

FELCH & COMPANY, LLC
Certified Public Accountants

TOWN OF FORT FAIRFIELD, MAINE
as of
JUNE 30, 2020

Financial Statements

TOWN OF FORT FAIRFIELD, MAINE

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FELCH & COMPANY, LLC

Certified Public Accountants

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Independent Auditors' Report

To the Town Council of the
Town of Fort Fairfield, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fort Fairfield, Maine as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fort Fairfield, Maine, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Town Council of the
Town of Fort Fairfield, Maine

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary information, public pension information and other post-employment benefits information on Pages I through IV and Schedules 1 through 7 and related notes, 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 Fort Fairfield, Maine's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of fund balance assigned for subsequent years' expenditures, schedule of revenues, expenditures and changes in fund balance for non-major governmental funds and the schedule of property taxes 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 schedule of fund balance assigned for subsequent years' expenditures, schedule of revenues, expenditures and changes in fund balance for non-major funds and the schedule of property taxes are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020, on our consideration of the Town of Fort Fairfield, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Fort Fairfield, Maine's internal control over financial reporting and compliance.

Felch & Company LLC

October 7, 2020

Town of Fort Fairfield, Maine
Management's Discussion and Analysis
For the Year Ending June 30, 2020

UNAUDITED

The following narrative is an overview of the Town of Fort Fairfield's financial performance designed to assist the reader in focusing on only the major financial issues. This discussion and analysis should be read together with the attached financial statements and related notes.

USING THIS ANNUAL REPORT

The basic financial statements are presented in two formats. Each of these formats presents information by a different measurement focus. The first of these formats is referred to as government-wide, which presents the Town as a whole and presents a longer-term view of the Town's finances. The second format uses fund accounting and the focus is on current resources that are available for current obligations.

Reporting the Town as a Whole

The government-wide statements are designed to present the Town as a whole similar to the way a business presents financial statements. The Statement of Net Position (Exhibit A) combines the assets and liabilities as presented in the governmental funds with the Town's capital assets and long-term obligations. In the Statement of Activities (Exhibit B) the focus is on both the gross and net cost of the various activities (or departments), which are funded by various general revenues including property taxes and state revenue sharing. Revenues are recognized when earned regardless of when they are collected and expenses are recognized when the liability becomes due. Since capital asset purchases are not considered an expense under this measurement focus, annual charges for depreciation are recognized to indicate the use of these assets over time.

Fund Financial Statements

In the preparation of these statements, fund accounting is used which is described more fully in the notes to the financial statements. The focus is on "major funds" which presents a separate column for only the most significant funds of the Town with the other funds being combined in one column. These statements (Exhibits C and D) present the Town's financial position and results of operations using a shorter-term view and show how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds report using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The Town as Trustee

The Town is the trustee for its employees' deferred compensation plan. The assets of the plan belong to the Town's employees and have been excluded from the financial statements described above. The financial position and activities of the deferred compensation plan are reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position as Exhibits G and H.

Town of Fort Fairfield, Maine
 Management's Discussion and Analysis
 For the Year Ending June 30, 2020

UNAUDITED

Table 1
Net Position
 (in thousands)

	<u>2020</u>	<u>2019</u>
Current and other assets	\$1,388	\$1,790
Capital assets	<u>6,337</u>	<u>5,836</u>
Total assets	<u>7,725</u>	<u>7,626</u>
Deferred outflows of resources	<u>47</u>	<u>30</u>
Other liabilities	528	430
Bonds, leases and notes payable	<u>1,916</u>	<u>600</u>
Total liabilities	<u>2,444</u>	<u>1,030</u>
Deferred inflows of resources	<u>79</u>	<u>62</u>
Net position:		
Net investment in capital assets	4,421	5,236
Restricted	100	103
Unrestricted	<u>728</u>	<u>1,225</u>
Total net position	<u>\$5,249</u>	<u>\$6,564</u>

Town of Fort Fairfield, Maine
 Management's Discussion and Analysis
 For the Year Ending June 30, 2020

UNAUDITED

Table 2		
Changes in Net Position (in thousands)		
	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for services	\$ 21	\$ 19
Operating grants	242	232
General revenues:		
Property taxes	3,504	3,931
Other taxes	625	649
Federal and state assistance	403	258
Other revenues	<u>315</u>	<u>448</u>
Total revenues	<u>5,110</u>	<u>5,537</u>
Program expenses		
General government	733	461
Police	489	398
Fire and Ambulance	480	167
Safety and sanitation	283	302
Public works	1,185	1,189
Recreation	178	154
Education	2,352	2,083
Other	<u>725</u>	<u>702</u>
Total expenses	<u>6,425</u>	<u>5,456</u>
Change in net position	<u>\$(1,315)</u>	<u>\$ 81</u>

ANALYSIS OF FINANCIAL POSITION AND SIGNIFICANT TRANSACTIONS

In reviewing this year's financial position, the Town of Fort Fairfield's net position decreased from \$6,564,169 to \$5,248,979.

For this fiscal year our budget surplus of \$67,749 (Schedule 1) will be utilized to offset decreased revenues from the State to help balance the budget for fiscal year 2020/2021 and rebuild our capital improvement accounts. This will enable us to continue to provide the services that citizens require and properly maintain our vehicles, equipment and properties.

Town of Fort Fairfield, Maine
Management's Discussion and Analysis
For the Year Ending June 30, 2020

UNAUDITED

CAPITAL ASSETS

Capital assets increased \$500,665 during the year. Additions of \$892,246 were offset by depreciation charges of \$391,581. Please refer to the notes to the financial statements for more information. The Town began the new Fort Fairfield Fire Rescue Department in December 2019.

LONG-TERM DEBT ACTIVITY

In connection with the addition of ambulance services, the Town had debt proceeds of \$1,138,000 and a long-term capital lease of \$363,460. During the year, the Town made debt payments totaling \$185,537 for a net increase of \$1,315,923. Refer to the notes to the financial statements for more detailed information.

GENERAL FUND BUDGETARY HIGHLIGHTS

Income for this fiscal year was \$5,466,887, which is \$187,447 under the budgeted amount. Total expenses were \$5,410,120, which were \$255,196 under budget resulting from savings in a number of our Departments. It is our goal to provide expected services while constantly working to minimize expenses regardless of budget authorization. The Department Heads worked extremely hard to reduce their overall costs in a constrained fiscal environment.

FINANCIAL CONTACT

The individual to be contacted regarding this report is the Town Manager of the Town of Fort Fairfield. Specific requests may be submitted to the Town Manager, Town of Fort Fairfield at 18 Community Center Drive, Fort Fairfield, Maine 04742.

