

Financial Statements

Town of Fayette, Maine

June 30, 2019

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Town of Fayette, Maine

June 30, 2019

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Independent Auditors' Report

**To the Board of Selectmen
Town of Fayette
Fayette, Maine**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fayette, Maine, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fayette, Maine, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

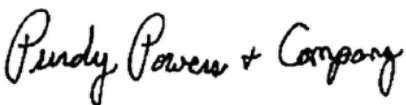
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, the Schedule of the Town's Proportionate Share of the Net Pension Liability, the Schedule of Town Contributions, the Schedule of the Town's Proportionate Share of the MEPERS Plan Net OPEB Liability, and the Notes to the Schedules, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fayette, Maine's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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


Professional Association

Portland, Maine
February 20, 2020

Management's Discussion and Analysis

Town of Fayette, Maine

As management of the Town of Fayette, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

The Town's assets exceed liabilities by \$3,385,756 as of June 30, 2019, compared to \$3,069,994 as of June 30, 2018.

The Town's governmental funds General Fund Balance was \$1,176,540 as of June 30, 2019, compared to \$1,021,512 as of June 30, 2018, an increase of \$155,028 from the previous year.

Please reference page 7 regarding this part of the analysis. The increase in this year's asset to liability differential is related in part to a \$94,223 cost reduction from the prior year of capital asset accumulated depreciation and a \$20,000 increase in unavailable tax revenue along with a significant decrease in Bonds payable included in long-term liabilities.

The budget versus actual expenditures for 2019 showed the following noteworthy comments:

Please reference page 10 regarding this part of the analysis. As hoped both the Town and School contributed back to surplus by June 30th of 2019. A net overall increase of \$171,423 was added back to the Town's undesignated fund balance (also known as surplus). There were noteworthy variances where actual expenditures exceeded defined final balances in Public Works due to the unexpected costs to repair a front end loader. The unexpended balance for General Government is directly related to unexpended comprehensive plan update funding and unpaid health benefits and payroll due to loss of staff.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report supplemental information to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements provide information about the activities of the Town as a whole and present both a long-term and short-term view of the Town's finances. Financial reporting at this level is similar to the accounting used by most private-sector companies.

Management's Discussion and Analysis - Continued

Town of Fayette, Maine

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. Evaluation of the overall economic health requires other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads, as well as many others.

The Statement of Activities reports the current year change in net position. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities are divided into two kinds of activities:

- **Governmental activities:** Most of the Town's basic services are reported here, including general administration, public safety, health and welfare, education and public works. Property and sales taxes, fines, and state and federal grants finance most of these activities.
- **Business-type activities:** if the Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. Currently the Town has no business type activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the city as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non major funds is provided in the form of combining statements in a later section of this report.

The Town has the following types of funds:

- **Governmental funds** are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Management's Discussion and Analysis - Continued

Town of Fayette, Maine

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the Town as a Whole - Government-wide Financial Statements

The following schedule is a summary of net position for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Governmental Activities			
Current and other assets	\$ 1,568,533	\$ 1,393,455	\$ 175,078
Capital assets	<u>2,772,099</u>	<u>2,866,322</u>	<u>(94,223)</u>
Total Assets	4,340,632	4,259,777	80,855
Deferred outflows related to pension	<u>21,920</u>	<u>31,347</u>	<u>(9,427)</u>
Total Deferred Outflows of Resources	21,920	31,347	(9,427)
Long term-liabilities	802,918	1,042,175	(239,257)
Other liabilities	<u>155,349</u>	<u>162,920</u>	<u>(7,571)</u>
Total Liabilities	958,267	1,205,095	(246,828)
Deferred inflows related to pension	5,689	16,035	(10,346)
Deferred interest reimbursement	<u>12,840</u>	<u>-</u>	<u>12,840</u>
Total Deferred Inflows of Resources	18,529	16,035	2,494
Net position:			
Net investment in capital assets	1,993,646	1,854,287	139,359
Restricted	148,993	100,374	48,619
Unrestricted	<u>1,248,117</u>	<u>1,115,333</u>	<u>132,784</u>
	<u>\$ 3,390,756</u>	<u>\$ 3,069,994</u>	<u>\$ 320,762</u>

Please reference page 19 regarding this part of the analysis. Contributing factors in this year's capital asset reporting include the continual reduction in long-term liabilities related to debt payment in another year in which the town did not incur new indebtedness. Another factor being paving maintenance which is costly from an accounting prerogative, but is viewed as maintenance therefore not capitalized. As a result, the trend of assets depreciating and exceeding capital investment continues.

Management's Discussion and Analysis - Continued

Town of Fayette, Maine

The following schedule is a summary of the statement of activities for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Governmental Activities			
Revenues:			
Program revenues:			
Charges for services	\$ 11,155	\$ 9,834	\$ 1,321
Operating grants and contributions	143,327	110,234	33,093
Capital grants and contributions	-	12,584	(12,584)
General revenues			
Property taxes	2,912,232	2,644,012	268,220
Excise taxes	244,775	241,570	3,205
Intergovernmental	287,318	179,443	107,875
Other	94,662	53,058	41,604
Total Revenues	<u>3,693,469</u>	<u>3,250,735</u>	<u>442,734</u>
Expenses:			
General			
General government	\$ 302,892	\$ 312,436	\$ (9,544)
Public safety	96,308	100,896	(4,588)
Health and welfare	73,108	72,610	498
Recreation and culture	14,538	12,509	2,029
Education	2,163,183	2,004,591	158,592
Public works	500,389	503,820	(3,431)
Unclassified	214,181	204,185	9,996
Interest on long-term debt	13,108	15,928	(2,820)
Total Expenses	<u>3,377,707</u>	<u>3,226,975</u>	<u>150,732</u>
Change in Net Position	<u>\$ 315,762</u>	<u>\$ 23,760</u>	<u>\$ 292,002</u>

The most noteworthy activity and change from 2018 to 2019 was again the education expenditure line these increases were directly related to staff payroll, special education cost increases and tuition rate increases for grades 6-12.

