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Audited Financial Statements and
Other Financial Information

Town of Madison, Maine

June 30, 2018



Proven Expertise and Integrity

TOWN OF MADISON, MAINE

CONTENTS

JUNE 30, 2018

| | PAGE |
|--|---------|
| INDEPENDENT AUDITORS' REPORT | 1 - 3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 - 11 |
| <u>BASIC FINANCIAL STATEMENTS</u> | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT A - STATEMENT OF NET POSITION | 12 |
| STATEMENT B - STATEMENT OF ACTIVITIES | 13 - 14 |
| FUND FINANCIAL STATEMENTS | |
| STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS | 15 |
| STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION | 16 |
| STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS | 17 |
| STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES | 18 |
| NOTES TO FINANCIAL STATEMENTS | 19 - 41 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION</u> | |
| REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION | 42 |
| SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND | 43 |

OTHER SUPPLEMENTARY INFORMATION

| | |
|---|---------|
| OTHER SUPPLEMENTARY INFORMATION DESCRIPTION | 44 |
| SCHEDULE A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND REVENUES | 45 |
| SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND | 46 - 48 |
| SCHEDULE C - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS | 49 |
| SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS | 50 |
| SPECIAL REVENUE FUNDS DESCRIPTION | 51 |
| SCHEDULE E - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS | 52 |
| SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS | 53 |
| PERMANENT FUNDS DESCRIPTION | 54 |
| SCHEDULE G - COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS | 55 |
| SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS | 56 |
| GENERAL CAPITAL ASSETS DESCRIPTION | 57 |
| SCHEDULE I - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION | 58 |
| SCHEDULE J - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION | 59 |

FEDERAL COMPLIANCE

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*

60 - 61



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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Madison
Madison, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Madison, 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 Madison, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

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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 aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Madison, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 43 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 Madison, Maine's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset

schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are 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 8, 2018, on our consideration of the Town of Madison, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Madison, Maine's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "RHR Smith & Company".

Buxton, Maine
October 8, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(UNAUDITED)

The following management's discussion and analysis of the Town of Madison, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Madison, Maine's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the Town's activities. The type of activity presented for the Town of Madison:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, parks and recreation, cemeteries, community and social agencies, education and unclassified.

The government-wide financial statements include not only the Town itself (known as the primary government), but also legally separate entities for which the Town is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. These component units include the Madison Electric Works. Madison Electric Works, although also legally separate, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government.

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 Madison, Maine, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Madison, Maine can be classified as governmental funds.

Governmental funds: All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the

long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Madison, Maine presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities decreased by \$175,876 from \$8.95 million to \$8.77 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling

legislation, or other legal requirements - increased for governmental activities to a balance of \$2,238,867 at the end of this year.

**Table 1
Town of Madison, Maine
Net Position
June 30,**

| | Governmental Activities | |
|--------------------------------------|--------------------------------|--------------|
| | 2018 | 2017 |
| Assets | | |
| Current Assets | \$ 3,057,271 | \$ 2,949,594 |
| Capital Assets | 5,914,237 | 6,120,212 |
| Total Assets | 8,971,508 | 9,069,806 |
| Liabilities | | |
| Current Liabilities | 90,329 | 63,009 |
| Long-term Debt Outstanding | 25,456 | 32,205 |
| Total Liabilities | 115,785 | 95,214 |
| Deferred Inflows of Resources | | |
| Prepaid Taxes | 83,835 | 26,828 |
| Total Deferred Inflows of Resources | 83,835 | 26,828 |
| Net Position | | |
| Net Investment in Capital Assets | 5,914,237 | 6,120,212 |
| Restricted: Special Revenue Funds | 424,471 | 306,532 |
| Permanent Funds | 194,313 | 300,673 |
| Unrestricted | 2,238,867 | 2,220,347 |
| Total Net Position | \$ 8,771,888 | \$ 8,947,764 |

Revenues and Expenses

Revenues for the Town's governmental activities decreased by 1.74%, while total expenses increased by 3.43%. Tax revenues and charges for services experienced the largest decreases for revenues while education, unclassified and capital outlay expenses had the largest increases for expenses.