TOWN OF FORT FAIRFIELD, MAINE

Exhibit A

Statement of Net Position

June 30, 2020

<u>ASSETS</u>	
CURRENT ASSETS	
Cash and temporary investments (Note 2)	\$ 945,983
Uncollected taxes, net of allowance for uncollectable taxes of \$461,844	313,970
Accounts receivable	60,079
Prepaid expense	32,125
	<u>1,352,157</u>
OTHER ASSETS	
Loans receivable (Note 3)	6,452
Expired tax lien property	29,367
	<u>35,819</u>
NONCURRENT ASSETS	
Capital assets (Note 4)	
Non-depreciable	89,079
Depreciable, net of accumulated depreciation	6,247,642
	<u>6,336,721</u>
Total assets	<u>7,724,697</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u> (Note 1)	<u>47,324</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts payable	69,928
Accrued expenses	68,003
Current portion, compensated absences	30,000
Current portion, capital lease payable	46,968
Current portion, bonds and notes payable	158,413
	<u>373,312</u>
NONCURRENT LIABILITIES	
Capital lease payable, net of current portion (Note 7)	259,336
Bonds and notes payable, net of current portion (Note 7)	1,451,206
Compensated absences, net of current portion	133,367
Net other post-employment benefits liability (Note 13)	124,205
Net pension liability (Note 8)	102,773
	<u>2,070,887</u>
Total liabilities	<u>2,444,199</u>
<u>DEFERRED INFLOWS OF RESOURCES</u> (Note 1)	<u>78,843</u>
<u>NET POSITION</u>	
Net investment in capital assets	4,420,798
Restricted for:	
Special revenue funds	100,163
Unrestricted	<u>728,018</u>
Total net position	<u>\$ 5,248,979</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

Exhibit B

Statement of Activities
For the Year Ended June 30, 2020

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Net (Cost)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General government	\$ 733,260	\$ 10,499	\$ -	\$ (722,761)
Library	110,098	108	5,915	(104,075)
Police Department	489,331	412	3,766	(485,153)
Community Center	68,627	-	-	(68,627)
Fire Department	479,588	-	-	(479,588)
Safety and sanitation	282,568	-	-	(282,568)
Public Works Department	1,185,031	-	210,188	(974,843)
Recreation	178,237	10,461	-	(167,776)
Education	2,351,994	-	-	(2,351,994)
Interest expense	41,446	-	-	(41,446)
Unallocated depreciation	29,079	-	-	(29,079)
Other	476,156	-	22,050	(454,106)
	<u>\$ 6,425,415</u>	<u>\$ 21,480</u>	<u>\$ 241,919</u>	<u>(6,162,016)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				3,221,573
Homestead reimbursement and other property tax related				281,999
Excise				624,873
Federal and state aid not restricted to specific purposes				402,713
Aroostook Waste Solutions distribution				117,567
Other licenses, permits and fees				27,024
Miscellaneous revenues				<u>171,077</u>
				<u>4,846,826</u>
CHANGE IN NET POSITION				(1,315,190)
NET POSITION - JULY 1, 2019				<u>6,564,169</u>
NET POSITION - JUNE 30, 2020				<u>\$ 5,248,979</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

Exhibit C

Balance Sheet
Governmental Funds
As of June 30, 2020

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and temporary investments (Note 2)	\$ 845,820	\$ 100,163	\$ 945,983
Uncollected taxes, net of allowance for uncollectable taxes of \$461,844	313,970	-	313,970
Accounts receivable	60,079	-	60,079
Loans receivable (Note 3)	6,452	-	6,452
Due from other funds (Note 12)	26,263	-	26,263
Expired tax lien property	<u>29,367</u>	<u>-</u>	<u>29,367</u>
 Total assets	 <u>\$ 1,281,951</u>	 <u>\$ 100,163</u>	 <u>\$ 1,382,114</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 69,928	\$ -	\$ 69,928
Accrued expenses	61,986	-	61,986
Due to other funds (Note 12)	<u>-</u>	<u>26,263</u>	<u>26,263</u>
	<u>131,914</u>	<u>26,263</u>	<u>158,177</u>
Deferred inflow of resources:			
Property taxes (Note 1)	<u>158,000</u>	<u>-</u>	<u>158,000</u>
Fund balances:			
Restricted			
Special revenue funds	-	100,163	100,163
Unrestricted			
Assigned for subsequent years' expenditures (Schedule 8)	796,997	-	796,997
Unassigned	<u>195,040</u>	<u>(26,263)</u>	<u>168,777</u>
Total fund balances	<u>992,037</u>	<u>73,900</u>	<u>1,065,937</u>
 Total liabilities and fund balances	 <u>\$ 1,281,951</u>	 <u>\$ 100,163</u>	 <u>\$ 1,382,114</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Non-major Funds (Schedule 9)</u>	<u>Total Governmental Funds</u>
REVENUES			
Local property taxes	\$ 3,276,620	\$ -	\$ 3,276,620
Property tax reimbursement from State	281,999	-	281,999
Abatements	(2,047)	-	(2,047)
Federal and state assistance	502,401	31,731	534,132
Excise taxes	624,873	-	624,873
Other licenses, permits and fees	27,024	-	27,024
Interest income	38,493	2,096	40,589
Other revenues	<u>269,535</u>	<u>-</u>	<u>269,535</u>
TOTAL REVENUES	<u>5,018,898</u>	<u>33,827</u>	<u>5,052,725</u>
EXPENDITURES			
General government	667,649	-	667,649
Library	106,433	-	106,433
Police Department	518,780	-	518,780
Community Center	207,389	-	207,389
Fire Department	912,754	-	912,754
Safety and sanitation	314,693	-	314,693
Public Works Department	1,008,305	-	1,008,305
Recreation	205,243	-	205,243
Education	2,351,994	-	2,351,994
Debt service - principal	185,537	-	185,537
- interest	39,499	-	39,499
Other	<u>439,598</u>	<u>36,558</u>	<u>476,156</u>
TOTAL EXPENDITURES	<u>6,957,874</u>	<u>36,558</u>	<u>6,994,432</u>
Excess of Revenues (Under) Expenditures	(1,938,976)	(2,731)	(1,941,707)
Other Financing Sources			
Proceeds from borrowing	<u>1,501,460</u>	<u>-</u>	<u>1,501,460</u>
Net (Decrease) In Fund Balance	(437,516)	(2,731)	(440,247)
Fund Balance - July 1, 2019	<u>1,429,553</u>	<u>76,631</u>	<u>1,506,184</u>
Fund Balance - June 30, 2020	<u>\$ 992,037</u>	<u>\$ 73,900</u>	<u>\$ 1,065,937</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

Exhibit E

Reconciliation of the Fund Balance in Governmental Funds
with the Statement of Net Position
June 30, 2020

Total fund balance - governmental funds (Exhibit C)		\$1,065,937
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:		
	The cost of capital assets is	\$ 11,404,834
	Accumulated depreciation is	<u>(5,068,113)</u>
		6,336,721
Deferred outflows in governmental activities are not financial resources and, therefore, are not reported in the funds:		
	Deferred outflows of resources	47,324
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:		
	Deferred revenue	158,000
Certain assets in governmental activities are not financial resources and, therefore, are not reported in the funds:		
	Prepaid expenses	32,125
Deferred inflows in governmental activities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
	Deferred inflow of resources	(78,843)
Certain liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
	Notes payable	(1,609,619)
	Capital lease payable	(306,304)
	Net pension liability	(102,773)
	Net OPEB liability	(124,205)
	Accrued interest payable	(6,017)
	Accrued compensated absences	<u>(163,367)</u>
		(2,312,285)
Total net position - governmental activities (Exhibit A)		<u>\$ 5,248,979</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance in Governmental Funds to Change in Net Position
For the Year Ended June 30, 2020