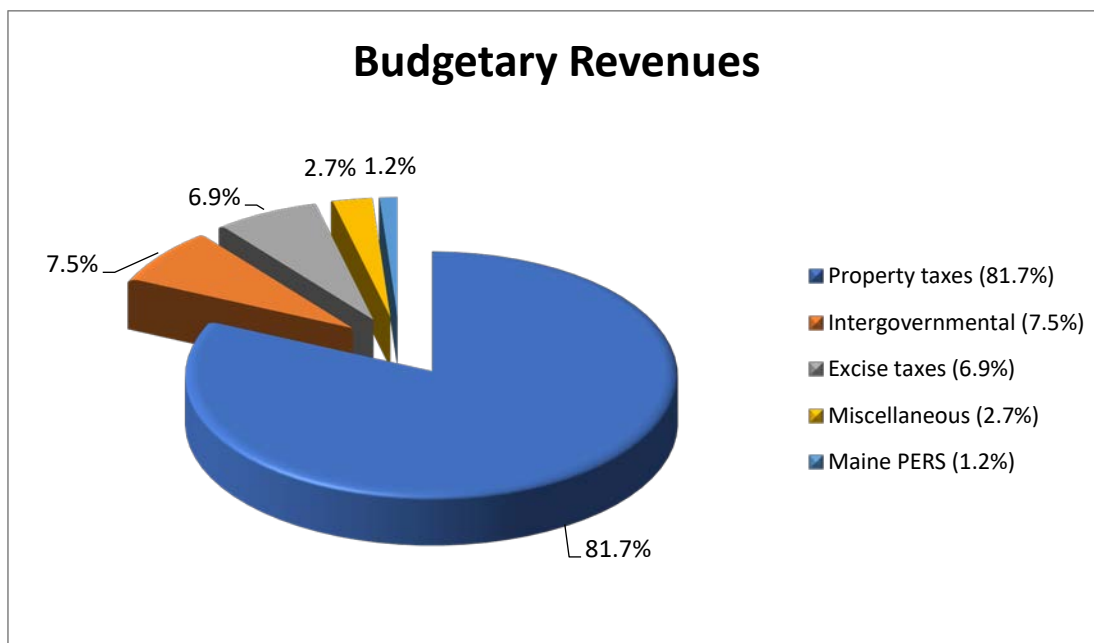
Management's Discussion and Analysis - Continued

Town of Fayette, Maine

Financial Analysis of the Town's Funds - Fund Financial Statements

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

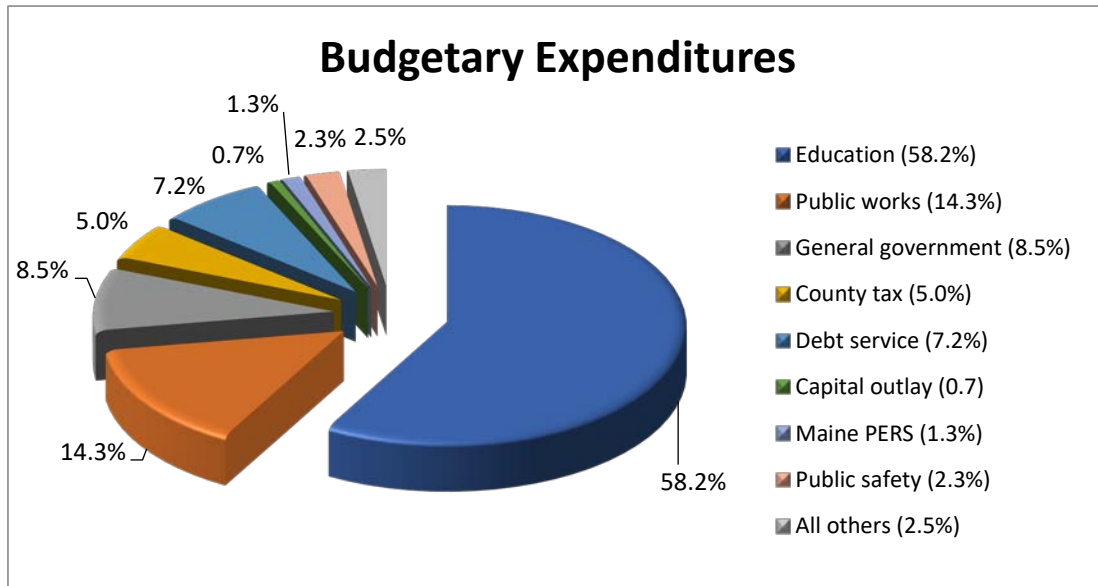
Current year revenues on a budgetary basis in the general fund were made up of the following:



Management's Discussion and Analysis - Continued

Town of Fayette, Maine

Current year expenditures on a budgetary basis in the general fund were made up of the following:



General Fund Budgetary Highlights

The most noteworthy observation is the continued trend increase in local property taxes to pay for the increase in expenses. The shift in education costs making up (58.2%) from the year before (57.3%) and (55.7%) from the year before that as part of the total expenditure chart. In fiscal year 2018-2019 local taxpayers were asked to support a budget of \$2,048, 917 with only \$55,401 in state aid which required local taxpayer to raise 97.3% of the total expenditure costs. When combined with all expenses (Town, County and School) the education expense represented the aforementioned 58.2% of the above chart. Public Works increased to (14.3%) an increase from (13.6%) a year ago and (10.6%) from two years ago.

Noteworthy Reserve Funds Include:

The most significant reserve account continues to be the municipal educational facility reserve account. This account was borne out of the Town's concern that unexpended school funds would become confiscated by school consolidation by virtue of the law initiated by Governor Baldacci in 2006. This fund is comprised of local funds that were raised by taxation and not expended for school operational costs. The voters at the 2007 Annual Town Meeting took action to protect these funds. These funds may be used for any purpose that benefits the Fayette Central School as approved by the voters of Fayette.

Management's Discussion and Analysis - Continued

Town of Fayette, Maine

Capital Assets

At year-end, the Town had \$2,772,099 in net capital assets compared to \$2,866,322, last year.

This year's major additions included: the Starling Hall renovations that were started this year offset by the trend of assets depreciating and exceeding this modest capital investment made by the Town.

Long Term Liabilities

At year-end, the Town had \$773,600 in general obligation debt and \$4,853 in capital lease obligations compared to \$1,002,900 and \$9,135, respectively, last year. At year-end, the Town had a net pension liability of \$24,465 compared to \$30,140 last year.

The continual reduction in long-term liabilities is related to debt payments in another year in which the Town did not incur new indebtedness.

Economic Factors and Next Year's Budgets and Rates

Moving forward, as was the case with the 2017-2018 audit, subsequent years audits should identify modest gains and restoration of the Town undesignated fund (surplus).

Management should identify a baseline for fund balance that is sustained from year to year. This audit presents a fund balance that is \$100,000 away from \$1 million dollar balance which has been a desired goal of management for many years. Maintaining this status will ebb and flow as leadership changes unless a fund balance policy is adopted by the Town.

Current economic factors only increase the Town's expenditure demands and increase the Town's perceived taxable value due to real estate market trends that directly impact local taxation and tax burden. The expansion of residential development is not the answer. In Fayette today a \$200,000 home brings in \$3,750 in new real estate tax revenue. If the home comes with one school age child, the home brings with it a \$13,750 expenditure. You do the math! Is this a sustainable path?

The Fayette taxpayer pays exclusively 95.4 % of its education costs this year. The current tax rate in Fayette is \$18.75. Since the 2007 revaluation when Fayette's tax rate was \$10.20, the tax rate has increased each year or has remained the same in subsequent years leading us to the current rate today.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 685-4373 and ask for the Town Manager. Citizens are welcomed to visit with the appropriate staff on any financial matters.