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

| | Governmental Activities | |
|--|--------------------------------|-------------------------|
| | 2018 | 2017 |
| Revenues | | |
| <i>Program revenues:</i> | | |
| Charges for services | \$ 99,411 | \$ 141,694 |
| Operating grants and contributions | 60,552 | 59,600 |
| <i>General revenues:</i> | | |
| Taxes | 8,300,430 | 8,425,592 |
| Grants and contributions not restricted to specific programs | 914,863 | 885,189 |
| Miscellaneous | 154,266 | 186,135 |
| Total Revenues | 9,529,522 | 9,698,210 |
| Expenses | | |
| General government | 543,118 | 581,168 |
| Public safety | 944,702 | 966,115 |
| Public works | 1,022,501 | 1,010,923 |
| Parks and recreation | 76,116 | 69,295 |
| Cemeteries | 34,158 | 29,963 |
| Community and social agencies | 171,953 | 178,890 |
| Education | 5,088,528 | 4,972,897 |
| County tax | 871,711 | 858,605 |
| Unclassified | 842,479 | 715,415 |
| Capital outlay | 110,132 | 197 |
| Total Expenses | 9,705,398 | 9,383,468 |
| Change in Net Position | (175,876) | 314,742 |
| Net Position - July 1 | 8,947,764 | 8,633,022 |
| Net Position - June 30 | \$ 8,771,888 | \$ 8,947,764 |

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Madison, Maine
Fund Balances - Governmental Funds
June 30,

| | 2018 | 2017 |
|------------------------|--------------|--------------|
| General Fund: | | |
| Nonspendable | \$ 10,784 | \$ 27,882 |
| Assigned | 346,500 | 484,612 |
| Unassigned | 1,654,676 | 1,412,288 |
| Total General Fund | \$ 2,011,960 | \$ 1,924,782 |
| Nonmajor Funds: | | |
| Special Revenue Funds: | | |
| Nonspendable | \$ 42,430 | \$ 46,371 |
| Restricted | 382,041 | 306,532 |
| Permanent Funds: | | |
| Nonspendable | 28,046 | 28,046 |
| Restricted | 166,267 | 272,627 |
| Total Nonmajor Funds | \$ 618,784 | \$ 653,576 |

The general fund total fund balance increased by \$87,178 from the prior fiscal year due to positive budget to actual variances of \$440,953 in revenues and \$225,627 in expenditures less a budgeted use of fund balance of \$543,402. The nonmajor fund balances decreased by \$34,792 from the prior fiscal year primarily due to a current year deficit in the permanent funds that exceeded the current year excess in the special revenue funds.

Budgetary Highlights

The significant difference between the original and final budget for the general fund was due to the use of assigned fund balance.

The general fund actual revenues were over budget by \$404,953. This was mainly the result of excess receipts in excise taxes, miscellaneous revenues and transfers from other funds.

The general fund actual expenditures were under the budget by \$225,627. All expenditure categories were under budget although Article 7 that includes storm drains and waste disposal was overspent.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town decreased by \$205,975 from the prior year. This decrease is the result of current year depreciation expense less capital additions of \$61,650.

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

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Land and non-depreciable assets | \$ 976,169 | \$ 976,169 |
| Buildings, building improvements and land improvements | 755,997 | 785,941 |
| Machinery, equipment and vehicles | 698,800 | 737,526 |
| Infrastructure | <u>3,483,271</u> | <u>3,620,576</u> |
| Total | <u>\$ 5,914,237</u> | <u>\$ 6,120,212</u> |

Debt

The only debt that the Town had as of June 30, 2018 was accrued compensated absences.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The sale of the hydro-electric assets from Madison Paper Industries to Eagle Creek Renewable Energy was completed in the summer/fall of 2017. Eagle Creek filed for an abatement of the \$51M valuation in early 2018, but missed the appointed deadline.

Somerset Acquisitions retains the upper mill portion of the former Madison Paper property. The property is marketed for sale at \$2.5M. The paper machine has been sold and is being removed and shipped overseas. Somerset Acquisitions has filed for an abatement of the 2017 valuation of \$4.6M and the 2018 valuation of \$2.1M.

The former Madison Paper Industries (MPI) continues to seek an abatement for 2016 property taxes. The request is currently awaiting an October 2018 hearing before the State of Maine Board of Property Tax Review. If the request is granted, the Town's liability with fees and interest would be approximately \$800,000.

The Town's largest employer, Backyard Farms, continues to meet production goals and has expanded its workforce to include H2A workers from Mexico on a temporary visa. In 2017/18, there were 19 H2A workers out of the total workforce of 250.

Overall school and municipal budgets for 2018/19 saw an increase of 3%. Town Meeting voters approved use of \$300,000 from undesignated fund balance to keep the tax rate increase at a minimum. The assessors were able maintain a mil rate of \$21.50 per thousand.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, the Treasurer for the Town of Madison can be reached at P.O. Box 190, Madison, Maine 04950.

