

TOWN OF EAGLE LAKE, MAINE

FINANCIAL STATEMENTS

JUNE 30, 2018

Chester M. Kearney, Certified Public Accountants

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To the Board of Selectmen of
Town of Eagle Lake, Maine

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business – type activities, each major fund and the aggregate remaining fund information of the Town of Eagle Lake, Maine, as of and for the year ended June 30, 2018, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Eagle Lake, Maine, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 and the Schedule of Changes in Net OPEB Liability and Related Ratios on Page 31 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 regarding 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 Eagle Lake's basic financial statements. The accompanying supplementary information on pages 32 through 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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 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 financial statements or to the financial statements themselves, and other 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 basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of the Town of Eagle Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Chester M. Kearney

Presque Isle, Maine
September 24, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Eagle Lake, 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, 2018. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

Financial Highlights

- The assets of Eagle Lake exceeded its liabilities at the close of the most recent fiscal year by \$3,853,845 (net position). Of this amount, \$723,498 (unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors.
- The opening net position was restated due to the implementation of GASB #75. As a result the balance has been reduced by \$7,914.
- The government's total net position decreased by \$114,378 in the year ended June 30, 2018.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$883,062 an increase of \$195,647 in comparison with the prior year. The increase is attributable to revenues exceeding budget and expenses being under budget. Approximately 45% of this total amount, \$404,395, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$404,395 or 22.2% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Eagle Lake's basic financial statements. The Town's basic financial statements are comprised of 3 components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, protection, highways, general assistance, sanitation, cemetery, properties, recreation, county tax assessment and education. The Town does not have any business-type activities.

TOWN OF EAGLE LAKE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Eagle Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into 3 categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental-fund balance sheet and the governmental-fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three (3) individual governmental funds. Information is presented separately in the governmental-fund balance sheet and in the governmental-fund statement of revenues, expenditures, and changes in fund balances for the general fund and micro loan fund which are considered to be a major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental-fund financial statements can be found on pages 12 and 14 of this report.

Proprietary funds. The Town does not maintain proprietary funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The town does not currently maintain fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 to 30 of this report.

Other information. This report also includes various supplemental schedules to provide additional detail for the various items reported. These supplemental schedules can be found on pages 31 to 34 of this report.

TOWN OF EAGLE LAKE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$3,853,845 at the close of the most recent fiscal year.

A large portion of the Town's net position (76%) reflects its investment in capital assets (e.g., land, buildings, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, if any, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF EAGLE LAKE, Net position (in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30, 2018	June 30, 2017 (Restated)	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017 (Restated)
Current and other assets	897	720			897	720
Long-term receivables	55	59			55	59
Capital assets	<u>4,245</u>	<u>4,476</u>			<u>4,245</u>	<u>4,476</u>
Total assets	<u>5,197</u>	<u>5,255</u>			<u>5,197</u>	<u>5,255</u>
Deferred Outflows of resources – OPEB	<u>0</u>	<u>0</u>			<u>0</u>	<u>0</u>
Current liabilities	156	132			156	132
Long-term liabilities	<u>1,187</u>	<u>1,155</u>			<u>1,187</u>	<u>1,155</u>
Total liabilities	<u>1,343</u>	<u>1,287</u>			<u>1,343</u>	<u>1,287</u>
Deferred Inflows of resources – OPEB	<u>0</u>	<u>0</u>			<u>0</u>	<u>0</u>
Net position:						
Invested in capital assets						
Net of related debt	2,938	3,214			2,938	3,214
Restricted	192	186			192	186
Unrestricted	<u>724</u>	<u>568</u>			<u>724</u>	<u>568</u>
Total net position	<u>3,854</u>	<u>3,968</u>			<u>3,854</u>	<u>3,968</u>

All required accounting standards required by GASB, including GASB #75 have been fully adopted for the current fiscal year ended June 30, 2018.

Unrestricted net position (\$723,498) may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in net position.

During the current fiscal year, the government's net position decreased by \$114,378.