Statement of Net Position

Town of Fayette, Maine

As of June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,114,364
Accounts receivable	192,189
Taxes receivable	168,303
Tax liens	26,416
Tax acquired property	67,261
Capital assets, net of accumulated depreciation	<u>2,772,099</u>
Total Assets	4,340,632
Deferred Outflows of Resources	
Deferred outflows related to pension	<u>21,920</u>
Total Deferred Outflows of Resources	21,920
Liabilities	
Accrued expenses	136,763
Prepaid taxes	9,586
Accrued interest payable	9,000
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	229,300
Capital lease obligation	4,312
Portion due or payable after one year:	
Bonds payable	544,300
Capital lease obligation	541
Net pension liability	<u>24,465</u>
Total Liabilities	958,267
Deferred Inflows of Resources	
Deferred inflows related to pension	5,689
Unavailable revenue - interest reimbursement	<u>12,840</u>
Total Deferred Inflows of Resources	18,529
Net Position	
Net investment in capital assets	1,993,646
Restricted	148,993
Unrestricted	<u>1,243,117</u>
Net Position	<u>\$ 3,385,756</u>

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

Statement of Activities

Town of Fayette, Maine

For the Year Ended June 30, 2019

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 302,892	\$ 11,155	\$ -	\$ (291,737)
Public safety	96,308	-	-	(96,308)
Health and welfare	73,108	-	-	(73,108)
Recreation and culture	14,538	-	-	(14,538)
Education	2,163,183	-	55,401	(2,107,782)
Public works	500,389	-	53,182	(447,207)
County tax	167,037	-	-	(167,037)
Unclassified	12,400	-	-	(12,400)
Maine PERS on-behalf payments	34,744	-	34,744	-
Interest on long-term debt	13,108	-	-	(13,108)
Total Governmental Activities	\$ 3,377,707	\$ 11,155	\$ 143,327	(3,223,225)
General revenues:				
Taxes:				
Property				2,912,232
Excise				244,775
Intergovernmental				287,318
Interest				2,994
Miscellaneous				91,668
			Total General Revenues	3,538,987
			Change in Net Position	315,762
			Net position at beginning of year	3,069,994
			Net Position at End of Year	\$ 3,385,756

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

Balance Sheet - Governmental Funds

Town of Fayette, Maine

As of June 30, 2019

	General	Local Entitlement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,079,634	\$ -	\$ 34,730	\$ 1,114,364
Accounts receivable	81,765	76,670	33,754	192,189
Taxes receivable	168,303	-	-	168,303
Tax liens	26,416	-	-	26,416
Tax acquired property	67,261	-	-	67,261
Due from other funds	116,274	-	9,924	126,198
Total Assets	<u>\$ 1,539,653</u>	<u>\$ 76,670</u>	<u>\$ 78,408</u>	<u>\$ 1,694,731</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accrued expenses	\$ 136,763	\$ -	\$ -	\$ 136,763
Prepaid taxes	9,586	-	-	9,586
Due to other funds	9,924	76,670	39,604	126,198
Total Liabilities	156,273	76,670	39,604	272,547
Deferred Inflows of Resources				
Unavailable revenue - interest reimbursement	12,840	-	-	12,840
Unavailable revenue - property taxes	194,000	-	-	194,000
Total Deferred Inflows of Resources	206,840	-	-	206,840
Fund Balances				
Restricted				
Special revenue funds	-	-	9,970	9,970
Permanent funds	-	-	28,834	28,834
General fund - Town	104,838	-	-	104,838
General fund - School	5,351	-	-	5,351
Assigned				
General fund - Town	209,743	-	-	209,743
General fund - School	252,448	-	-	252,448
Unassigned				
General fund	604,160	-	-	604,160
Total Fund Balances	<u>1,176,540</u>	<u>-</u>	<u>38,804</u>	<u>1,215,344</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,539,653</u>	<u>\$ 76,670</u>	<u>\$ 78,408</u>	<u>\$ 1,694,731</u>

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

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

Town of Fayette, Maine

As of June 30, 2019

Total Fund Balances - Governmental Funds \$ 1,215,344

Amounts reported for governmental activities in the Statement of
Net Position is different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in governmental
funds. The cost of capital assets, net of accumulated depreciation is: 2,772,099

Property tax revenues are presented on the modified accrual basis
of accounting in the governmental funds but in the Statement of
Activities, property tax revenue is reported under the accrual method.
The balance in unavailable revenue - property taxes in the
governmental funds as a liability is: 194,000

The following deferred outflows below are not current assets or financial
resources and the following deferred inflows are not current liabilities due
and payable in the current period and therefore are not reported in the
Balance Sheet:

Deferred outflows related to pension	\$ 21,920	
Deferred inflows related to pension	<u>(5,689)</u>	
		16,231

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds. Long-term
and related liabilities at year-end consist of:

Bonds payable	(773,600)	
Capital lease obligations	(4,853)	
Accrued interest payable	(9,000)	
Net pension liability	<u>(24,465)</u>	
		<u>(811,918)</u>

Net Position - Governmental Activities \$ 3,385,756

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Town of Fayette, Maine

For the Year Ended June 30, 2019

	General	Local Entitlement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 2,892,232	\$ -	\$ -	\$ 2,892,232
Excise taxes	244,775	-	-	244,775
Intergovernmental	265,811	64,337	65,753	395,901
Maine PERS on-behalf payments	42,467	-	-	42,467
Miscellaneous	101,397	-	4,420	105,817
Total Revenues	3,546,682	64,337	70,173	3,681,192
Expenditures				
Current				
General government	304,085	-	-	304,085
Public safety	78,352	-	-	78,352
Health and welfare	73,108	-	-	73,108
Recreation and culture	13,678	-	-	13,678
Education	1,962,295	64,337	65,733	2,092,365
Public works	482,371	-	-	482,371
County tax	167,037	-	-	167,037
Unclassified	1,741	-	10,659	12,400
Maine PERS on-behalf payments	42,467	-	-	42,467
Debt service - principal	229,300	-	-	229,300
- interest	14,108	-	-	14,108
Capital outlay	23,112	-	-	23,112
Total Expenditures	3,391,654	64,337	76,392	3,532,383
Revenues Over (Under) Expenditures	155,028	-	(6,219)	148,809
Fund balances at beginning of year	1,021,512	-	45,023	1,066,535
Fund Balances at End of Year	\$ 1,176,540	\$ -	\$ 38,804	\$ 1,215,344

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

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

Town of Fayette, Maine

As of June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 148,809

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

Property tax revenues are presented on the modified accrual basis of accounting in the governmental funds but in the Statement of Activities, property tax revenue is reported under the accrual method. The current year change in unavailable revenue - property tax revenue reported in the governmental funds and not in the Statement of Activities is: 20,000

Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differed from capital asset additions and reductions in the current period:

Capital asset additions	\$ 85,318	
Depreciation expense	<u>(179,541)</u>	(94,223)

Issuance of long-term debt and entering into capital lease obligations provide current resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of proceeds and repayments of debt obligations in the current period:

Principal portion of debt service payments	229,300	
Principal portion of capital lease obligation payments	<u>4,282</u>	233,582

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in accrued interest payable	1,000	
Adjustment to pension expense	<u>6,594</u>	<u>7,594</u>