TOWN OF MADISON, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2018

| | Primary Governmental Activities | Component Unit |
|--|---------------------------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,927,194 | \$ 1,277,093 |
| Investments | 505,010 | - |
| Accounts receivable (net of allowance for uncollectibles): | | |
| Taxes | 386,724 | - |
| Liens | 103,969 | - |
| Notes | 42,430 | 164,784 |
| Other | 663 | 1,094,907 |
| Due from other governments | 80,497 | - |
| Prepaid items | - | 89,710 |
| Inventory | - | 344,149 |
| Tax acquired property | 10,784 | - |
| Total current assets | 3,057,271 | 2,970,643 |
| Noncurrent assets: | | |
| Note receivable, less current portion | - | 1,465,701 |
| Capital assets: | | |
| Land and other assets not being depreciated | 976,169 | - |
| Buildings and vehicles, net of accumulated depreciation | 4,938,068 | 5,079,857 |
| Total noncurrent assets | 5,914,237 | 6,545,558 |
| TOTAL ASSETS | \$ 8,971,508 | \$ 9,516,201 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 83,323 | \$ 273,114 |
| Other accrued payables | 3,369 | 35,285 |
| Customer deposits | - | 15,146 |
| Current portion of long-term obligations | 3,637 | 155,000 |
| Total current liabilities | 90,329 | 478,545 |
| Noncurrent liabilities: | | |
| Noncurrent portion of long-term obligations: | | |
| Bond payable, less current portion | - | 1,325,000 |
| Accrued compensated absences | 25,456 | 45,684 |
| Total noncurrent liabilities | 25,456 | 1,370,684 |
| TOTAL LIABILITIES | 115,785 | 1,849,229 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Prepaid taxes | 83,835 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 83,835 | - |
| NET POSITION | | |
| Net investment in capital assets | 5,914,237 | 3,599,857 |
| Restricted for: Special revenue funds | 424,471 | - |
| Permanent funds | 194,313 | - |
| Unrestricted | 2,238,867 | 4,067,115 |
| TOTAL NET POSITION | 8,771,888 | 7,666,972 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 8,971,508 | \$ 9,516,201 |

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

TOWN OF MADISON, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

STATEMENT B

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue & Changes in Net Position | |
|-------------------------------|---------------------|----------------------|----------------------------------|--------------------------------|---|------------------|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Primary Governmental Activities | Component Unit |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 543,118 | \$ 32,874 | \$ - | \$ - | \$ (510,244) | \$ - |
| Public safety | 944,702 | 2,030 | - | - | (942,672) | - |
| Public works | 1,022,501 | 45,084 | 60,552 | - | (916,865) | - |
| Parks and recreation | 76,116 | - | - | - | (76,116) | - |
| Cemeteries | 34,158 | - | - | - | (34,158) | - |
| Community and social agencies | 171,953 | 9,828 | - | - | (162,125) | - |
| Education | 5,088,528 | - | - | - | (5,088,528) | - |
| County tax | 871,711 | - | - | - | (871,711) | - |
| Unclassified | 842,479 | 9,595 | - | - | (832,884) | - |
| Capital outlay | 110,132 | - | - | - | (110,132) | - |
| Total governmental activities | <u>\$ 9,705,398</u> | <u>\$ 99,411</u> | <u>\$ 60,552</u> | <u>\$ -</u> | <u>(9,545,435)</u> | <u>-</u> |
| Component unit: | | | | | | |
| Madison electric works | \$ 4,806,592 | \$ 4,564,984 | \$ - | \$ - | \$ - | \$ (241,608) |
| Total component unit | <u>\$ 4,806,592</u> | <u>\$ 4,564,984</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(241,608)</u> |

STATEMENT B (CONTINUED)

TOWN OF MADISON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | Primary Government <u>Governmental</u> Activities | Component Unit |
|---|--|---------------------|
| Changes in net position: | | |
| Net (expense) revenue | <u>(9,545,435)</u> | <u>(241,608)</u> |
| General revenues: | | |
| Taxes: | | |
| Property taxes, levied for general purposes | 7,493,455 | - |
| Excise taxes | 806,975 | - |
| Grants and contributions not restricted to specific programs | 914,863 | - |
| Miscellaneous | 154,266 | 143,159 |
| Total general revenues | <u>9,369,559</u> | <u>143,159</u> |
| Change in net position | (175,876) | (98,449) |
| NET POSITION - JULY 1 | <u>8,947,764</u> | <u>7,765,421</u> |
| NET POSITION - JUNE 30 | <u>\$ 8,771,888</u> | <u>\$ 7,666,972</u> |