TOWN OF EAGLE LAKE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities. Governmental activities decreased the Town's net position by \$114,378. Key elements of this decrease are as follows:

<u>TOWN OF EAGLE LAKE</u>					
<u>CHANGES IN NET POSITION (in thousands)</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2018</u>
Revenues					
Program revenues:					
Charges for services	103	96			103
Operating grants and Contributions	29	29			29
Capital grants and contributions					
General revenues:					
Property taxes	1,390	1,323			1,390
Excise taxes	177	165			177
Federal and state assistance	115	99			115
Other	<u>89</u>	<u>111</u>			<u>89</u>
Total revenues	<u>1,903</u>	<u>1,823</u>			<u>1,903</u>
Expenses:					
Education	854	819			854
General government	245	215			245
Public works	344	346			344
Public safety	193	179			193
Health and sanitation	76	73			76
Debt service interest	53	54			53
Other	<u>252</u>	<u>219</u>			<u>252</u>
Total expenses	<u>2,017</u>	<u>1,905</u>			<u>2,017</u>
Change in net position	<u>(114)</u>	<u>(82)</u>			<u>(114)</u>

TOWN OF EAGLE LAKE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the Town of Eagle Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town'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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$883,062, an increase of \$195,647 in comparison with the prior year. 45% of this total amount \$404,395 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is committed to indicate that it is not available for new spending.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$404,395, while total fund balance reached \$690,611. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.2% of total general fund expenditures, while total fund balance represents 37.8% of that same amount.

The fund balance of the Town's general fund increased by \$189,535 during the current fiscal year. Key factors in this increase are as follows:

- Actual revenues were more than anticipated revenues by \$109,746, consisting mostly of overlay on taxes, excise tax and uncollected property taxes from prior years that were available for use in the current year.
- Actual expenditures were less than anticipated expenditures by \$119,789.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$4,245,234, (net of accumulated depreciation). This investment in capital assets includes land, building systems and infrastructure. Total fixed assets were reduced by depreciation expense of \$296,908 and increased by infrastructure improvements totaling \$66,564.

Long-term debt. Long-term debt decreased by principal payments of \$104,443 and increased by \$160,000 due to 2 new loans to finance infrastructure improvements. As of June 30, 2018 \$92,223 remained unspent.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7.5% of its total state valuation of the Town. The current debt limitation for Eagle Lake is \$6,068,794 which is significantly in excess of the Town's outstanding general obligation debt.

TOWN OF EAGLE LAKE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Aroostook County is currently 4.7%, which is a decrease from a rate of 4.9% a year ago. The County's rate is comparable to the national rate of 3.9% and the state rate 2.9%.
- Inflationary trends in the region compare favorably to national indices.
- Pond Brook Estates continues to be an issue for the Town as vacancy has increased during the year. The Town is currently marketing the project and hopes to find a buyer. The Town expects that the project will need to be sold at a price less than the debt owed against it to give any buyer incentive to purchase the project. If the project is sold for less than the debt owed against it the Town will need to pay the difference to the Maine Municipal Bond Bank at the time of closing in order to release the title to the purchaser. Funds to do this could potentially come from cash on hand or borrowed funds. At this time a sale is not imminent.

All of these factors were considered in preparing the Town's budget for the 2018/19 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Eagle Lake, Maine's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, 36 Devoe Brook Road, Eagle Lake, Maine 04739, 207-444-5511.

BASIC FINANCIAL STATEMENTS

TOWN OF EAGLE LAKE
STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and equivalents	834,375
Uncollected taxes	51,129
Accounts receivable	100
Current portion of long-term notes	<u>11,500</u>
	<u>897,104</u>
Non-current assets	
Notes receivable due in more than one year, net of reserve for bad debt	55,133
Capital assets net of accumulated depreciation	<u>4,245,234</u>
	<u>4,300,367</u>
TOTAL ASSETS	<u>5,197,471</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	<u>85</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	27,175
Current portion of long-term liabilities	<u>129,435</u>
	<u>156,610</u>
Long-term liabilities, net of current portion	
Notes payable	<u>1,177,903</u>
	<u>1,177,903</u>
OPEB Liability	<u>8,898</u>
TOTAL LIABILITIES	<u>1,343,411</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	<u>300</u>
NET POSITION	
Invested in capital assets, net of related debt	2,937,896
Restricted	192,451
Unrestricted	<u>723,498</u>
TOTAL NET POSITION	<u>3,853,845</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	Program Revenues				Net (expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	245,349				(245,349)
Public safety	193,333	27,285			(166,048)
Public works	343,743		13,520		(330,223)
Health and Sanitation	76,028				(76,028)
Leisure services	29,414	8,371	15,285		(5,758)
Social Services	5,848				(5,848)
Education	853,919				(853,919)
County tax	101,318				(101,318)
Capital outlays	24,343				(24,343)
SAD 27 withdrawal	24,776				(24,776)
Interest on long-term debt	53,158				(53,158)
Pond Brook Estates	63,573	66,971			3,398
Micro-loan legal	828				(828)
OPRB expenses	1,199				(1,199)
Total governmental activities	2,016,829	102,627	28,805		(1,885,397)
General revenues:					
Property taxes, net of discounts and abatements					1,390,205
Excise taxes					176,911
State Revenue Sharing					40,830
Homestead & veterans exemption					34,756
BETH Program					21,087
Tree growth					17,827
Other					71,840
Interest on taxes and investments					17,563
Total general revenues					1,771,019
Change in net position					(114,378)
Net position - beginning of year					3,968,223
Net position - end of year					3,853,845