Change in Net Position of Governmental Activities \$ 315,762

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

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund**

Town of Fayette, Maine

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes				
Property taxes	\$ 2,915,837	\$ 2,915,837	\$ 2,892,232	\$ (23,605)
Excise taxes	228,000	228,000	244,775	16,775
Intergovernmental revenues				
State revenue sharing	53,605	53,605	55,655	2,050
Maine PERS on-behalf payments	-	-	42,467	42,467
Other	203,072	203,072	210,156	7,084
Miscellaneous revenues	29,565	29,565	94,676	65,111
Total Revenues	<u>3,430,079</u>	<u>3,430,079</u>	<u>3,539,961</u>	<u>109,882</u>
Expenditures				
Current				
General government	337,687	337,687	285,969	51,718
Public safety	89,767	89,767	78,352	11,415
Health and welfare	73,935	73,935	73,108	827
Recreation and culture	35,128	35,128	13,678	21,450
Education	2,023,939	2,023,939	1,962,295	61,644
Public works	456,990	456,990	482,371	(25,381)
County tax	167,037	167,037	167,037	-
Unclassified	-	-	1,741	(1,741)
Maine PERS on-behalf payments	-	-	42,467	(42,467)
Debt service - principal	229,300	229,300	229,300	-
- interest	18,586	18,586	14,108	4,478
Capital outlay	25,000	25,000	23,112	1,888
Total Expenditures	<u>3,457,369</u>	<u>3,457,369</u>	<u>3,373,538</u>	<u>83,831</u>
Revenues Over (Under) Expenditures	(27,290)	(27,290)	166,423	193,713
Other Financing Sources (Uses)				
Operating transfers in	18,700	18,700	25,000	6,300
Operating transfers out	(20,000)	(20,000)	(20,000)	-
Utilization of assigned fund balance	52,268	52,268	-	(52,268)
Total Other Financing Sources (Uses)	<u>50,968</u>	<u>50,968</u>	<u>5,000</u>	<u>(45,968)</u>
Revenues and Other Sources Over Expenditures and Other Uses	\$ 23,678	\$ 23,678	171,423	\$ 147,745
Budgetary fund balance at beginning of year			<u>736,108</u>	
Budgetary Fund Balance at End of Year			<u><u>\$ 907,531</u></u>	

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

Notes to Financial Statements

Town of Fayette, Maine

Note A - Summary of Significant Accounting Policies

The Town of Fayette, Maine operates under a Selectmen - Town Manager form of government. The accounting policies of the Town of Fayette, Maine, conform to United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

Principles Determining Scope of Reporting Entity

The basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in GAAP 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

Based on the aforementioned criteria, the Town of Fayette has no component units.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services for support. Currently the Town has no business-type activities.

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

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note A - Summary of Significant Accounting Policies - Continued

Government-wide Financial Statements - Continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

Governmental Activities

Governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines:

The *General Fund* is the operating fund of the Town and is always classified as a major fund. 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 sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

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 proprietary funds and trust funds).

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization as stipulated by the specific trust instrument.

Basis of Accounting

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

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note A - Summary of Significant Accounting Policies - Continued

Accrual

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

Modified Accrual

Governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

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

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase.

Accounts Receivable

Accounts receivable are stated at the amount the Town expects to collect from outstanding balances. Town management closely monitors outstanding balances and records an allowance for doubtful accounts as necessary based upon historical trends of bad debts and a detailed review of current year receivables and their aging. Management has deemed an allowance for doubtful accounts is not necessary.

Capital Assets

In the government-wide financial statements, 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 method.

Estimated useful lives are as follows: buildings and improvements, 20 to 50 years; infrastructure, 5 to 60 years; and vehicles and equipment, 3 to 15 years.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note A - Summary of Significant Accounting Policies - Continued

Capital Assets - Continued

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Vacation and Sick Leave

Under the terms of personnel policies, vacation leave is granted in varying amounts according to length of service. Sick leave is granted in equal amounts to all employees. In some cases, employees are entitled to payment for unused vacation upon termination or retirement. No liability is recorded for accrued compensated absences at June 30, 2019, the inclusion of which would not be material to the financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until that time. The Fayette School Department has one item that meets this criterion, deferred pensions, which is reported in the statement of net position.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note A - Summary of Significant Accounting Policies - Continued

Deferred Outflows and Inflows of Resources - Continued

The Town has one type of item, unavailable revenue, which results from property taxes, which arises under the modified accrual basis of accounting that qualifies for reporting in this category and is reported in the governmental funds balance sheet. The Town has another item, also unavailable revenue, which results from an interest reimbursement, which arises under the modified and full accrual basis of accounting that qualifies for reporting in this category and is reported in the governmental funds balance sheet as well as the statement of net position. The School Department also has one type of item, deferred pensions, which is reported in the statement of net position.

Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note F and the required supplementary information beginning on page 43), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Maine Public Employees Retirement System (MainePERS). The net pension liability is measured as of the Town's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note A - Summary of Significant Accounting Policies - Continued

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the Fayette School Department's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MainePERS State Employee and Teacher (SET) Plan, a multiple-employer defined benefit postretirement life insurance plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Government-wide Fund Net Position

Government-wide net position is divided into three components:

Net investment in capital assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position - consist of net assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted - All other net asset positions are reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted - resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed through constitutional provisions or enabling legislation.

Committed - resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned - resources neither restricted nor committed for which a government has a stated intended use as established by the Town Council or a body or official to which the Town Council has designated the authority to assign amounts for specific purposes.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note A - Summary of Significant Accounting Policies - Continued

Governmental Fund Balances - Continued

Unassigned - resources which cannot be properly classified in one of the other four categories.

Use of Restricted Resources

The Town has no formal fund balance policy. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund loan receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide presentation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. Since not all funds maintain a separate cash account, cash is pooled in the General Fund cash account and activity for individual funds are recorded through the General Fund and each respective individual fund through the recognition of a "due to/due from" as appropriate. The due to/from other funds balances are subject to elimination upon consolidation in the government-wide presentation. All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Budget

The Town of Fayette'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:

- 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.
- A vote of the inhabitants of the Town was then taken for the purpose of adopting the proposed budget after public notice of the vote was given.
- The budget was adopted subsequent to passage by the inhabitants of the Town.

The Town does not adopt budgets for special revenue funds.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note A - Summary of Significant Accounting Policies - Continued

Revenue Recognition - Property Taxes

The Town's property tax for the current year was levied July 30, 2018, on the assessed value listed as of April 1, 2018, for all real and personal property located in the Town. Taxes were due November 30, 2018 and April 30, 2019 with interest on unpaid taxes commencing on December 1, 2018 and May 1, 2019, at 7% per annum.

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

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 \$23,678 for the year ended June 30, 2019.

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

Note B - Cash

The Town conducts all its deposit transactions with depository banks. Cash resources of several individual funds are combined to form a pool of cash.