Total net change in fund balances - governmental funds (Exhibit D)	\$ (440,247)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital outlays netted with completed construction-in-process in the period:	
Capital outlays	\$ 909,246
Completed construction in process	(17,000)
Depreciation expense	<u>(391,581)</u>
	500,665
Expenses paid prior to the period due are accounted for under the non-allocated method and are, therefore, reported as expenditures in the current period in governmental funds. However, for district-wide activities, these amounts are recorded as prepaid expenses and are expensed when the item is consumed.	
	32,125
Compensation for accrued vacation and sick pay not yet paid is accumulated using the governmental activities fund to the extent that amounts would be paid to the employees upon retirement. These funds are not accumulated for the governmental activities fund.	
	(31,021)
Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:	
Decrease in deferred property tax revenue	(53,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	185,537
The principal amount of loan proceeds is reported as revenue in the governmental fund. This is reported on the Statement of Net Position as an increase in debt and does not appear on the Statement of Activities.	
	(1,501,460)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
(Increase) in accrued interest	(1,947)
(Increase) in deferred OPEB liability	(14,939)
Decrease in deferred pension liability	8,477
Change in deferred inflows/outflows of resources	<u>620</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ (1,315,190)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

Exhibit G

Statement of Fiduciary Net Position
June 30, 2020

	Employee Deferred <u>Comp Fund</u>
ASSETS	
Marketable securities	<u>\$ 1,440,245</u>
LIABILITIES	<u>-</u>
NET POSITION	
Undesignated	<u>\$ 1,440,245</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

Exhibit H

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	<u>Employee Deferred Comp Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 43,765
Employee	89,734
Unrealized gain	<u>32,651</u>
Total additions	<u>166,150</u>
DEDUCTIONS	
Fees	281
Distributions	<u>45,901</u>
	<u>46,182</u>
NET CHANGE IN NET POSITION	119,968
NET POSITION - JULY 1	<u>1,320,277</u>
NET POSITION - JUNE 30	<u>\$ 1,440,245</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Fort Fairfield, Maine operates under the Council/Manager form of government. The Council consists of 5 members elected by the voters with individual terms of three years.

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

Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town of Fort Fairfield classifies all of its activities as governmental activities.

In the government-wide Statement of Net Position the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets, restricted net position and unrestricted net position. The unrestricted net position includes those designated by the Town for subsequent year's expenditures and those that are undesignated.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (police, fire, public works, etc.). The functions are also supported by general government revenues (property and excise taxes, state revenue sharing, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or department. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by department are normally covered by general revenue (property and excise taxes, state revenue sharing, etc.). The government-wide focus is on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities. The Town does not allocate indirect costs. The effect of significant interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The emphasis in fund financial statements is on the major funds in the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB standards set forth minimum criteria based on the size of the funds for the determination of major funds. Town management may also designate additional funds as major funds. The nonmajor funds are combined in a column in the fund financial statements.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The following funds are reported as major by the Town:

Governmental Funds

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

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Town programs. The reporting focus is on net position and changes in net position and are reported using the accrual basis of accounting.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since these assets are held for the benefit of a third party and may not be used to fund activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted each year through passage of an annual budget ordinance and amended as required for the General Fund. In accordance with generally accepted accounting principles, these budgets use the same accounting basis to reflect actual revenues and expenditures. Budgetary control is exercised at the departmental level or by project. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used where purchase orders, contracts and other commitments for the expenditure of resources are recorded to ensure that that portion of fund balance is utilized for its intended purpose. In the general fund, for budgetary purposes, appropriations lapse at fiscal year-end except for that portion related to encumbered amounts. Encumbrances outstanding at year-end are reported as committed or assigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Basis of Accounting

The term "basis of accounting" refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements.

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

The 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, if any, is recognized when due.

Financial Statement Amounts

Cash and Temporary Investments

Available cash is deposited in interest-bearing accounts to as great a degree as possible. These residual investments are classified for reporting purposes as cash and temporary investments. Earnings from these investments are reported by the applicable funds. The Town's policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible. Deposits with a maturity of three months or less are included in cash and temporary investments for financial reporting purposes.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Amounts (Continued)

Marketable Securities

The marketable securities investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The asset's fair market value level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property Taxes

Taxes are levied as of April 1 and are used to finance the operations of the Town for the budget year beginning July 1. Taxes are committed for collection on October 1 and are due and payable on or before February 28. In accordance with Maine law, taxes not collected within eight months following the date of commitment are secured by liens. Property tax revenues are recognized when they become available. Availability includes those property tax receivables expected to be collected within sixty days after year-end. This policy is believed to be in conformity with the policy of other local governments in Maine.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at actual or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of 10 to 22 years for trucks and equipment, 20 to 50 years for buildings and improvements and 15 to 20 years for infrastructure. The Town has elected not to report infrastructure prior to June 30, 2003.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The Town currently reports only a pension-related item as deferred outflows of resources. In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then. The Town currently reports only a pension-related item as deferred inflows of resources in the statement of net position. The Town also reports deferred property taxes as deferred inflows on the fund balance sheet.

Accounts Payable, Accrued Expenses and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Amounts (Continued)

Compensated Absences

Town employees are entitled to certain compensated absences based on their length of employment and their department's individual contract negotiated with the Town. Administration and all other employees not under a departmental contract receive one to four weeks of vacation depending on length of employment and 96 hours of sick leave per year. Unused vacation and sick pay are accumulated at the employees' current rate of pay and is included as a liability in the government-wide financial statements.

Net Position

Net position represents the difference between assets and liabilities. Net position in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted Fund Balance

The Town of Fort Fairfield's restricted fund balance includes amounts that can only be used for specific purposes and includes grant funds and certain donations.

Unrestricted Committed Fund Balance

The Town of Fort Fairfield's Town Council has the authority to commit fund balance amounts for specific purposes. This includes the amounts reserved for subsequent years' expenditures. Town Council approval is also required to modify or rescind a commitment of fund balance.

Unrestricted Assigned Fund Balance

The Town of Fort Fairfield's assigned fund balance includes amounts the Town intends to use for specific purposes but is neither restricted nor committed. The Town Council has authority to assign fund balance.

Unrestricted Unassigned Fund Balance

The Town of Fort Fairfield's unassigned fund balance includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

When restricted and other fund balances resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

Use of 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.

(2) CASH AND TEMPORARY INVESTMENTS

Deposits with financial institutions are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may be lost. The Town's investment policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible.