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL FUND	MICRO LOAN FUND	TOTAL MAJOR GOVERNMENTAL FUNDS	POND BROOK ESTATES (NON-MAJOR)	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	702,649	96,382	799,031	35,344	834,375
Uncollected taxes	51,129		51,129		51,129
Accounts receivable			-	100	100
Notes receivable, net of reserve for bad debt		66,633	66,633		66,633
TOTAL ASSETS	753,778	163,015	916,793	35,444	952,237
LIABILITIES					
Accounts payable and accrued expenses	21,167		21,167	6,008	27,175
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue-property taxes	42,000		42,000		42,000
	42,000	-	42,000	-	42,000
FUND BALANCES					
Restricted					
Revolving loan fund		163,015	163,015		163,015
Pond Brook Estates				29,436	29,436
Unrestricted					
Committed for subsequent years' expenditures	167,197		167,197		167,197
Assigned	119,019		119,019		119,019
Unassigned	404,395		404,395		404,395
TOTAL FUND BALANCES	690,611	163,015	853,626	29,436	883,062
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	753,778	163,015	916,793	35,444	952,237

The notes to the financial statements are an integral part of these statements.

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

Total fund balance, governmental funds	883,062
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.	4,245,234
Property taxes receivable that are not available soon enough to pay for the current period's expenditures are deferred in the funds:	
Unavailable revenue - property taxes	42,000
Liabilities, deferred outflows of resources and deferred inflows of resources related to pensions are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Deferred outflows of resources - OPEB related expenditures	85
Deferred inflows of resources - OPEB related inflows	(300)
OPEB liabilities	(8,898)
Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore, are not included in the funds.	
Notes payable	<u>(1,307,338)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>3,853,845</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	MICRO LOAN FUND	TOTAL MAJOR GOVERNMENTAL FUNDS	POND BROOK ESTATES (NON- MAJOR)	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property taxes, net	1,423,205		1,423,205		1,423,205
State assistance	128,020		128,020		128,020
Excise taxes	176,911		176,911		176,911
Interest income	14,021	3,542	17,563		17,563
Rental income				54,400	54,400
Other revenues	247,706		247,706	12,571	260,277
TOTAL REVENUES	1,989,863	3,542	1,993,405	66,971	2,060,376
EXPENDITURES					
Current					
General government	205,265		205,265		205,265
Public safety	164,637		164,637		164,637
Public works	117,150		117,150		117,150
Health and Sanitation	76,028		76,028		76,028
Leisure services	27,879		27,879		27,879
Social Services	5,848		5,848		5,848
Education	853,919		853,919		853,919
County tax	101,318		101,318		101,318
Unclassified		828	828	38,573	39,401
Capital outlays	90,907		90,907		90,907
SAD 27 withdrawal	24,776		24,776		24,776
Debt service					
Principal	104,443		104,443		104,443
Interest	53,158		53,158		53,158
TOTAL EXPENDITURES	1,825,328	828	1,826,156	38,573	1,864,729
EXCESS OF REVENUES OVER EXPENDITURES	164,535	2,714	167,249	28,398	195,647
TRANSFERS IN/(OUT)	25,000	-	25,000	(25,000)	-
FUND BALANCE - JULY 1, 2017	501,076	160,301	661,377	26,038	687,415
FUND BALANCE - JUNE 30, 2018	690,611	163,015	853,626	29,436	883,062