Custodial Credit Risk - Deposits

At June 30, 2019, the carrying amount of the Town's deposits was \$1,114,364, and the bank balance was \$1,192,887. The difference between these balances relates to deposits in transit, outstanding checks and cash on hand at year-end. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy on custodial credit risk. As of June 30, 2019, none of the Town's bank balance of \$1,192,887 was exposed to credit risk.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note C - Capital Assets

A summary of capital assets transactions for the year ended June 30, 2019, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 167,657	\$ -	\$ -	\$ 167,657
Construction in progress	27,158	5,249	-	32,407
Depreciable Assets:				
Buildings	3,139,595	36,842	-	3,176,437
Land Improvements	95,147	-	-	95,147
Equipment	1,326,241	43,227	62,174	1,307,294
Vehicles	1,038,576	-	3,434	1,035,142
Road network	<u>2,532,130</u>	<u>-</u>	<u>-</u>	<u>2,532,130</u>
Totals at historical cost	8,326,504	85,318	65,608	8,346,214
Less accumulated depreciation:				
Buildings	1,560,425	67,001	-	1,627,426
Land Improvements	91,659	73	-	91,732
Equipment	652,137	69,152	62,174	659,115
Vehicles	812,585	39,843	3,434	848,994
Road network	<u>2,343,376</u>	<u>3,472</u>	<u>-</u>	<u>2,346,848</u>
Total accumulated depreciation	<u>5,460,182</u>	<u>179,541</u>	<u>65,608</u>	<u>5,574,115</u>
Capital Assets, Net	<u>\$ 2,866,322</u>	<u>\$ (94,223)</u>	<u>\$ -</u>	<u>\$ 2,772,099</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
General Government	\$ 4,056
Public Safety	17,956
Recreation and Culture	860
Education	95,424
Public Works	<u>61,245</u>
Total governmental activities depreciation expense	<u>\$ 179,541</u>

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note D - Interfund Balances

Interfund balances at June 30, 2019 consisted of the following amounts:

Governmental Activities	<u>Receivables</u> <u>Due from</u>	<u>Payables</u> <u>Due to</u>	<u>Net Internal</u> <u>Balances</u>
General Fund:			
Special Revenue Fund:			
School Categorical Programs - non-major	\$ 33,754	\$ -	
School Categorical Programs - Local Entitlement Fund	76,670	-	
Keep Me Warm	<u>-</u>	<u>(9,924)</u>	
	110,424	(9,924)	
Permanent Funds - Trust Funds:			
Cemetery	<u>5,850</u>	<u>-</u>	
	116,274	(9,924)	\$ 106,350
Special Revenue Fund:			
General Fund:			
School Categorical Programs - non-major	-	(33,754)	
School Categorical Programs - Local Entitlement Fund	-	(76,670)	
Keep Me Warm	<u>9,924</u>	<u>-</u>	
	9,924	(110,424)	(100,500)
Permanent Funds - Trust Funds:			
General Fund:			
Cemetery	<u>-</u>	<u>(5,850)</u>	
	<u>-</u>	<u>(5,850)</u>	<u>(5,850)</u>
	<u>\$ 126,198</u>	<u>\$ (126,198)</u>	<u>\$ -</u>

All interfund balances resulted from the time lag between (1) the dates that 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.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note E - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
General obligation debt	\$ 1,002,900	\$ -	\$ 229,300	\$ 773,600	\$ 229,300
Net pension liability	30,140	-	5,675	24,465	-
Capital lease obligation	9,135	-	4,282	4,853	4,312
Total	<u>\$ 1,042,175</u>	<u>\$ -</u>	<u>\$ 239,257</u>	<u>\$ 802,918</u>	<u>\$ 233,612</u>

At June 30, 2019 long term debt consisted of the following:

2012 Qualified School Construction Bond for a wood pellet boiler for the school with Kennebec Savings Bank, due in annual principal installments of \$12,500, and annual interest installments at varying amounts through July 2030. Interest is stated at 4.75%. The IRS will credit the Town approximately 93% of the interest each year.	\$ 150,000
2016 General Obligation Bond for road construction and the refinancing of the 2010 General Obligation Bond for road construction, with Maine Municipal Bond Bank, due in annual principal installments of \$206,800, and semi-annual interest installments at varying amounts ranging between 0.65% and 2.17% through November 2021.	543,600
2016 School General Obligation Bond for heating improvements with Maine Municipal Bond Bank, due in annual principal installments of \$10,000 and semi-annual interest installments at varying amounts ranging between 0.91% and 2.25% through November 2027.	<u>80,000</u>
	<u>\$ 773,600</u>

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note E - Long-Term Liabilities - Continued

The annual requirements to amortize bonds payable are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 229,300	\$ 16,949	\$ 246,249
2021	229,300	12,554	241,854
2022	152,500	8,404	160,904
2023	22,500	6,240	28,740
2024	22,500	5,472	27,972
Thereafter	117,500	17,615	135,115
	<u>\$ 773,600</u>	<u>\$ 67,234</u>	<u>\$ 840,834</u>

Capital Lease Obligations:

The present value of capital lease obligations and future years' minimum lease payments are as follows:

Year ending June 30,	
2020	\$ 4,499
2021	<u>546</u>
	5,045
Less amount representing interest (various rates)	<u>192</u>
Obligation under capital leases	<u>\$ 4,853</u>

As of June 30, 2019 the gross amount of fixed assets associated with capital lease obligations was \$286,630 with accumulated depreciation of \$264,906.

Note F - Pension Plan

Plan Description

Teaching-certified employees of the Fayette School Department (Department) are provided with pensions through the Teacher's Pension Plan (TPP) – a cost-sharing multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (MainePERS). Chapter 423 of the State Statutes grants the authority to establish and amend benefit terms to the MainePERS Board of Trustees (MainePERS Board). MainePERS issues a publicly available financial report that can be obtained on the MainePERS website.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note F - Pension Plan - Continued

Benefits Provided

MainePERS provides retirement, disability, and death benefits to plan members. Employees who retire at or after age 60, 62, or 65 (depending on their date of hire) with five to twenty-five years of credited service (depending on their date of hire and inactive or active status) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two percent of the average of their highest three years earnings per year of service.

Employees are eligible for service-related disability benefits regardless of length of service. Disability benefits may be available if an employee participating in the plan becomes mentally or physically disabled while in MainePERS-covered service and is permanently unable to perform the duties of his/her position. The amount of the disability benefit is either 66 2/3% or 59% of the average final compensation, depending on the date the employee was hired.

Ordinary death benefits are available if death occurs before retirement. Beneficiaries can receive either a lump-sum refund of the employee's contributions and interest or a monthly benefit. If death occurs as a result of an injury while working or while the employee is working, accidental death benefits are also available.