As of June 30, 2020, the Town's deposits of \$1,039,989 were fully insured.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(3) LOANS RECEIVABLE

The Town operates various revolving loan funds for business development and housing rehabilitation purposes. The business development loans are receivable in monthly payments of principal and interest at rates ranging from 3% to 6.5% and mature at various dates. The housing rehabilitation loans are also receivable in monthly payments of principal and interest at rates ranging from 0% to 5% and mature at various dates through 2021.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2020</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 89,079	\$ -	\$ -	\$ 89,079
Construction-in-Process	<u>17,000</u>	<u>-</u>	<u>17,000</u>	<u>-</u>
Total nondepreciable	<u>106,079</u>	<u>-</u>	<u>17,000</u>	<u>89,079</u>
Other capital assets:				
Buildings	5,402,740	-	-	5,402,740
Land improvements	541,820	-	-	541,820
Equipment	1,388,072	441,868	19,200	1,810,740
Vehicles	930,568	467,378	5,800	1,392,146
Infrastructure	<u>2,168,309</u>	<u>-</u>	<u>-</u>	<u>2,168,309</u>
	<u>10,431,509</u>	<u>909,246</u>	<u>25,000</u>	<u>11,315,755</u>
Less accumulated depreciation for:				
Buildings	1,357,244	102,715	-	1,459,959
Land improvements	165,542	15,023	-	180,565
Equipment	1,110,013	43,828	19,200	1,134,641
Vehicles	471,278	67,653	5,800	533,131
Infrastructure	<u>1,597,455</u>	<u>162,362</u>	<u>-</u>	<u>1,759,817</u>
	<u>4,701,532</u>	<u>391,581</u>	<u>25,000</u>	<u>5,068,113</u>
Governmental activities capital assets, net	<u>\$ 5,836,056</u>	<u>\$517,665</u>	<u>\$17,000</u>	<u>\$ 6,336,721</u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

<u>Governmental Activities</u>	
General government	\$ 34,862
Library	3,665
Police Department	19,096
Fire and Ambulance Department	38,759
Public Works Department	236,726
Recreation	17,766
Community center	11,628
Unallocated depreciation	<u>29,079</u>
	<u>\$391,581</u>

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(5) SHORT-TERM DEBT

During the year, the Town issued two tax anticipation notes to assist with cash flow needs until property taxes could be collected. During July through November, a total of \$1,050,000 was borrowed and repaid in June 2020.

(6) COMMITMENTS AND CONTINGENCIES

The Town is liable for its proportionate share of any defaulted debt issued by entities of which it is a member. The overlapping bonded debt applicable to the Town as of June 30, 2020, consisted of the following:

<u>Entity</u>	<u>Share of Bonded Debt</u>
M.S.A.D. #20	\$1,350,950
Arroostook Waste Solutions	See Note 9

(7) LONG-TERM DEBT

As of June 30, 2020, long-term debt consisted of the following:

Variable rate bond payable in annual principal installments of \$50,000 through May 2027 with interest due semi-annually. Interest on the bond ranges from 1% to 6%.	\$ 350,000
Variable rate bond payable in annual principal installments of \$50,000 through May 2022 with interest due semi-annually. Interest on the bond ranges from .86% to 2.68%.	150,000
3.82% note payable in monthly installments of \$8,347 principal and interest through December 2034.	1,109,619
3.326% capital lease payable annual installments of \$55,156 principal and interest through June 2026.	<u>306,304</u>
	<u>\$1,915,923</u>

Long-term debt activity during the year ended June 30, 2020, was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Bonds Payable:					
Capital improvement bond	\$400,000	\$ -	\$ 50,000	\$ 350,000	\$ 50,000
Capital improvement bond	200,000	-	50,000	150,000	50,000
Note payable	-	1,138,000	28,381	1,109,619	58,413
Capital lease payable		363,460	57,156	306,304	46,968
Other Liabilities:					
Compensated absences	<u>132,346</u>	<u>34,065</u>	<u>3,044</u>	<u>163,367</u>	<u>30,000</u>
	<u>\$732,346</u>	<u>\$1,535,525</u>	<u>\$188,581</u>	<u>\$2,079,290</u>	<u>\$235,381</u>

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(7) LONG-TERM DEBT (Continued)

As of June 30, 2020, the capital improvement bonds and note payable mature as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 205,381	\$ 66,567
2022	209,214	59,622
2023	213,187	52,025
2024	167,306	44,960
2025	171,574	37,802
2026-2030	537,307	119,770
2031-2034	<u>411,954</u>	<u>37,075</u>
	<u>\$1,915,923</u>	<u>\$417,821</u>

(8) EMPLOYEES' RETIREMENT PLANS

MAINEPERS

Plan Description

The Town contributes to the Maine Public Employees Retirement System (MainePERS) which is a multiple-employer cost sharing defined benefit pension plan as a Participating Local District (PLD). Eligible employers (districts) are defined in Maine statute. As of June 30, 2019, there were 307 employers in the plan. As of June 30, 2019, the Town had 4 employees enrolled in the plan.

Pension Benefits

Benefit terms are established in Maine statute and an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The plan provides defined benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. For PLD members, normal retirement age is 60 (if the member participated in the plan on or before June 30, 2014) or 65 (for members added to the plan beginning July 1, 2014). Members are eligible for retirement after twenty-five years of service; or upon reaching normal retirement age of 60 or 65, whether or not they are in service, provided they are vested with 5 or 10 years of service, whichever applies to them; or upon reaching their normal retirement age of 60 or 65, provided they have been in service for at least one year immediately prior to retirement. The monthly benefit of members who retire before normal retirement age by having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below the normal retirement age at retirement. MainePERS also provides disability and death benefits which are established by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest (annual rate is currently 2.69%), credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights.

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule. The Town's participants contributed 8% of their wages to the plan for the fiscal year ended June 30, 2019. The Town's contribution rate is determined through actuarial valuations.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(8) EMPLOYEES' RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2020, the Town reported a liability of \$102,773 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 entities, actuarially determined. At June 30, 2019, the Town's proportion was .0336%, which was a decrease of .0070% from its proportion as measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$26,684. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$12,169	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	25,742
Changes of assumptions	5,205	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>436</u>	<u>15,718</u>
Total	<u>\$17,810</u>	<u>\$41,460</u>

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

<u>Year Ending June 30,</u>	<u>Amounts</u>
2020	\$ (282)
2021	(16,362)
2022	(6,990)
2023	(16)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	2.75% to 9.0% per year
Inflation rate	2.75%
Investment rate of return	6.75% per annum, compounded annually
Cost of living benefit increases	1.91%

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(8) EMPLOYEES' RETIREMENT PLANS (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females. For recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table for males and females was used.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table. Assets for each of the defined benefits plan are commingled for investment purposes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective pension liability was 6.75% for 2019 and 2018, 6.875% for 2017 and 2016, 7.125% for 2015 and 7.25% for 2014 and 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2019 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	Current Discount Rate	
1% Decrease		1% Increase
<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
\$234,111	\$102,773	\$(20,081)

All other employees are covered under the Social Security System.