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

TOWN OF MADISON, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,781,317 | \$ 145,877 | \$ 1,927,194 |
| Investments | 128,301 | 376,709 | 505,010 |
| Accounts receivable (net of allowance for uncollectibles): | | | |
| Taxes | 386,724 | - | 386,724 |
| Liens | 103,969 | - | 103,969 |
| Notes | - | 42,430 | 42,430 |
| Other | 663 | - | 663 |
| Due from other governments | 80,497 | - | 80,497 |
| Tax acquired property | 10,784 | - | 10,784 |
| Due from other funds | 14,364 | 68,132 | 82,496 |
| TOTAL ASSETS | \$ 2,506,619 | \$ 633,148 | \$ 3,139,767 |
| LIABILITIES | | | |
| Accounts payable | \$ 83,323 | \$ - | \$ 83,323 |
| Accrued expenses | 3,369 | - | 3,369 |
| Due to other funds | 68,132 | 14,364 | 82,496 |
| TOTAL LIABILITIES | 154,824 | 14,364 | 169,188 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid taxes | 83,835 | - | 83,835 |
| Deferred tax revenues | 256,000 | - | 256,000 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 339,835 | - | 339,835 |
| FUND BALANCES | | | |
| Nonspendable | 10,784 | 70,476 | 81,260 |
| Restricted | - | 548,308 | 548,308 |
| Committed | - | - | - |
| Assigned | 346,500 | - | 346,500 |
| Unassigned | 1,654,676 | - | 1,654,676 |
| TOTAL FUND BALANCES | 2,011,960 | 618,784 | 2,630,744 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 2,506,619 | \$ 633,148 | \$ 3,139,767 |

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

TOWN OF MADISON, MAINE

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

| | Total Governmental Funds |
|---|--------------------------------|
| | |
| Total Fund Balances | \$ 2,630,744 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 5,914,237 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above: | |
| Taxes and liens receivable | 256,000 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Accrued compensated absences | (29,093) |
| Net position of governmental activities | \$ 8,771,888 |

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

TOWN OF MADISON, MAINE

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

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Taxes: | | | |
| Property taxes | \$ 7,523,455 | \$ - | \$ 7,523,455 |
| Excise taxes | 806,975 | - | 806,975 |
| Intergovernmental | 975,415 | - | 975,415 |
| Charges for services | 99,411 | - | 99,411 |
| Miscellaneous revenues | 137,973 | 16,293 | 154,266 |
| TOTAL REVENUES | 9,543,229 | 16,293 | 9,559,522 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 524,567 | - | 524,567 |
| Public safety | 906,339 | - | 906,339 |
| Public works | 820,163 | - | 820,163 |
| Parks and recreation | 75,456 | - | 75,456 |
| Cemeteries | 34,158 | - | 34,158 |
| Community and social agencies | 171,953 | - | 171,953 |
| Education | 5,088,528 | - | 5,088,528 |
| County tax | 871,711 | - | 871,711 |
| Unclassified | 96,631 | 745,848 | 842,479 |
| Capital outlay | 171,782 | - | 171,782 |
| TOTAL EXPENDITURES | 8,761,288 | 745,848 | 9,507,136 |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | 781,941 | (729,555) | 52,386 |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 267,188 | 1,077,095 | 1,344,283 |
| Transfers (out) | (961,951) | (382,332) | (1,344,283) |
| TOTAL OTHER FINANCING SOURCES (USES) | (694,763) | 694,763 | - |
| NET CHANGE IN FUND BALANCES | 87,178 | (34,792) | 52,386 |
| FUND BALANCES - JULY 1 | 1,924,782 | 653,576 | 2,578,358 |
| FUND BALANCES - JUNE 30 | \$ 2,011,960 | \$ 618,784 | \$ 2,630,744 |

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

TOWN OF MADISON, MAINE

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

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds (Statement E) | <u>\$ 52,386</u> |
| Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets: | |
| Capital asset acquisitions | 61,650 |
| Depreciation expense | <u>(267,625)</u> |
| | <u>(205,975)</u> |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: | |
| Taxes and liens receivable | <u>(30,000)</u> |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | |
| Accrued compensated absences | <u>7,713</u> |
| Change in net position of governmental activities (Statement B) | <u><u>\$ (175,876)</u></u> |

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Madison was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government, public safety, public works, parks and recreation, cemeteries, community and social agencies, education and unclassified.

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

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has one component unit, Madison Electric Works (MEW), a department of the Town of Madison, Maine, as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61. December 31st is the year-end of MEW and the last separate financial statements were as of and for the year ended December 31, 2017. The amounts included in the Town's 2018 financial statements for MEW are as of and for the year ended December 31, 2017. Refer to Note 17 of Notes to Financial Statements for additional information.

