventory	\$ <u>2,633</u>
<i>Committed</i>	
Dayton School Department	\$ <u>706,288</u>
<i>Committed</i>	
Appropriated for FY18/19	\$ <u>35,000</u>
<i>Committed</i>	
Capital Projects Funds	
Land Account	\$ 144,000
Highway Account	164,988
Municipal Capital Improvements	89,320
Goodwin’s Mills Fire-Rescue Truck/Equipment	66,022
Goodwin’s Mills Fire-Rescue Ambulance	<u>158</u>
Total	\$ <u>464,488</u>
<i>Restricted</i>	
Special Revenue Funds	
Comprehensive Plan	\$ 9,485
Franklin School	8,854
Goodwin’s Mills Fire-Rescue Facilities, Systems and Equip.	9,075
Unemployment Fund - School	7,955
Goodwin’s Mills Fire-Rescue Health	7,600
Other Donations – School Department	6,999
Building Maintenance	6,256
Dennett Donated Land	5,530
Recreation	5,274
Insurance Proceeds – School Department	4,662
Town Dogs	4,454
Mower Account	1,971
Playground	1,796
Fire Water Hydrant	1,761
CHCC Grant	1,250
Transition Grant Proficiency – School Department	801
Ballfield	681
Planning Board Maps	500
Holiday Assistance	406
Local Entitlement	<u>(11)</u>
Total	\$ <u>85,299</u>

**TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – GOVERNMENTAL FUND BALANCES (CONTINUED)

Assigned

Permanent Funds, Expendable

Goodwin's Cemetery Trust Funds	<u>\$ 1,965</u>
--------------------------------	-----------------

Unassigned

School Hot Lunch Program	\$ (40,470)
--------------------------	-------------

General Fund	<u>1,517,708</u>
---------------------	------------------

Total	<u>\$ 1,477,238</u>
--------------	---------------------

NOTE 12 – INTERFUND ACTIVITY

Interfund balances at June 30, 2018, consisted of the following:

Due To

Major Fund	
Dayton School Department	\$ 1,180,508
Non Major Governmental Funds	
Special Revenue Funds	77,355
Capital Project Funds	<u>398,308</u>
Total	<u>\$ 1,656,171</u>

Due From

General Fund	
Dayton School Department	\$ 1,567,753
Major Fund	
Dayton School Department	12,462
Non Major Governmental Funds	<u>75,956</u>
Total	<u>\$ 1,656,171</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer To

Major Funds	
General Fund	\$ 97,945
Dayton School Department	2,572,493
Non Major Governmental Funds	
Special Revenue Funds	21,268
Capital Project Funds	<u>62,698</u>
Total	<u>\$ 2,754,404</u>

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – INTERFUND ACTIVITY (CONTINUED)

Transfer From	
General Fund	\$ 2,639,991
Major Fund	
Dayton School Department	16,468
Non-Major Special Revenue Funds	<u>97,945</u>
Total	<u>\$ 2,754,404</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 13 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. - Budgetary Accounting

The Town of Dayton utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established by the Board of Selectmen and must be approved at the Annual Town Meeting.

B. - Excess of Expenditures over Appropriations

For the year ended June 30, 2018, no expenditures exceeded appropriations.

C. - Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. As of June 30, 2018, no individual funds held a deficit balance for the Town of Dayton, other than a deficit of \$(40,470) (excluding the associated inventory reserve) within the School Department's School Lunch Fund, which management is working on to restore to a surplus position.