MainePERS issues a publicly available financial report that includes financial statements and required supplementary information that may be obtained on the Internet at www.mainebers.org or at the MainePERS office in Augusta.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(8) EMPLOYEES' RETIREMENT PLANS (Continued)

Deferred Compensation Plan

The Town has established for its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salaries until future years. The deferred compensation amount is not available to the employees until termination, retirement or death.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, contribution rates depend on individual contracts and a portion of which is matched by the employer. Employees may elect to make member contributions.

Compensation deferred at June 30, 2020, amounts to \$1,440,245 and is included in the Town's Fiduciary Fund under marketable securities which are reported at fair market value.

The following table sets forth by level, within the fair value hierarchy, the fair value measurements at June 30, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Management	\$ 254,210	\$ 254,210	\$ -	\$ -
Corporate Bonds	51,094	51,094	-	-
Equities	<u>1,134,941</u>	<u>1,134,941</u>	<u>-</u>	<u>-</u>
	<u>\$1,440,245</u>	<u>\$1,440,245</u>	<u>\$-</u>	<u>\$-</u>

(9) JOINT VENTURE – AROOSTOOK WASTE SOLUTIONS

The Tri-Community Recycling and Sanitary Landfill was previously owned jointly by the Towns of Fort Fairfield and Limestone and the City of Caribou. The Board of Directors consisted of four members residing in the three communities. Effective January 1, 2019 the facility merged operations with the Presque Isle Landfill to form Aroostook Waste Solutions. This facility is owned jointly by the Towns of Fort Fairfield and Limestone plus the Cities of Caribou and Presque Isle. The Board of Directors consists of ten members residing in the four communities.

Financial statements for this joint venture were issued and reported on by us in a separate report dated April 8, 2020. These financial statements are available from the Town. A summary of the facility's activity for 2019 is as follows:

Total assets	\$21,961,376
Deferred outflows of resources	57,901
Total liabilities	18,613,362
Deferred inflows of resources	<u>73,070</u>
Total net position	<u>\$ 3,332,845</u>
Total revenue	\$ 3,842,451
Plus PILF net position	755,816
Less total expenditures	<u>3,752,475</u>
Increase in net position	<u>\$ 845,792</u>

The Town has guaranteed, together with the other member communities, three notes payable. As of December 31, 2019, the balance owed was \$7,839,483.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements

June 30, 2020

(9) JOINT VENTURE – AROOSTOOK WASTE SOLUTIONS (Continued)

The State of Maine Department of Environmental Protection requires the Landfill to place a final cover on its landfill once it is closed and perform certain maintenance and monitoring functions at the site for twenty years after closure. These estimated closure and post-closure care costs are being recognized in the financial statements referred to above at the rate of utilization of the landfill site. As of December 31, 2019, the estimated total cost of closure and post-closure care was approximately \$31,621,699 of which \$9,343,600 was recognized. The management of the landfill expects to use future earnings to cover the cost of closure and post-closure care. More information regarding the accounting for these costs is available in the 2019 financial statements of the Aroostook Waste Solutions.

(10) LEASE

During the year ended June 30, 2013, the Town completed construction of a health clinic and sold a 25% interest to Pines Health Services for a capital investment of \$212,000. The owners entered into a lease agreement with Pines Health Services to operate a health center in this facility. The term of the initial lease is for a period of ten years commencing on June 1, 2013. The tenant will pay no rent during the initial term, but is responsible for the operating costs of the facility.

(11) TAX INCREMENT FINANCING (TIF) DISTRICT

The Town has entered into a credit enhancement agreement under the Municipal Tax Increment Financing Rule of the Maine Department of Economic and Community Development (DECD). Under this Rule, municipalities may grant property tax abatements on the captured value of a business' designated property improvements for purposes of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town.

The Town has established a TIF District in the form of a Credit Enhancement Agreement for the Senior Citizen Complex. Under the terms of this agreement, the Town will reimburse the taxpayer 75% of the property taxes, in order to ensure that the rental income will be sufficient to meet the operating costs of this facility as a requirement from the Maine State Housing Authority for the Complex to receive funding. This agreement will expire in 2028 when the Northern New England Housing Investment Fund ownership will be deeded to the Fort Fairfield Residential Development Corporation. For the year ended June 30, 2020, the Town abated property taxes totaling \$25,714 in connection with this agreement.

(12) DUE (TO) FROM OTHER FUNDS

The balance of \$26,263 due to the general fund from other governmental funds resulted from deficits in capital project fund balances which were paid from the general fund until the monies from funding sources are received. These funds are not expected to be repaid to the general fund in the year ending June 30, 2021.

(13) OTHER POST-EMPLOYMENT BENEFIT (OPEB)

Plan Description – Group Life Insurance Plan

The Town participates in the Maine Public Employees Retirement System (MainePERS) Group Life Insurance Plan (Plan) which is a multiple-employer cost sharing plan as a Participating Local District (PLD). Eligible employers (districts) are defined in Maine statute. As of June 30, 2019, there were 149 employers in the plan. As of June 30, 2019, the Town had 1 active employee and 6 retirees enrolled in the plan with premium paid by the Town. Other employees that participate in the plan pay the premium personally.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(13) OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)

Benefits

The Plan provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan for a minimum of ten years prior to retirement. (The 10-year participation requirement does not apply to recipients of disability retirement benefits.)

The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Funding Policy

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. PLD employers are required to contribute a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment period.

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2019, using the following methods and assumptions, applied to all periods included in the measurement.

Actuarial Cost Method

Projections of benefits for financial reporting purposes are based on the provisions of the Plan in effect at the time of the valuation and the historical pattern of sharing of premium costs between the employer and Plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the funding methodologies.

Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Experience gains and losses (actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions) affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Amortization

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2019, there were 12 years remaining for the PLD Plan.

The actuarial assumptions used in the June 30, 2019 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 are as follows:

Salary increases	2.75% to 9.0% per year
Inflation rate	2.75%
Investment rate of return	6.75% per annum, compounded annually

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(13) OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)

Significant Actuarial Assumptions (Continued)

Assets of the Plan are pooled for investment purposes and are allocated based on the Plan's fiduciary net position. The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	70%	6.0%
Real Estate	5%	5.2%
Traditional Credit	15%	3.0%
U.S. Government Securities	10%	2.3%

Discount Rate

The discount rate used to measure the total OPEB liability for the PLD Plan was 4.98% which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.5%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2019. Projections of the Plan's fiduciary net position indicate that it is not expected to be sufficient to make projected benefit payments for current members beyond 2050. Therefore, the portion of future projected benefit payments after 2050 are discounted at the municipal bond index rate. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

The following table shows how the net OPEB liability as of June 30, 2019 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	Current	
1% Decrease	Discount Rate	1% Increase
<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
\$44,941	\$34,031	\$25,430

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

At June 30, 2020, the Town reported a liability of \$28,830 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the Plan relative to the projected contributions of all participating entities, actuarially determined. The Town's proportionate share of the collective OPEB expense is equal to the total OPEB expense multiplied by the employer's proportionate share percentage as of June 30, 2019.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(13) OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)

OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources
(Continued)

For the year ended June 30, 2020, the Town recognized OPEB expense of \$962. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$2,169	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,522
Changes of assumptions	2,833	4,446
Changes in proportion and differences between employer premiums and proportionate share of premiums	<u>2,991</u>	<u>4,537</u>
Total	<u>\$7,993</u>	<u>\$10,505</u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2020	\$(1,690)
2021	(1,690)
2022	(1,372)
2023	1,405
2024	835

MainePERS issues a publicly available financial report that includes financial statements and required supplementary information that may be obtained on the Internet at www.maineopers.org or at the MainePERS office in Augusta.