Contributions

Per Chapter 423 of the State Statutes, contribution requirements of the active employees and the participating school districts are established and may be amended by the MainePERS Board. Maine State requires the State to contribute a portion of the Town's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to contribute 7.65% of their annual pay. The school departments' contractually required contribution rate for the year ended June 30, 2019 was 15.05% of annual school district payroll of which 3.97% of payroll was required by the School Department and 11.08% was required from the State. All federally funded teachers' contributions were paid the Fayette School Department. All other teachers' contributions were paid by the State of Maine. Contributions to the pension plan from the Town were \$18,925 for the year ended June 30, 2019. Contributions to the pension plan from the State were \$41,866 for the year ended June 30, 2019.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note F - Pension Plan - Continued

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

At June 30, 2019, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total support of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability (asset)	\$	24,465
State's proportionate share of the net pension liability (asset) associated with the Town		<u>466,941</u>
Total	\$	<u>491,406</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2018, the Fayette School Department's proportion was 0.001813% which was an decrease of 0.000262% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized total pension expense of \$47,168 and revenue of \$34,744 for support provided by the State on its government-wide financial statements and recognized pension expense of \$60,791 and revenue of \$41,866 for support provided by the State on its fund financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 747	\$ -
Changes of assumptions	1,539	-
Net difference between projected and actual earnings on pension plan investments	-	3,181
Changes in proportion and differences between Town contributions and proportionate share of contributions	709	2,508
Town contributions subsequent to the measurement date	<u>18,925</u>	<u>-</u>
	<u>\$ 21,920</u>	<u>\$ 5,689</u>

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note F - Pension Plan - Continued

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

Deferred outflows of resources and deferred inflows of resources on the previous page represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

Of the amount reported as a deferred outflow of resources related to pensions resulting from Town contributions subsequent to the measurement date, \$18,925 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2019	\$ 1,415
2020	(989)
2021	(2,264)
2022	(856)

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service
Investment rate of return	6.75%
COLA	2.20%

Mortality rates were based on the sex distinct RP-2000 Combined Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note F - Pension Plan - Continued

Actuarial assumptions - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	30%	6.0%
Private equity	15%	7.6%
Traditional credit	7.5%	3.0%
Alternative credit	5%	4.2%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Natural resources	5%	5.0%
U.S. Government	7.5%	2.3%
Risk diversifiers	<u>10%</u>	5.9%
	<u>100%</u>	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from Towns will be made at contractually required rates (actuarially determined), and contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note F - Pension Plan - Continued

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Town's proportionate share of the net pension liability (asset)	\$ 45,212	\$ 24,465	\$ 7,187

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MainePERS financial statements. The plan's fiduciary net position has been determined on the same basis as that used by the plan.

Note G - Postemployment Benefits Other than Pensions (OPEB)

Plan Description

The Town of Fayette's School Department provides group term life insurance to retired employees. Eligible employees of the School Department participate in the Maine Public Employees Retirement System (MainePERS) Group Life Insurance Plan for Statement Employees and Teachers (SET Plan). This plan is a multiple employer, cost-sharing defined benefit OPEB 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 Provided

Under the SET Plan, MainePERS 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.

Contributions

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. Employers and employees are not required to remit to the SET Plan.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note G - Postemployment Benefits Other than Pensions (OPEB) - Continued

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

At June 30, 2019, the School Department reported no net OPEB liability, as the State of Maine's non-employer contributing entity required participation level is 100%. At June 30, 2019, 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	\$	-
State of Maine's proportionate share of net OPEB liability		<u>6,582</u>
Total	\$	<u>6,582</u>

For the fiscal year ended June 30, 2019, the School Department recognized OPEB expense of \$635 and on-behalf payments of \$601.

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

OPEB Plan fiduciary net position

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued MainePERS financial statements, which can be found on the MainePERS website. The Plan's fiduciary net position has been determined on the same basis as used by the plan.

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note H - Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Budgetary Basis:

Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 171,423
---	------------

Sources/inflows of resources reconciling items:

Interest and investment income allocated to assigned balances not included in general fund operating budget	6,721
---	-------

Transfers from other funds are inflows of budgetary resources but are not transfers under generally accepted accounting principles	(25,000)
--	----------

Uses/outflows of resources reconciling items:

Expenditures allocated from assigned balances are not included in general fund operating budget	(18,116)
---	----------

Transfers to other funds are outflows of budgetary resources but are not expenditures under generally accepted accounting principles	<u>20,000</u>
--	---------------

Generally Accepted Accounting Principles Basis:

Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 155,028</u>
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Notes to Financial Statements - Continued

Town of Fayette, Maine

Note I - Assigned Fund Balances

At June 30, 2019, the assigned general fund balance for the Town consisted of the following:

Public Works:		
Salt Shed	\$	26,416
Highway Building Repair		20,558
Pole Barn Reserve		378
Highway Capital		28,697
Fire Department:		
Fire Capital		34,564
New Fire Station		8,732
Fire Department (<i>carry-forward</i>)		11,415
General Government:		
Starling Hall Building		5,835
Town Hall Building		25,358
Health Care Reserve		5,207
Comprehensive Plan (<i>carry-forward</i>)		23,511
Recreation and Culture:		
Library Reserve		19,072
School Department		
Muni Educational Capital Reserve		94,192
School (<i>carry-forward</i>)		<u>158,256</u>
	\$	<u>462,191</u>

Note J - Restricted Fund Balances

As of June 30, 2019, restricted fund balances consisted of the following:

	Other
	<u>Governmental</u>
School Categorical Programs	\$ 46
Keep Me Warm	9,924
Permanent Trust Funds	28,834
General Fund - School Dept. - Maranacook Ed. Foundation	351
General Fund - School Dept. - Library expenses	5,000
General Fund - Library Grant	54,838
General Fund - Water access improvements	<u>50,000</u>
	<u>\$ 148,993</u>

Notes to Financial Statements - Continued

Town of Fayette, Maine

Note K - 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 either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association (MMA). These pools, and the risks of loss to which the Town is exposed, are as follows:

MMA's workers' compensation fund retains \$400,000 of risk and purchases excess insurance for claims, which exceed \$400,000 up to a maximum coverage of \$200,000 per occurrence.

MMA's property and casualty risk pool retains \$100,000 of risk and purchases excess insurance for claims which exceed \$100,000 up to a maximum coverage \$1,000,000 for property and casualty coverage per occurrence, \$200,000,000 cumulative coverage for the entire pool, and \$250,000 for crime per entity per occurrence.

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2019.

Note L - Expenditures Over Appropriation

The following appropriation was exceeded by actual expenditures:

	<u>Excess</u>
Public Works	\$ 25,381

Note M - Subsequent Event

Subsequent to year end, the Town received a general obligation bond in the amount of \$100,000 for the construction on Starling Hall. The bond is payable over the next ten years in \$10,000 installments plus interest at rates varying from 1.61% to 1.93%.

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - School Department**

Town of Fayette, Maine

For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property taxes	\$ 1,993,516	\$ 1,993,516	\$ -
State subsidies	55,401	55,401	-
Maine PERS on-behalf payments	-	42,467	42,467
Miscellaneous	-	408	408
Total Revenues	<u>2,048,917</u>	<u>2,091,792</u>	<u>42,875</u>
Expenditures			
Current			
Regular instruction	1,198,444	1,161,952	36,492
Special education	257,405	220,476	36,929
Student and staff support	97,126	93,489	3,637
System administration	79,331	79,849	(518)
School administration	123,411	131,309	(7,898)
Transportation	125,148	116,186	8,962
Facilities maintenance	123,899	140,926	(17,027)
All other expenses	19,175	18,108	1,067
Maine PERS on-behalf payments	-	42,467	(42,467)
Debt service	24,978	24,957	21
Capital outlay	25,000	23,112	1,888
Total Expenditures	<u>2,073,917</u>	<u>2,052,831</u>	<u>21,086</u>
Revenues Over (Under) Expenditures	(25,000)	38,961	63,961
Other Financing Sources			
Operating transfers in	25,000	25,000	-
Total Other Financing Sources	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Revenues and Other Sources Over Expenditures and Other Uses	\$ -	63,961	\$ 63,961
Fund balance at beginning of year		<u>188,838</u>	
Fund Balance at End of Year		<u>\$ 252,799</u>	

See accompanying independent auditors' report.