NOTE 14 – JOINT VENTURE

The Lyman-Dayton Fire Commission was established by the Boards of Selectmen of Lyman, Maine and Dayton, Maine to act as a governing board for the Lyman-Dayton Joint Fire and Emergency Rescue Department, referred to as "Goodwin's Mills Fire-Rescue (GMFR)." Bylaws were formulated in accordance with the Interlocal Agreement dated December 20, 2010, as amended, between the Towns of Lyman and Dayton for the joint operation and management of fire and emergency rescue services. The Town does not hold an explicit and measurable equity interest in this joint venture and thus no such interest is carried on the Town's books. Along with the Town of Lyman, the Town does bear an ongoing financial responsibility to subsidize the operations of GMFR, pursuant to annual operating and capital budgets adopted by the Commission subject to the approval of both Towns. Additionally, all capital assets in the custody of GMFR are titled in equal proportions to the Towns. The Town of Dayton's reported 50% share of such capital assets net of accumulated depreciation amounted to \$818,202 at June 30, 2018. During the year ended June 30, 2018, the Town contributed \$170,753 towards the operating costs of GMFR. At June 30, 2018, GMFR's financial statements indicated unrestricted net position of \$338,622. Those financial statements are available by calling GMFR at 207-499-2244.

**TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 – OPEB PLANS

The Dayton School Department provides certain other postemployment benefits to its employees through the following plans:

I. Group Life Insurance Plan - Maine Public Employees Retirement System (MEPERS)

Plan Description

Qualifying personnel of the School Department participate in the Maine Public Employees Retirement System, including that system’s Group Life Insurance Plan. This plan is a multiple employer, cost-sharing OPE plan with a special funding situation. The State of Maine is a non-employer contributing entity in that the state pays 100% of the actuarially determined contributions for retirees.

Benefits

Under the GLI OPEB plan, MPERS 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 level of coverage is initially set to an amount equal to the retirees 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.

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

At June 30, 2018, the School Department reported a net OPEB liability of \$0, as the State of Maine’s non-employer contributing entity required participation level is 100%. At June 30, 2018 the School Department’s reported net OPEB liability was a portion of the total proportionate share of the collective net OPEB liability associated with the School Department’s participation in the Teacher plan, as follows:

School Department’s Proportionate Share of Net OPEB Liability	\$ 0
State of Maine’s Proportionate Share of Net OPEB Liability	<u>27,141</u>
Total	<u>\$ 27,141</u>

For the fiscal year ended June 30, 2018, the School Department recognized OPEB expense of \$3,020, State support of \$3,020 and on-behalf payments of \$2,460.

No deferred inflows of resources or deferred outflows of resources arising in connection with this plan are reportable by the Town of Dayton given that the State of Maine is obligated to fund 100% of the actuarially required contributions attributable to retirees.

Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2017 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

**TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 – OPEB PLANS (CONTINUED)

II. Group Health Insurance Plan – Maine Municipal Employee Health Trust (MMEHT)

Plan Description

Qualifying personnel of the Town participate in the MMEHT Group Health Plan. This plan is a single-employer OPEB plan not administered through a trust or similar arrangement. Accordingly, no assets are accumulated within the plan for the payment of future benefits.

Benefits

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with at least 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. At January 1, 2018 there were two active employees participating in this plan and no inactive employees, retirees or beneficiaries entitled to and/or receiving benefits.

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

The Town's total Health Plan OPEB liability of \$11,118 was measured as of January 1, 2018 and was determined by an actuarial valuation at that date. For the year ended June 30, 2018 the Town recognized OPEB expense of \$457 related to the Health Plan. At June 30, 2018 the Town reported deferred inflows of resources and deferred outflows of resources related to the Health Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 0	\$ 8,978
Changes in Assumptions	133	0
Total	\$ 133	\$ 8,978

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

For the Year Ended June 30,	<u>Amount</u>
2019	\$ (2,948)
2020	(2,948)
2021	(2,949)
Total	\$ (8,845)

**TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 – OPEB PLANS (CONTINUED)

II. Group Health Insurance Plan – Maine Municipal Employee Health Trust (MMEHT) (cont’d.)

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

➤ Inflation	3.00%
➤ Salary Increases	2.75%
➤ Discount Rate	3.44%
➤ Healthcare Cost Trend Rates	8.27% for 2018, decreasing 0.28% per year
➤ Retirees’ Share of Benefit Costs	100% of projected premiums

For the Health Plan, the mortality rate is based on the RP2014 Total Dataset Mortality Tables for males and females.