Plan Description – Maine Municipal Employees Health Trust

The Town participates in the Maine Municipal Employees Health Trust (MMEHT) in which retirees and spouses may participate in group health insurance through a single employer OPEB plan. The Town does not contribute directly towards the cost of the retiree premiums. The retiree must meet the minimum age of 55 with at least 5 years of service at retirement in order to be eligible. The retiree must enroll when first eligible and continue coverage without interruption thereafter.

Benefits

The non-Medicare retirees are offered the same plans that are available to the active employees. Medicare retirees are assumed to be enrolled in Medicare Parts A and B and the Retiree Group Companion Plan which includes prescription coverage. Medical benefits are provided for the life of the retiree and surviving spouses. Current retirees do not have access to dental benefits. Future new retirees who retire after December 31, 2016 will have access to purchase dental coverage at the Plan COBRA (Consolidated Omnibus Budget Reconciliation Act) rates.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(13) OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)

Funding Policy

The Plan is pay as you go and is not funded. The retiree and spouse contribute 100% of the monthly premium.

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2020, using the Entry Age Normal Actuarial Cost Method to value the plan's actuarial liabilities and to set the normal cost. The amortization method is a level dollar method using an open 30-year amortization period.

Discount Rate

The discount rate is based on a 20-year, tax-exempt general obligation bond index as of December 26, 2019 and is 2.74% per annum.

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

At June 30, 2020, the Town reported a liability of \$90,174 for its net MMEHT liability. The net OPEB liability was measured as of January 1, 2020, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2020, the Town recognized MMEHT expense of \$3,628. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ -	\$20,623
Changes of assumptions	21,521	6,255
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>-</u>
Total	<u>\$21,521</u>	<u>\$26,878</u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources will be recognized in OPEB expense as follows:

Year Ending <u>December 31,</u>	<u>Amounts</u>
2021	\$(1,385)
2022	(1,385)
2023	(1,385)
2024	(1,385)
2025	(1,389)
Thereafter	1,572

The following table shows how the net MMEHT OPEB liability as of January 31, 2020 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

1% Decrease	Current Discount Rate	1% Increase
<u>1.74%</u>	<u>2.74%</u>	<u>3.74%</u>
\$106,287	\$90,174	\$77,301

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements
June 30, 2020

(14) RISK MANAGEMENT

The Town is exposed to various risks of loss related to town officials, town council liability, torts, theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Town purchases insurance for all risks of loss. There have been no significant reductions in insurance coverage during the year.

(15) RISKS AND UNCERTAINTIES

The Town's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Town's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Town's revenue, absenteeism in the Town's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Town, including property, equipment, and investments.

(16) SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 7, 2020, the date that these financial statements were available to be issued and determined that no additional adjustments or disclosures are required in order for these financial statements to be fairly stated.

TOWN OF FORT FAIRFIELD, MAINE

Schedule 1

Budgetary Comparison
General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
RESOURCES (INFLOWS):				
Property taxes	\$ 3,869,659	\$ 3,869,659	\$ 3,937,290	\$ 67,631
Federal and state assistance	530,768	530,768	502,401	(28,367)
Excise taxes	626,650	626,650	624,873	(1,777)
Licenses, permits and fees	20,971	20,971	27,024	6,053
Interest income	51,111	51,111	38,493	(12,618)
Other	492,175	492,175	273,806	(218,369)
Transfer from surplus	63,000	63,000	63,000	-
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>5,654,334</u>	<u>5,654,334</u>	<u>5,466,887</u>	<u>(187,447)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	516,352	516,352	490,842	25,510
Library	120,169	120,169	95,919	24,250
Police department	465,699	465,699	465,047	652
Community center	113,550	113,550	103,849	9,701
Fire Department	160,058	160,058	110,424	49,634
Safety and sanitation	288,500	288,500	308,375	(19,875)
Public works Department	1,064,088	1,064,088	983,697	80,391
Recreation	144,532	144,532	143,214	1,318
Education	2,351,994	2,351,994	2,351,994	-
Other	440,374	440,374	356,759	83,615
TOTAL CHARGES TO APPROPRIATIONS	<u>5,665,316</u>	<u>5,665,316</u>	<u>5,410,120</u>	<u>255,196</u>
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ (10,982)</u>	<u>\$ (10,982)</u>	56,767	<u>\$ 67,749</u>
OTHER SOURCES (USES)				
Proceeds from borrowing			1,138,000	
Provision for uncollectible taxes			(460,000)	
Emergency Medical Services expenditures			(482,067)	
Recognition of liability for compensated absences			(31,021)	
NET INCREASE IN FUND BALANCE			221,679	
BUDGETARY FUND BALANCE - JULY 1, 2019			222,823	
Less transfer from surplus			(63,000)	
Less net expenditures recorded directly to surplus			(144,229)	
BUDGETARY FUND BALANCE - JUNE 30, 2020			<u>\$ 237,273</u>	

TOWN OF FORT FAIRFIELD, MAINE

Schedule 2

Reconciliation of Budgetary Comparison to
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

RECONCILIATION OF FUND BALANCE

Fund balance - budgetary basis (Schedule 1)	\$ 237,273
Adjustments to reconcile to undesignated fund balance on a modified accrual basis (Exhibit C):	
Accounts receivable at June 30, 2020	60,079
Accrued expenses at June 30, 2020	(107,679)
Compensated absence liability not recognized on a modified accrual basis	163,367
Deferred revenue at June 30, 2020	<u>(158,000)</u>
Unassigned fund balance on a GAAP basis, June 30, 2020 (Exhibit C)	195,040
Assigned fund balance (Exhibit C)	<u>796,997</u>
Total fund balance - general fund (Exhibit D)	<u>\$ 992,037</u>

RECONCILIATION OF RESOURCES OVER CHARGES

Net increase in fund balance (Schedule 1)	\$ 221,679
Adjustments to reconcile budgetary basis accounting to modified accrual:	
Deduct transfer from surplus recorded as income on a budgetary basis	(63,000)
Increase in accounts receivable	3,925
Expenditures charged directly to surplus	(144,229)
(Increase) in accrued expenses not recognized on a budgetary basis	(23,247)
Decrease in deferred revenue	53,000
Activity in Reserves for Capital Outlays not included in budget:	
Income credited directly to reserves	85,484
Transfer from reserves recorded as reduction to outflows in budget	(162,869)
Expenditures charged directly to reserves	<u>(408,259)</u>
Total net change in fund balance - governmental funds (Exhibit D)	<u>\$ (437,516)</u>