**Combining Balance Sheet
Nonmajor Governmental Funds - Other Governmental Funds**

Town of Fayette, Maine

As of June 30, 2019

	<u>Permanent Funds</u>	<u>Special Revenues</u>	<u>Total Other Governmental Funds</u>
Assets			
Cash	\$ 34,684	\$ 46	\$ 34,730
Accounts receivable	-	33,754	33,754
Due from other funds	-	9,924	9,924
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 34,684	\$ 43,724	\$ 78,408
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ 5,850	\$ 33,754	\$ 39,604
Accounts payable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	5,850	33,754	39,604
Fund Balances			
Restricted	28,834	9,970	38,804
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	28,834	9,970	38,804
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ 34,684	\$ 43,724	\$ 78,408

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenditures and Changes
in Fund Balances - Special Revenue Funds**

Town of Fayette, Maine

For the Year Ended June 30, 2019

	Categorical Programs	Keep Me Warm	Total
Revenues			
Intergovernmental	\$ 65,753	\$ -	\$ 65,753
Miscellaneous	-	4,275	4,275
Total Revenues	<u>65,753</u>	<u>4,275</u>	<u>70,028</u>
Expenditures	<u>65,733</u>	<u>10,659</u>	<u>76,392</u>
Revenues Over (Under) Expenditures	20	(6,384)	(6,364)
Fund balances at beginning of year	<u>26</u>	<u>16,308</u>	<u>16,334</u>
Fund Balances at End of Year	<u>\$ 46</u>	<u>\$ 9,924</u>	<u>\$ 9,970</u>

See accompanying independent auditors' report.

**Schedule of Changes in Fund Balances
Special Revenue Funds - School Categorical Programs**

Town of Fayette, Maine

For the Year Ended June 30, 2019

	Balance 7/1/18	Revenues	Expenditures	Transfers In (Out)	Balance 6/30/19	
					Unassigned	Restricted
Title IA - Disadvantaged	\$ -	\$ 23,238	\$ 23,238	\$ -	\$ -	\$ -
REAP	-	6,251	6,251	-	-	-
Title IVA	-	4,375	4,375	-	-	-
Federal Grant Program	26	31,402	31,382	-	-	46
Special Educ - Pre School	-	487	487	-	-	-
	<u>\$ 26</u>	<u>\$ 65,753</u>	<u>\$ 65,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46</u>

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenses and Changes in Fund Balances
Permanent Funds - Trust Funds**

Town of Fayette, Maine

For the Year Ended June 30, 2019

	Cemetery	Worthy Poor	Conservation	Library	Total
Revenues					
Principal additions	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	107	14	14	10	145
Total Revenues	107	14	14	10	145
Expenses	-	-	-	-	-
Revenues Over Expenses	107	14	14	10	145
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	-	-
Revenues and Other Sources Over Expenses and Other Uses	107	14	14	10	145
Fund balances at beginning of year	19,703	3,296	3,364	2,326	28,689
Fund Balances at End of Year	<u>\$ 19,810</u>	<u>\$ 3,310</u>	<u>\$ 3,378</u>	<u>\$ 2,336</u>	<u>\$ 28,834</u>

See accompanying independent auditors' report.

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (1 of 2)
General Fund - Assigned Balances

Town of Fayette, Maine

For the Year Ended June 30, 2019

	Salt Shed	Fire Capital	Highway Capital	Starling Hall	Town Hall	Library Reserve
Revenues						
Miscellaneous	\$ -	\$ 4,600	\$ -	\$ -	\$ -	\$ -
Interest	110	309	503	139	135	132
Total Revenues	110	4,909	503	139	135	132
Expenditures						
	-	-	-	-	-	-
Revenues Over (Under) Expenditures	110	4,909	503	139	135	132
Other Changes in Fund Balance						
Appropriations in from Town Meeting	-	-	-	-	-	4,022
Appropriations out from Town Meeting	-	-	-	-	-	-
Total Other Changes	-	-	-	-	-	4,022
Revenues and Other Sources Over (Under) Expenditures and Other Changes	110	4,909	503	139	135	4,154
Fund balances at beginning of year	26,306	29,655	28,194	5,696	25,223	14,918
Fund Balances at End of Year	<u>\$ 26,416</u>	<u>\$ 34,564</u>	<u>\$ 28,697</u>	<u>\$ 5,835</u>	<u>\$ 25,358</u>	<u>\$ 19,072</u>

See accompanying independent auditors' report.

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (2 of 2)
General Fund - Assigned Balances

Town of Fayette, Maine

For the Year Ended June 30, 2019

	Library Relocation	New Fire Station	Highway Building Repair	Pole Barn Reserve	Educational Capital Reserve	Health Care Reserve	Total
Revenues							
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,600
Interest	16	36	86	2	653	-	2,121
Total Revenues	<u>16</u>	<u>36</u>	<u>86</u>	<u>2</u>	<u>653</u>	<u>-</u>	<u>6,721</u>
Expenditures							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,116</u>	<u>18,116</u>
Revenues Over (Under) Expenditures	16	36	86	2	653	(18,116)	(11,395)
Other Changes in Fund Balance							
Appropriations in from Town Meeting	-	-	-	-	-	20,000	24,022
Appropriations out from Town Meeting	(4,022)	-	-	-	(25,000)	-	(29,022)
Total Other Changes	<u>(4,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>20,000</u>	<u>(5,000)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Changes	(4,006)	36	86	2	(24,347)	1,884	(16,395)
Fund balances at beginning of year	<u>4,006</u>	<u>8,696</u>	<u>20,472</u>	<u>376</u>	<u>118,539</u>	<u>3,323</u>	<u>285,404</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 8,732</u>	<u>\$ 20,558</u>	<u>\$ 378</u>	<u>\$ 94,192</u>	<u>\$ 5,207</u>	<u>\$ 269,009</u>

See accompanying independent auditors' report.

Schedule of Valuation, Assessment and Collection of Taxes

Town of Fayette, Maine

For the Year Ended June 30, 2019

Valuation

Real estate	\$ 161,016,600
Personal property	<u>248,600</u>

Total Valuation	<u><u>\$ 161,265,200</u></u>
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Assessment

Valuation x Rate - \$161,265,200 x 0.018050	\$ 2,910,837
Supplemental taxes	<u>1,392</u>

Total Assessment Charged to Collector	\$ 2,912,229
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Collection and Credits

Abatements	1,920
Cash collections	<u>2,742,210</u>

Total Collection and Credits	<u>2,744,130</u>
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2019 Taxes Receivable - June 30, 2019	<u><u>\$ 168,099</u></u>
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See accompanying independent auditors' report.