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds:		195,647
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Decrease in unavailable property tax revenue		(33,000)
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period:		
Capital asset purchases capitalized	66,564	
Depreciation expense	<u>(296,908)</u>	(230,344)
OPEB expense reported under GASB #75 is not reported in the governmental funds		(1,199)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Proceeds from long-term debt	(160,000)	
Principal payments on long-term debt	<u>114,518</u>	<u>(45,482)</u>
Change in net position of governmental activities		<u>(114,378)</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

BUDGETARY COMPARISON

GENERAL FUND

YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Property taxes				
Commitment	1,367,855	1,367,855	1,391,777	23,922
Property taxes uncollected for use in the current period	-	-	33,000	33,000
Abatements and write offs	-	-	(1,572)	(1,572)
State assistance				
Revenue sharing	38,000	38,000	40,830	2,830
Highway Block Grant	13,000	13,000	13,520	520
BETB Program	21,078	21,078	21,087	9
Homestead & veterans tax relief	36,424	36,424	34,756	(1,668)
Tree growth	18,000	18,000	17,827	(173)
General assistance	200	200	-	(200)
Excise taxes	140,000	140,000	176,911	36,911
Interest income	9,300	9,300	14,021	4,721
Charges for services	52,560	52,560	50,941	(1,619)
Pond Brook Estates	25,000	25,000	25,000	-
Proceeds from long-term borrowing	160,000	160,000	160,000	-
Other resources	23,700	23,700	36,765	13,065
TOTAL REVENUES	1,905,117	1,905,117	2,014,863	109,746
EXPENDITURES				
General government	205,818	205,818	205,265	553
Public safety	175,582	175,582	164,637	10,945
Public works	127,150	127,150	117,150	10,000
Health and Sanitation	76,028	76,028	76,028	-
Leisure services	35,755	35,755	27,879	7,876
Social Services	5,848	5,848	5,848	-
Education	853,919	853,919	853,919	-
County tax	101,318	101,318	101,318	-
Capital outlays	21,098	21,098	16,843	4,255
SAD 27 withdrawal	25,000	25,000	24,776	224
Debt funded capital projects	160,000	160,000	74,064	85,936
Debt service				
Principal	104,443	104,443	104,443	-
Interest	53,158	53,158	53,158	-
TOTAL EXPENDITURES	1,945,117	1,945,117	1,825,328	119,789
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(40,000)	(40,000)	189,535	229,535
FUND BALANCE - JULY 1, 2017			501,076	
FUND BALANCE - JUNE 30, 2018			690,611	

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Eagle Lake, Maine, was incorporated under the laws of the State of Maine and operates under a town meeting, selectmen, town manager form of government. In evaluating how to define the reporting entity, for financial purposes, management has considered all potential component units. The criteria used to determine which entities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon all pertinent facts derived from the analysis of the above criteria, it was determined that no additional entities should be included as part of these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of change in net position) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among program, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting 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.

Separate financial statements are provided for governmental funds, proprietary 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.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Measurement Focus and Basis of Accounting (cont'd.)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

- The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Micro Loan Fund accounts for revolving loan funds which are used to promote business development in the Town.

Additional, the Town reports the following fund type:

- Pond Brook Estates-To account for rental activities at the Pond Brook Estates Complex.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to the same limitations. The Town has not elected to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's public service function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Measurement Focus and Basis of Accounting (cont'd.)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. There were no proprietary funds for the year end June 30, 2018.

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

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 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.

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

Investments are reported at fair value.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year, are reported at actual or estimated historical cost.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Capital Assets (cont'd.)

The Town has elected not to report infrastructure prior to June 30, 2003.

Donated capital assets are recorded at estimated fair value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalization value of the assets constructed.

Capital assets of the primary government and business-type activities are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20 to 100 years
Vehicles and equipment	5 to 20 years
Infrastructure	10 to 20 years

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or propriety fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. 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.

Sick Leave

Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statement, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amount to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last and upon approval of the legislative body.

Deferred outflows/inflows of Resources

In addition to assets, the statement of financial position 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources as of June 30, 2018 consist of items relating to other post employment benefits.

In addition to liabilities, the statement of financial position 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The town also recognizes deferred inflows related to other post-employment benefits in its governmental activities fund.