The discount rate of 3.44% used to measure the Health Plan OPEB liability was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

The following presents the Town’s total OPEB liability related to the Health Plan calculated using the discount rate of 3.44%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate:

	<u>1% Decrease (2.44%)</u>	<u>Current Discount Rate (3.44%)</u>	<u>1% Increase (4.44%)</u>
Total OPEB Liability	\$12,679	\$11,118	\$9,808

The following presents the Town’s total OPEB liability related to the Health Plan calculated using the healthcare cost trend rate of 8.27% decreasing 0.28% per year, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.27% decreasing 0.28% per year) or 1 percentage point higher (9.27% decreasing 0.28% per year) than the current rate:

	<u>1% Decrease</u>	<u>Health Care Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$9,752	\$11,118	\$12,737

II. Group Health Insurance Plan – Maine Education Association Benefits Trust (MEABT)

The School Department provides health insurance benefits to its employees through a group plan administered through the Maine Education Association Benefits Trust. Under this plan, retirees are eligible to continue such coverage post-employment, with the premium cost being born by the State of Maine and the retirees, with no ongoing financial obligation on the part of the School Department. The amount, if any, of OPEB liability and similar amounts arising from any implicit rate subsidy existing under this plan has not been determined.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 - CONCENTRATION OF RISK/ECONOMIC DEPENDENCY

The Town of Dayton's largest taxpayer is BIF II US Renewable LLC and represents 11.62%, or valuation of \$24,912,000, of the total assessed valuation of Town of Dayton of \$ 214,319,150 for year ending June 30, 2018.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

For the year ended June 30, 2018 the Town adopted the provisions of GASB Statement No. 75. In conjunction with same, a prior period adjustment reducing government-wide net position in the amount by \$19,754 has been recorded to establish the Town's OPEB liability as of June 30, 2017. Additionally, the balance of the School Department's Unemployment fund as of June 30, 2017 in the amount of \$9,991 has been determined to no longer qualify as a business-type activity; this amount has been reclassified as of July 1, 2017 as a governmental activity balance.

NOTE 18 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through February 7, 2019, the date on which the financial statements were available to be issued.

A Special Town Meeting held on August 30, 2018 approved the funding for a Town-Wide Road Reconstruction, Paving and Overlay Paving of various roads in an amount not to exceed \$1,150,000. On November 30, 2018 the Town of Dayton was issued a \$1,150,000 general obligation bond with a 10 year term and yearly payments of \$115,000.

SCHEDULE I

**TOWN OF DAYTON
SCHOOL DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DEPARTMENT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
JUNE 30, 2018**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
School Department's Proportion of Net Pension Liability	<u>0.004997%</u>	<u>0.003593%</u>	<u>0.002466%</u>	<u>0%</u>
School Department's Proportionate Share of the Net Pension Liability	\$ 72,583	\$ 63,458	\$ 33,294	\$ 0
State of Maine's Proportionate Share of the Net Pension Liability	<u>1,060,692</u>	<u>1,286,608</u>	<u>870,922</u>	<u>0</u>
Total	<u>\$ 1,133,275</u>	<u>\$ 1,350,066</u>	<u>\$ 904,216</u>	<u>\$ 0</u>
School Department's Covered Employee Payroll	<u>\$ 943,666</u>	<u>\$ 879,753</u>	<u>\$ 766,830</u>	<u>\$ 0</u>
School Department's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	<u>7.69%</u>	<u>7.21%</u>	<u>4.34%</u>	<u>0%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>83.35%</u>	<u>76.21%</u>	<u>83.55%</u>	<u>86.46%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

The Notes to the Financial Statements are an Integral Part of This Statement.