**Independent Auditors' Report on Compliance with
Requirements of the Maine School Finance Act and on
Annual Financial Data Submitted to the NEO
Financial System**

**To the Board of Selectmen and
School Board
Town of Fayette
Fayette, Maine**

We have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Town of Fayette, Maine as of and for the year ended June 30, 2019, and we have issued our report thereon dated March 27, 2020, which contained an unmodified opinion on those financial statements.

As part of obtaining reasonable assurance about whether the Town of Fayette, Maine financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

In connection with that audit we:

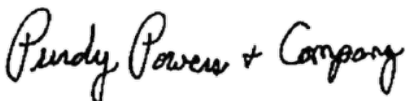
1. Considered whether the Town of Fayette, Maine School Department has complied with budget content requirements of section 15693.
2. Considered whether the Town of Fayette, Maine School Department has complied with transfer limitations between budget cost centers pursuant to section 1485.
3. Considered whether the Town of Fayette, Maine School Department has exceeded its authority to expend funds.
4. Considered whether the annual financial data submitted to the department reconciled to the audited financial statement totals (see attached Reconciliation of Annual Financial Data Submitted to the NEO Financial System to Audited Financial Statements).
5. Considered whether the Town of Fayette, Maine School Department was in compliance with applicable provisions of the Essential Programs and Services Funding Act.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under auditing standards generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Town of Fayette, Maine taken as a whole. The accompanying Reconciliation of Annual Financial Data Submitted to the NEO Financial System to Audited Financial Statements is presented for purposes of additional analysis as required by regulation of the Maine Department of Education and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements of the Town of Fayette, Maine taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of laws, regulations, contracts and grant agreements and to provide an opinion on the Reconciliation of Annual Financial Data Submitted to the NEO Financial System to Audited Financial Statements, but not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.


Professional Association

Portland, Maine
February 20, 2020

**Reconciliation of Annual Financial Data Submitted to NEO
Financial System to Audited Financial Statements**

Town of Fayette School Department

As of June 30, 2019

	General Fund				Special Revenue Funds	
	Total Budgeted Revenues	Total Actual Revenues	Total Budgeted Expenditures	Total Actual Expenditures	Total Actual Revenues	Total Actual Expenditures
Amounts Reported per NEO Financial System	\$ 2,073,917	\$ 2,049,325	\$ 2,073,917	\$ 2,007,611	\$ 14,913	\$ 110,349
Reconciling Items:						
Record Maine PERS on behalf payments	-	42,467	-	42,467	-	-
Reclassification between funds	-	-	-	11,660	-	(11,660)
Remove additional expenditures	-	-	-	(8,906)	-	-
Reverse revenues recorded in previous fiscal year	-	-	-	-	(14,269)	-
Additional grant revenues	-	-	-	-	129,446	-
Additional grant expenditures	-	-	-	-	-	31,382
Rounding	-	-	-	(1)	-	(1)
Amounts Reported per Audited Financial Statements	<u>\$ 2,073,917</u>	<u>\$ 2,091,792</u>	<u>\$ 2,073,917</u>	<u>\$ 2,052,831</u>	<u>\$ 130,090</u>	<u>\$ 130,070</u>

See accompanying independent auditors' report on reconciliation of annual report.

Schedule of the Town's Proportionate Share of the Net Pension Liability

Town of Fayette, Maine

Last ten fiscal years*

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Town's proportion of the net pension liability (asset)	0.0018%	0.0021%	0.0019%	0.0034%	0.0029%
Town's proportionate share of the net pension liability (asset)	\$ 24,465	\$ 30,140	\$ 34,061	\$ 45,688	\$ 31,438
State's proportionate share of the net pension liability (asset) associated with the Town	<u>466,941</u>	<u>482,213</u>	<u>488,594</u>	<u>369,184</u>	<u>299,176</u>
Total	<u>\$ 491,406</u>	<u>\$ 512,353</u>	<u>\$ 522,655</u>	<u>\$ 414,872</u>	<u>\$ 330,614</u>
Town's covered-employee payroll	<u>\$ 464,760</u>	<u>\$ 403,473</u>	<u>\$ 325,239</u>	<u>\$ 313,626</u>	<u>\$ 310,156</u>
Town's portortionate share of the net pension liability (asset) as a percentage of its covered employee payroll	5.264%	7.470%	10.473%	14.568%	10.136%
Plan fiduciary net position as a percentage of the total pension liability	82.900%	80.800%	76.200%	81.200%	84.040%

*The amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year. The first year of implementation was June 30, 2015. Therefore, only five years are shown.

See accompanying independent auditors' report.

Schedule of Town Contributions

Town of Fayette, Maine

Last ten fiscal years*

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution	\$ 20,251	\$ 17,079	\$ 14,375	\$ 14,801	\$ 13,610
Contributions in relation to the contractually required contribution	<u>20,251</u>	<u>17,079</u>	<u>14,375</u>	<u>14,801</u>	<u>13,610</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 464,760</u>	<u>\$ 403,473</u>	<u>\$ 325,239</u>	<u>\$ 313,626</u>	<u>\$ 310,156</u>
Contributions as a percentage of covered-employee payroll	4.357%	4.233%	4.420%	4.719%	4.388%

*The amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year. The first year of implementation was June 30, 2015. Therefore, only five years are shown.

See accompanying independent auditors' report.

Schedule of the Town's Proportionate Share of the MEPERS Plan Net OPEB Liability

Town of Fayette, Maine

Last ten fiscal years*

	<u>6/30/2019</u>	<u>6/30/2018</u>
Town's proportion of net OPEB liability	0.000000%	0.000000%
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State of Maine's proportionate share of the net pension liability	<u>6,582</u>	<u>6,257</u>
Total	<u>\$ 6,582</u>	<u>\$ 6,257</u>
Town's covered employee payroll	<u>\$ 464,760</u>	<u>\$ 403,473</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	48.04%	47.29%
Contractually required contributions	\$ -	\$ -
Contributions made in relation to contractually required amounts	<u>-</u>	<u>-</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered employee payroll	0.00%	0.00%

*The amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year. The first year of implementation was June 30, 2018. Therefore, only two years are shown.

See accompanying independent auditors' report.

Notes to the Required Supplemental Information

Town of Fayette, Maine

Notes to the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Contributions

The information presented in the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Contributions was determined as part of the actuarial valuation at the dates indicated.

The information presented relates solely to the Town of Fayette School Department and not to the System as a whole.

Notes to the Schedule of Changes in the Town's Proportionate Share of the MEPERS Plan Net OPEB Liability

There were no changes to benefit terms aside from changes in claims costs and contributions which will reflect market changes in healthcare costs during the year ended June 30, 2019.

Changes in assumptions for the year ended June 30, 2019 included a decrease in the discount rate from 6.875% to 6.75%.

See accompanying independent auditors' report.