Fund Equity or Balances

The Town of Eagle Lake follows Statement No. 54 which establishes a new fund balance hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Statement No. 54, among many other changes, establishes a fund balance hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Prior to the adoption of GASB #54 the Town reported fund balance as either reserved or unreserved. The unreserved category was further broken down as designated or undesignated.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Fund Equity or Balances (cont'd.)

Under the GASB #54 reporting format, fund balance is reported as follows:

- Non-spendable-Items that are either not in spendable form or legally or contractually required to remain intact.
- Restricted fund balance-Resources that have constraints imposed by creditors, grantors, contributors or laws and regulations of other governments; or amounts that have very stringent conditions imposed by external parties or law.
- Unrestricted fund balance-Has 3 components;
 - Committed fund balance-Amounts with internally imposed restrictions mandated by the government's highest level of decision making authority which require action from that authority to be redeployed. In the case of the Town of Eagle Lake, this action requires a vote at a town meeting.
 - Assigned fund balance-Amounts that are constrained by the government's intent that they will be used for specific purposes. Decision making authority with respect to these amounts lies with a committee or other government official (board of selectpersons) but not the highest-level authority.
 - Undesignated fund balance-This is the residual balance of the general fund which represents the remaining fund balance after allocation to the other fund balance categories. It reflects resources that are available for further appropriation and expenditure for general governmental purposes.

Allowance for Uncollectible Accounts

The Town of Eagle Lake provides for the valuation of outstanding taxes and accounts receivable through an allowance account based on estimated bad debts as of the period then ended.

Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Property Tax

The Town's property tax was levied July 19, 2017, on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. The assessed value for the list of April 1, 2017, upon which the levy was based, was \$80,917,248. Taxes were due and payable on October 31, 2017 with interest at the rate of 7% being charged on taxes unpaid after that date.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues. 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 the tax lien and associated costs remain unpaid.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Unrecognized Property Tax Revenue

The Town has adopted the standard established by GASB 33 regarding the recognition of property taxes. The criteria for this standard is to recognize property tax revenue as it becomes both "measurable and available". Measurable is defined as the amount that the Town can reasonably expect to receive of the property taxes assessed for the current year. Available is defined as the amount of current and past due taxes that will be collected during the current period or expected to be collected shortly thereafter to pay current liabilities. For the purposes of this report, 60 days is used as the collection period after year-end. Accordingly, a liability has been reported on the governmental funds' balance sheet for the taxes considered collectible but not available for current liabilities of \$42,000 as of June 30, 2018.

Net Position

Net position represents the residual of all other financial statement elements presented in a Statement of Financial Position.

Other General Items

The Town is exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settled claims, if any, resulting from these risks, have not exceeded commercial insurance coverage.

Minimum Fund Balance

The council has not adopted a financial policy to maintaining a minimum level of unrestricted fund balance in the general fund.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds, except the special revenue, capital projects and fiduciary funds. These are not budgeted. All annual appropriations lapse at fiscal year end, unless a carry-forward of unexpected amounts is approved by the Selectmen.

The Town Manager submits to the Board of Selectmen a proposed operating budget for the ensuing year. A town meeting is held and the final budget is adopted through the legislative body.

Transfers between departments or additional appropriations require the approval of the legislative body.

Excess of Appropriations over Expenditures

For the year ended June 30, 2018, the Town's appropriations exceeded expenditures by \$119,789, a favorable variance. Expenditures exceed appropriations in the general government, public safety, public works, leisure services, SAD 27 withdrawal and capital outlay accounts.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

New Accounting Policies

For the fiscal year ending June 30, 2018 the Town adopted the provisions of Statement No. 75 of the Governmental Accounting Standards Board (GASB) Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. GASB 75 requires the net OPEB liability to be measured and reported as the total OPEB liability less the amount of the OPEB plan's fiduciary net position. In addition, GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses. Due to the adoption of GASB 75, the Town has restated its opening net position as detailed in Note #12.

Management has reviewed other upcoming changes in accounting standards issued by GASB, including GASB 80, 81 and 82 and determined that the impact of these standards will not be material to the financial statements.