SCHEDULE II

**TOWN OF DAYTON
SCHOOL DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DEPARTMENT
PENSION CONTRIBUTIONS
JUNE 30, 2018**

	<u>6/30/2018</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Contractually Required Contribution	\$ 45,927	\$ 38,147	\$ 30,165	\$ 24,328
Actual Contribution	<u>(45,927)</u>	<u>(38,147)</u>	<u>(30,165)</u>	<u>(24,328)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 984,587	\$ 943,666	\$ 897,753	\$ 766,830
Contributions as a Percentage of Covered Employee Payroll	<u>4.66%</u>	<u>4.04%</u>	<u>3.36%</u>	<u>3.18%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined for the Department's fiscal years indicated, which differs from the reporting time frames used in Schedule I. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

The Notes to the Financial Statements are an Integral Part of This Statement.

SCHEDULE III

**TOWN OF DAYTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY – HEALTH PLAN
JUNE 30, 2018**

	<u>6/30/18</u>
Service Cost	\$ 2,566
Interest	839
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	(11,971)
Changes of Assumptions or Other Inputs	178
Benefit Payments	<u>(248)</u>
Net Changes	(8,636)
Total OPEB Liability - Beginning	<u>19,754</u>
Total OPEB Liability - Ending	<u>\$ 11,118</u>
Covered-Employee Payroll	\$ 42,000
Total OPEB Liability as a Percentage of Covered-Employee Payroll	26.5%

Amounts presented for each fiscal year were determined as of the prior January 1. The data above was determined by the actuarial valuation date which was six-months year prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

The Notes to the Financial Statements are an Integral Part of This Statement.

SCHEDULE IV

**TOWN OF DAYTON
SCHOOL DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DEPARTMENT'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY
JUNE 30, 2018**

	<u>6/30/18</u>
School Department's Proportion of Net OPEB Liability	<u>0.00%</u>
School Department's Proportionate Share of the Net OPEB Liability	\$ 0
State of Maine's Proportionate Share of the Net OPEB Liability	<u>27,141</u>
Total	<u>\$ 27,141</u>
School Department's Covered Employee Payroll	<u>\$ 943,666</u>
School Department's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll	<u>0.00%</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>60.11%</u>
Contractually Required Contributions	\$ 0
Contributions Made in Relation to Contractually Required Amounts	<u>(0)</u>
Contribution Excess (Deficiency)	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 943,666
Contributions as a Percentage of Covered Employee Payroll	0.00%

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

The Notes to the Financial Statements are an Integral Part of This Statement.

SCHEDULE V

**TOWN OF DAYTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
<i>Special Milk Program for Children</i> Breakfast SNP	10.553	013-05A-3014	\$ 3,478
<i>National School Lunch Program</i> Section 4 Funds SNP	10.555	013-05A-3022	3,450
Section II Funds SNP	10.555	013-05A-3024	9,663
Performance Based Reimbursement	10.555	013-05A-3125	<u>673</u>
Total U.S. Department of Agriculture			<u>\$ 17,264</u>
U.S. Department of Education			
<i>Special Education Grants to States</i> Local Entitlement IDEA	84.027	013-05A-3046	\$ 111,817
<i>Improving Teacher Quality State Grants</i> No Child Left Behind - Improve Teacher Quality LEA Grants	84.367	013-05A-3042	5,003
<i>Title I Grants to Local Education Agencies</i> Disadvantaged	84.010	013-05A-3107	17,223
Student Support & Academic Enrichment	84.424	013-05A-3345	7,962
<i>Title IV Rural Grant</i>	84.358A	N/A	<u>14,266</u>
Total U.S. Department of Education			<u>\$ 156,271</u>
Total Expenditures of Federal Awards			<u>\$ 173,535</u>

Note – All awards passed through the State of Maine with the exception of Title IV Rural Grant, which is received as a direct award from the U.S. Department of Education.