TOWN OF FORT FAIRFIELD, MAINE

Schedule 3

Schedule of the Town's Proportionate Share of the Net Pension Liability
For the Last Seven Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability	0.033623%	0.040651%	0.040264%	0.041786%	0.039450%	0.032977%	0.036880%
Town's proportionate share of the net pension liability	\$ 102,773	\$ 111,250	\$ 164,852	\$ 222,022	\$ 125,867	\$ 50,754	\$ 113,686
Town's covered-employee payroll	209,626	238,853	217,583	220,363	206,783	175,899	205,061
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.03%	46.58%	75.77%	100.75%	60.87%	28.85%	55.44%
Plan fiduciary net position as a percentage of the total pension liability	90.60%	91.10%	86.40%	81.60%	88.30%	94.10%	87.50%

TOWN OF FORT FAIRFIELD, MAINE

Schedule 4

Schedule of the Town's Contributions - Pension
For the Last Seven Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 19,915	\$ 22,691	\$ 20,670	\$ 19,608	\$ 16,129	\$ 11,433	\$ 10,868
Contributions in relation to the contractually required contribution	<u>19,915</u>	<u>22,691</u>	<u>20,670</u>	<u>19,608</u>	<u>15,746</u>	<u>11,349</u>	<u>11,038</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>383</u>	\$ <u>84</u>	\$ <u>(170)</u>
Town's covered-employee payroll	\$ 209,626	\$ 238,853	\$ 217,583	\$ 220,363	\$ 206,783	\$ 175,899	\$ 205,061
Contributions as a percentage of covered-employee payroll	9.50%	9.50%	9.50%	8.90%	7.61%	6.45%	5.38%

TOWN OF FORT FAIRFIELD, MAINE

Notes to Schedules 3 and 4
June 30, 2020

NOTE 1 – VALUATION DATE

Only fiscal years 2019 through 2013 are reported. The amounts presented have a measurement date as of June 30, 2019. The Town will continue to present information until a full ten-year trend is compiled.

NOTE 2 – BENEFIT CHANGES

There were no benefit changes for Town employees in the employees' retirement plan.

NOTE 3 – CHANGE IN ASSUMPTIONS

There were no changes in assumptions.

NOTE 4 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	For the actuarial value as of June 30, 2019, 2018, 2017, 2016 and 2015, level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year For the actuarial value as of June 30, 2014 and 2013, the net pension liability was amortized on an open basis over a period of 15 years
Asset valuation method	One-third of the investment return that is different from the actuarial assumption for investment return
Investment rate of return	6.75% compounded annually for 2019 and 2018 6.875% compounded annually for 2017 and 2016 7.125% compounded annually for 2015 7.25% compounded annually for 2014 and 2016
Retirement age	60 or 65, depending on years of creditable service at certain dates
Mortality	RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females for 2018, 2017 and 2016 RP2000 Tables projected to 2015 using Scale AA, with ages set back two years for 2015, 2014 and 2013

TOWN OF FORT FAIRFIELD, MAINE

Schedule 5

Schedule of the Town's Proportionate Share of the Net
Other Post-Employment Benefits (OPEB) Liability - Life Insurance
For the Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Town's proportion of the net OPEB liability	0.159042%	0.142714%	0.150849%
Town's proportionate share of the net OPEB liability	\$ 34,031	\$ 28,830	\$ 25,224
Town's covered-employee payroll	78,758	80,256	69,809
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	43.21%	35.92%	36.13%
Plan fiduciary net position as a percentage of the total OPEB liability	43.18%	43.92%	47.42%

TOWN OF FORT FAIRFIELD, MAINE

Schedule 6

Schedule of the Town's Contributions - Life Insurance
For the Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,082	\$ 948	\$ 810
Contributions in relation to the contractually required contribution	<u>1,082</u>	<u>948</u>	<u>810</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 78,758	\$ 80,256	\$ 69,809
Contributions as a percentage of covered-employee payroll	1.37%	1.18%	1.16%

TOWN OF FORT FAIRFIELD, MAINE

Notes to Schedules 5 and 6
June 30, 2020

NOTE 1 – VALUATION DATE

Only fiscal years 2019 through 2017 are reported. The amounts presented have a measurement date as of June 30, 2019. The Town will continue to present information until a full ten-year trend is compiled.

NOTE 2 – FORM OF BENEFIT PAYMENT

The benefit payment is a lump sum.

NOTE 3 – PARTICIPATION RATE FOR FUTURE RETIREES

There were no changes in assumptions.

NOTE 4 – MORTALITY RATES

For active members and non-disabled retirees of the Plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used. These tables are adjusted by percentages ranging from 104% to 120% based on actuarially determined demographic differences.

NOTE 5 – CONVERSION CHARGES

Conversion charges apply to the cost of active group life insurance, not retiree group life insurance.

NOTE 6 – CHANGE IN ASSUMPTIONS

The change in discount rate from 6.875% to 6.75% was the only change in assumptions for the 2018 valuation.

NOTE 7 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2019, there were 11 years remaining
Asset valuation method	Investments are reported at fair value
Investment rate of return	6.75% compounded annually for 2019 and 2018 6.875% compounded annually for 2017
Inflation rate	2.75%

TOWN OF FORT FAIRFIELD, MAINE

Schedule 7

Schedule of Change in Net Other Post-Employment Benefits (OPEB) Liability -
Maine Municipal Employees Health Trust
For the Last Three Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 3,392	\$ 3,948	\$ 4,768
Interest	3,374	3,003	3,506
Changes of benefits	(1,753)	-	-
Differences between expected and actual experience	(12,215)	-	(15,624)
Changes of assumptions	20,053	(8,341)	5,916
Benefit payments	(3,113)	(2,993)	(3,444)
Administrative expense	-	-	-
Net change in total OPEB liability	9,738	(4,383)	(4,878)
Total OPEB liability - beginning	<u>80,436</u>	<u>84,819</u>	<u>89,697</u>
Total OPEB liability - ending (a)	<u>\$ 90,174</u>	<u>\$ 80,436</u>	<u>\$ 84,819</u>
Plan fiduciary net position			
Contributions - employer	\$ 3,113	\$ 2,993	\$ 3,444
Benefit payments	<u>(3,113)</u>	<u>(2,993)</u>	<u>(3,444)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's net OPEB liability - ending (a) - (b)	<u>\$ 90,174</u>	<u>\$ 80,436</u>	<u>\$ 84,819</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered employee payroll	\$ 811,403	\$ 546,079	\$ 546,079
Net OPEB liability as a percentage of covered employee payroll	11.1%	14.7%	15.5%

TOWN OF FORT FAIRFIELD, MAINE

Notes to Schedule 7
June 30, 2020

NOTE 1 – VALUATION DATE

Only fiscal years 2020 through 2018 are reported. The amounts presented have a measurement date as of January 1, 2020. The Town will continue to present information until a full ten-year trend is compiled.