(2) CASH AND TEMPORARY INVESTMENTS

Deposits and investments at June 30, 2018 consist of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Deposits		
Checking/ICS accounts (3)	548,881	592,602
Savings accounts (10)	265,444	265,615
Certificates of Deposit (2)	19,500	19,520
Petty cash	<u>550</u>	<u>0</u>
Total cash	<u>834,375</u>	<u>877,737</u>
Cash held in:		
General fund	702,649	749,640
Special revenue funds	<u>131,726</u>	<u>128,097</u>
	<u>834,375</u>	<u>877,737</u>

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does have a policy with respect to custodial credit risk for deposit accounts. The bank has pledged securities to collateralize the Town's deposits that exceed FDIC Insurance. The Pledged Securities will carry a market value greater than the value of the deposits exceeding FDIC Insurance. As of June 30, 2018, none of the Town's bank balances were exposed to custodial credit risk.

(3) CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	61,400			61,400

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(3) CAPITAL ASSETS (cont'd.)

Capital assets, being depreciated:			
Buildings	1,939,060		1,939,060
Infrastructure	8,997,163	66,564	9,063,727
Equipment	379,936		379,936
Vehicles	<u>144,100</u>		<u>144,100</u>
Total capital assets being depreciated	<u>11,460,259</u>	<u>66,564</u>	<u>11,526,823</u>
Less accumulated depreciation for:			
Buildings	782,699	48,477	831,176
Infrastructure	5,840,698	226,593	6,067,291
Equipment	301,764	16,742	318,506
Vehicles	<u>120,920</u>	<u>5,096</u>	<u>126,016</u>
Total accumulated depreciation	<u>7,046,081</u>	<u>296,908</u>	<u>7,342,989</u>
Total capital assets, being depreciated, net	<u>4,414,178</u>	<u>(230,344)</u>	<u>4,183,834</u>
Total capital assets, net	<u>4,475,578</u>	<u>(230,344)</u>	<u>4,245,234</u>

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

Governmental Activities:	
General government	40,084
Public works	226,593
Public safety	28,696
Leisure services	<u>1,535</u>
	<u>296,908</u>

(4) LONG-TERM DEBT

Detail of long-term debt can be found on page 34 of the financial statements.

As of June 30, 2018 long-term debt matures as follows:

June 30,	Principal	Interest	Total
2019	129,435	52,818	182,253
2020	148,653	51,880	200,533
2021	119,283	46,630	165,913
2022	72,401	42,113	114,514
2023	46,901	38,950	85,851
2024-28	273,147	161,234	434,381
2029-33	350,747	83,003	433,750
2034-38	<u>166,771</u>	<u>5,052</u>	<u>171,823</u>
	<u>1,307,338</u>	<u>481,680</u>	<u>1,789,018</u>

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(5) FUND BALANCES

As of June 30, 2018, the following funds were carried forward into the operations of the 2018-19 fiscal year.

Restricted	
Revolving loan fund	163,015
Pond Brook Estates	<u>29,436</u>
	<u>192,451</u>
Committed	
Industrial park reserve	4,844
Municipal building reserve	15,459
Recreation building reserve	25,086
Equipment reserve	25,388
Highway reserve	61,703
Forest reserve	23,316
M & S Investment	<u>11,401</u>
	<u>167,197</u>
Assigned	
Fire Department	9,926
Highway block grant	15,805
Capital road improvement	92,223
Animal welfare	<u>1,065</u>
	<u>119,019</u>
Unassigned	<u>404,395</u>
Total Fund Balance	<u>883,062</u>

(6) 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. The Town has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2018, and the two previous years, no settlements exceeded insurance coverage.

(7) TAXES

As a municipal entity, the Town is not subject to Federal and State income taxes, accordingly it is not necessary to consider the effects of any uncertain tax positions.

The Town is subject to Federal and State payroll taxes and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of June 30, 2018. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) SUBSEQUENT EVENTS

Management has evaluated all subsequent events through September 24, 2018, the date the financial statements were available to be issued and determined that no additional disclosures are required in order for these financial statements to be fairly stated.

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Town has a number of financial instruments, none of which are held for trading purposes. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town also has a nonrecurring fair value measurement as of June 30, 2018, for Pond Brook Estates. The Board of Selectpersons has listed the project for sale but does not have a prospective buyer at this time. Management believes that to find a buyer for the property an offer may need to be accepted that is less than the debt owed on the property to the Maine Municipal Bond Bank. Until an offer is accepted on the project will be carried at its original cost, less accumulated depreciation.

Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Town could realize in a current market exchange.

(10) OPEB OBLIGATIONS

Plan Description

The Town provides health insurance to its employees through Maine Municipal Employees Health Trust (MMEHT). The Town does not provide postemployment or postretirement healthcare benefits but is subject to an implicit benefit for its members in MMEHT.

Accounting Policies

The impact of experience gains and losses and assumption changes on the Total OPEB Liability (TOL) are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the plan. As of the beginning of the measurement period this average was 4 years.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(10) OPEB OBLIGATIONS (cont'd)

The table below summarizes the current balances of deferred outflows of resources and deferred inflows of resources along with the recognition over the next 5 years, and thereafter:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$ 300
Difference between projected and actual earnings on OPEB plan investments		
Changes of assumptions	\$ 85	
	<u>\$ 85</u>	<u>\$ 300</u>

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

Year ended June 30:

2019	(36)
2020	(36)
2021	(36)
2022	(36)
2023	(36)
Thereafter	(35)

As of January 1, 2018, the plan membership data is comprised of 2 active members with only an implicit benefit.

Key Assumptions

Measurement Date:	January 1, 2018
Discount Rate:	3.44% per annum for year-end 2018 reporting 3.78% per annum for year-end 2017 reporting
Trend Assumptions:	Pre-Medicare Medical – Initial trend of 8.2% applied in FYE 2018 grading over 14 years to 4% per annum Pre-Medicare Drug – Initial trend of 9.6% applied in FYE 2018 grading over 14 years to 4% per annum Medicare Medical – Initial trend of 4.93% applied in FYE 2018 grading over 14 years to 4% per annum Medicare Drug – Initial trend of 9.6% applied in FYE 2018 grading over 14 years to 4% per annum
Administrative and Claims Expense:	3% per annum

Future Plan Changes

It is assumed that the current plan and cost-sharing structure remains in place for all future years.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(10) OPEB OBLIGATIONS (cont'd)

Demographic Assumptions

Retiree continuation:	Retirees who are current Medicare participants: 100% Retirees who are Pre-Medicare, active participants: 75% Spouses who are Pre-Medicare, active participants: 50%
Rate of mortality:	Based on 104% and 120 % of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both project from the 2006 base rates using RPEC-2015 model, with an ultimate rate of 85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120 and convergence to the ultimate rate in the year 2020.
Marriage assumptions:	A husband is assumed to be 3 years older than his wife
Assumed rate of retirement:	For employees hired prior to July 1, 2014 Age 55-63 – 5% Age 64-69 – 20% Age 70 + - 100% For employees hired after July 1, 2014 Age 55-58 – 5% Age 59-64 – 20% Age 65-69 – 25% Age 70 + - 100%
Salary increases:	2.75% per year
Changes in assumptions:	Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Discount Rate

The discount rate used to measure the OPEB liability was 3.44% based on a measurement date of December 28, 2017. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

The following table shows how the net OPEB liability as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 3.44%.

1% Decrease	Current Discount Rate	1% Increase
2.44%	3.44%	4.44%
\$10,331	\$8,898	\$7,732

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(11) OPEB OBLIGATIONS (cont'd)

Changes in the healthcare trend affect the measurement of the TOL. Lower healthcare trend rates produce a lower TOL and higher healthcare trend rates produce a higher TOL. The table below shows the sensitivity of the TOL to the healthcare trend rate.

1% Decrease	Healthcare Trend Rates	1% Increase
\$7,627	\$8,898	\$10,492

A 1% decrease in the healthcare trend rate decreases the TOL by approximately 14.3% while a 1% increase in the healthcare trend rate increases the TOL by approximately 17.9%.

(12) RESTATEMENT OF NET POSITION

The Town's opening net position has been restated to account for the effects of the implementation of GASB #75 as follows:

Beginning net position – as originally stated	\$3,976,137
Net pension liability as of June 30, 2017	(7,914)
Net position June 30, 2017 as restated	<u>\$3,968,223</u>

TOWN OF EAGLE LAKE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2018

Total OPEB Liability	
Service cost (BOY)	\$ 1,077
Interest (includes interest on service cost)	337
Changes of benefit terms	-
Differences between expected and actual experience	(350)
Changes of assumptions	99
Benefit payments, including refunds of member contributions	(179)
Net Change in total OPEB Liability	<u>\$ 984</u>
Total OPEB Liability - Beginning	<u>\$ 7,914</u>
Total OPEB Liability - Ending	<u><u>\$ 8,898</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	179
Contributions - Member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(179)
Administrative expense	-
Net change in plan fiduciary net positions	<u>-</u>
Total Fiduciary Net Position - Beginning	<u>\$ -</u>
Total Fiduciary Net Position - Ending	<u><u>\$ -</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%
Covered employee payroll	73,623
Net OPEB liability as a percentage of covered employee payroll	12.1%