NOTE 2 – BENEFIT CHANGES

There were no benefit changes for Town employees in the retirees' health trust plan.

NOTE 3 – CHANGE IN ASSUMPTIONS

The change in discount rate from 3.44% to 4.10% was the only change in assumptions for the 2020 valuation.

NOTE 4 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Investment rate of return	2.74% compounded annually for 2020 4.10% compounded annually for 2019 4.44% compounded annually for 2018
Salary increase rate	2.75%
Mortality	Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females

TOWN OF FORT FAIRFIELD, MAINE

Schedule 8

Fund Balance Assigned for Subsequent Years' Expenditures
For the Year Ended June 30, 2020

	Balances <u>July 1</u>	Appropri- <u>ations</u>	<u>Transfers</u>	<u>Other</u>	Total <u>Available</u>	Expendi- <u>tures</u>	Balances <u>June 30</u>
Administration reserve	\$ 280,225	\$ -	\$ -	\$ 862	\$ 281,087	\$ 194,685	\$ 86,402
Fire Department reserves	131,015	-	-	517	131,532	30,836	100,696
Industrial park reserve	80,765	-	-	-	80,765	-	80,765
Library reserve	6,050	-	-	-	6,050	-	6,050
Parks and recreation reserves	46,215	-	(6,113)	10,461	50,563	21,469	29,094
Police Department reserves	45,678	-	-	1,988	47,666	47,180	486
Public works reserves	308,874	-	-	11,576	320,450	71,313	249,137
Community center reserves	16,372	-	-	-	16,372	13,609	2,763
Re-evaluation reserve	116,508	-	-	-	116,508	101,904	14,604
Mama Bear	941	-	-	105	1,046	841	205
Fort Fairfield rail line	5,055	-	-	911	5,966	-	5,966
Community bandstand	163	-	-	-	163	-	163
Community clock	508	-	-	-	508	-	508
Tough Tater/Tots	-	-	-	730	730	465	265
Sesquicentennial	-	-	-	60	60	60	-
Meadows Development TIF	-	-	-	25,714	25,714	25,714	-
Stray animals	4,424	-	-	1,796	6,220	2,372	3,848
Riverside Park	4,856	-	-	175	5,031	660	4,371
Giggey's Boat Landing Dock	1,799	-	-	-	1,799	-	1,799
Maine Potato Blossom Festival	(101,193)	-	-	-	(101,193)	-	(101,193)
Festival reserve	50,545	-	-	29,689	80,234	53,557	26,677
Spec Building	349	-	-	-	349	-	349
Revolving loan funds	283,492	-	-	900	284,392	350	284,042
	<u>\$ 1,282,641</u>	<u>\$ -</u>	<u>\$ (6,113)</u>	<u>\$ 85,484</u>	<u>\$ 1,362,012</u>	<u>\$ 565,015</u>	<u>\$ 796,997</u>

TOWN OF FORT FAIRFIELD, MAINE

Schedule 9

Schedule of Revenues, Expenditures and Changes in Fund Balance
For Non-Major Funds
For the Year Ended June 30, 2020

	<u>Special Revenue</u>						
	<u>Cemetery</u>	<u>Library</u>	<u>Police Department Grants</u>	<u>Library</u>	<u>Other Grants</u>	<u>Capital Projects</u>	<u>Total Non-major Funds</u>
REVENUES							
Federal and state assistance	\$ -	\$ -	\$ 3,766	\$ 5,915	\$ 22,050	\$ -	\$ 31,731
Interest income	<u>37</u>	<u>2,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,096</u>
Total Revenues	<u>37</u>	<u>2,059</u>	<u>3,766</u>	<u>5,915</u>	<u>22,050</u>	<u>-</u>	<u>33,827</u>
EXPENDITURES							
Administration and other	<u>-</u>	<u>5,310</u>	<u>3,059</u>	<u>5,927</u>	<u>22,145</u>	<u>117</u>	<u>36,558</u>
NET INCREASE (DECREASE) IN FUND BALANCE							
	37	(3,251)	707	(12)	(95)	(117)	(2,731)
FUND BALANCE (DEFICIT) - JULY 1							
	<u>2,296</u>	<u>84,996</u>	<u>12,515</u>	<u>2,970</u>	<u>-</u>	<u>(26,146)</u>	<u>76,631</u>
FUND BALANCE - JUNE 30							
	<u>\$ 2,333</u>	<u>\$ 81,745</u>	<u>\$ 13,222</u>	<u>\$ 2,958</u>	<u>\$ (95)</u>	<u>\$ (26,263)</u>	<u>\$ 73,900</u>

TOWN OF FORT FAIRFIELD, MAINE

Schedule 10

Schedule of Property Taxes - General Fund
For the Year Ended June 30, 2020

	<u>Total</u>	<u>2020/2021 Taxes</u>	<u>2019/2020 Taxes</u>	<u>2018/2019 Taxes</u>	<u>Prior Taxes and Liens</u>
UNCOLLECTED AT JULY 1	\$ 348,236	\$ -	\$ (14,525)	\$ 310,914	\$ 51,847
2019 COMMITMENT (\$147,227,010 @ .02502)	<u>3,683,620</u>	<u>-</u>	<u>3,683,620</u>	<u>-</u>	<u>-</u>
COLLECTIONS	3,245,087	21,992	2,930,209	247,489	45,397
TAX-ACQUIRED PROPERTY	8,908	-	-	4,352	4,556
ABATEMENTS	<u>2,047</u>	<u>-</u>	<u>2,047</u>	<u>-</u>	<u>-</u>
	<u>3,256,042</u>	<u>21,992</u>	<u>2,932,256</u>	<u>251,841</u>	<u>49,953</u>
UNCOLLECTED AT JUNE 30	\$ <u>775,814</u>	\$ <u>(21,992)</u>	\$ <u>736,839</u>	\$ <u>59,073</u>	\$ <u>1,894</u>
REPRESENTED BY					
Real Estate Taxes	\$ 457,134	\$ (21,927)	\$ 418,094	\$ 59,073	\$ 1,894
Personal Property Taxes	<u>318,680</u>	<u>(65)</u>	<u>318,745</u>	<u>-</u>	<u>-</u>
	\$ <u>775,814</u>	\$ <u>(21,992)</u>	\$ <u>736,839</u>	\$ <u>59,073</u>	\$ <u>1,894</u>

FELCH & COMPANY, LLC

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Town Council of the
Town of Fort Fairfield, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fort Fairfield, Maine as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Fort Fairfield, Maine's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fort Fairfield, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fort Fairfield, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fort Fairfield, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Town Council of the
Town of Fort Fairfield, Maine

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Felch & Company LLC

October 7, 2020