Amounts presented have a measurement date of January 1, 2018

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

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

SUPPLEMENTARY INFORMATION

Chester M. Kearney, Certified Public Accountants

TOWN OF EAGLE LAKE

SCHEDULE OF PROPERTY VALUATION AND ASSESSMENT - GENERAL FUND

YEAR ENDED JUNE 30, 2018

	<u>REAL ESTATE</u>	<u>PERSONAL PROPERTY</u>	<u>TOTAL</u>
ASSESSED VALUATION	80,377,600	539,648	80,917,248
TAX RATE PER \$1,000			<u>17.20</u>
			<u><u>1,391,777</u></u>

COMPUTATION OF ASSESSMENT

TAX COMMITMENT	1,391,777	
ESTIMATED REVENUES	<u>392,262</u>	<u>1,784,039</u>
APPROPRIATIONS		
Municipal	804,880	
Education	853,919	
County tax	<u>101,318</u>	<u>1,760,117</u>
OVERLAY		<u><u>23,922</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE
 SCHEDULE OF CHANGES IN PROPERTY TAXES - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	TOTAL	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
UNCOLLECTED AT JULY 1, 2017	83,773		(6,363)	70,076	15,938	3,356	766
2017/18 COMMITMENT	<u>1,391,777</u>		<u>1,391,777</u>				
	<u>1,475,550</u>	-	<u>1,385,414</u>	<u>70,076</u>	<u>15,938</u>	<u>3,356</u>	<u>766</u>
COLLECTIONS	1,422,849	19,295	1,328,285	55,209	15,938	3,356	766
ABATEMENTS AND WRITE OFFS	<u>1,572</u>		<u>1,572</u>				
	<u>1,424,421</u>	<u>19,295</u>	<u>1,329,857</u>	<u>55,209</u>	<u>15,938</u>	<u>3,356</u>	<u>766</u>
UNCOLLECTED AT JUNE 30, 2018	<u>51,129</u>	<u>(19,295)</u>	<u>55,557</u>	<u>14,867</u>	<u>-</u>	<u>-</u>	<u>-</u>
REPRESENTED BY							
Personal property taxes	3,323		1,505	1,818			
Real estate taxes (liens)	<u>47,806</u>	<u>(19,295)</u>	<u>54,052</u>	<u>13,049</u>			
	<u>51,129</u>	<u>(19,295)</u>	<u>55,557</u>	<u>14,867</u>			

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

YEAR ENDED JUNE 30, 2018

DESCRIPTION	RATE	MATURITY	BALANCE JULY 1, 2017	DEBT ISSUED	DEBT RETIRED	BALANCE JUNE 30, 2018
Pond Brook Estates	Variable	2034	1,039,906	-	36,525	1,003,381
NASWA Loan	3.45%	2018	20,501	-	10,075	10,426
Fire Equipment Loan	3.15%	2021	86,769	-	20,684	66,085
Road improvement loan	2.35%	2019	100,000	-	32,554	67,446
Road improvement loan	2.83%	2020	-	80,000	-	80,000
Road improvement loan	3.83%	2021	-	80,000	-	80,000
Groomer Loan	4.19%	2016	14,680	-	14,680	-
			<u>1,261,856</u>	<u>160,000</u>	<u>114,518</u>	<u>1,307,338</u>

The notes to the financial statements are an integral part of these statements.

ADDITIONAL REPORT

Chester M. Kearney, Certified Public Accountants



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171 Fax 207-764-6362

Barbara E. McGuire, CPA, CGMA
Timothy P. Poitras, CPA, CGMA

To the Board of Selectmen of the
Town of Eagle Lake, Maine

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Eagle Lake, Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Eagle Lake, Maine's basic financial statements and have issued our report thereon dated September 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Eagle Lake, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Eagle Lake Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Eagle Lake, 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 Eagle Lake, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Chester M. Kearney

Presque Isle, Maine
September 24, 2018