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 81, “*Irrevocable Split-Interest Agreements*”. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, “Omnibus 2017.” The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, “Certain Debt Extinguishment Issues.” The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Town’s basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. The Town categorizes all activities as governmental.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds:

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

Nonmajor Funds:

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

The emphasis in fund financial statements is on the major funds in the governmental activities category. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

The Town of Madison has no formal investment policy but instead follows the State of Maine Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$123,590 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). In the component unit, inventory consists of parts.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

| | |
|-------------------------|----------------|
| Buildings | 20 - 50 years |
| Infrastructure | 50 - 100 years |
| Machinery and equipment | 3 - 50 years |
| Vehicles | 3 - 25 years |

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of accrued compensated absences.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2018, the Town's liability for compensated absences is \$36,806.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no deferred outflows of resources.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of resources (revenue) until that time. Deferred tax revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied on May 1, 2018 at 21.5 mills on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on in two installments on September 29, 2017 and March 15, 2018. Interest on unpaid taxes commenced on September 30, 2017 and March 16, 2018, at 7% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$122,549 for the year ended June 30, 2018.

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

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

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.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2018, the Town's cash balances amounting to \$1,861,253 were comprised of bank deposits of \$2,458,810. Of these bank deposits, \$2,365,442 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk and \$65,941 were covered by the Securities Investor Protection Corporation (SIPC). The remaining deposits of \$27,427 were uncollateralized and uninsured.

| <u>Account Type</u> | <u>Bank Balance</u> |
|---------------------------|-------------------------|
| Checking accounts | \$ 357,297 |
| Savings accounts | 66 |
| Repurchase agreements | 2,035,506 |
| Cash and cash equivalents | 65,941 |
| | <u>\$ 2,458,810</u> |

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2018, the Town's investment balances amounting to \$505,010 were comprised of mutual funds, real estate investment trusts and equities and options. All of the Town's investments were fully covered by the Securities Investor Protection Corporation (SIPC).

| Investment Type | Fair Value | Maturity | | |
|----------------------|-------------------|-------------|-------------|-------------------|
| | | <1 Year | 1 - 5 Years | N/A |
| Equity Securities: | | | | |
| Mutual funds | \$ 339,943 | \$ - | \$ - | \$ 339,943 |
| REIT | 86,201 | - | - | 86,201 |
| Equities and options | 78,866 | - | - | 78,866 |
| | <u>\$ 505,010</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 505,010</u> |

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2018:

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

| | June 30, 2018 Total | Fair Value Measurements Using | | |
|---|------------------------|--|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level I) | Significant Other Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) |
| <u>Investments by fair value level</u> | | | | |
| Equity securities: | | | | |
| Mutual funds - domestic and foreign | \$ 339,943 | \$ 339,943 | \$ - | \$ - |
| Real estate investment trusts | 86,201 | 86,201 | - | - |
| Equities and options | 78,866 | 78,866 | - | - |
| Total equity securities | <u>505,010</u> | <u>505,010</u> | <u>-</u> | <u>-</u> |
| Total investments by fair value level | <u>505,010</u> | <u>\$ 505,010</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Cash equivalents measured at the net asset value (NAV)</u> | | | | |
| Money market mutual funds | <u>65,941</u> | | | |
| Total cash equivalents measured at the NAV | <u>65,941</u> | | | |
| Total investments and cash equivalents measured at fair value | <u>\$ 570,951</u> | | | |

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2018 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk - Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk - The risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables.

| | Receivables (Due from) | Payables (Due to) |
|--------------------------------|---------------------------|----------------------|
| General Fund | \$ 14,364 | \$ 68,132 |
| Nonmajor Special Revenue Funds | 68,132 | 14,364 |
| | <u>\$ 82,496</u> | <u>\$ 82,496</u> |

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

| | Balance, 7/1/17 | Additions | Disposals | Balance, 6/30/18 |
|---------------------------------|---------------------|---------------------|-----------------|---------------------|
| <u>Governmental activities</u> | | | | |
| Non-depreciated assets: | | | | |
| Land | \$ 976,169 | \$ - | \$ - | \$ 976,169 |
| | <u>976,169</u> | <u>-</u> | <u>-</u> | <u>976,169</u> |
| Depreciated assets: | | | | |
| Buildings and improvements | 935,317 | - | - | 935,317 |
| Land improvements | 284,601 | - | - | 284,601 |
| Vehicles and equipment | 2,669,106 | 61,650 | (22,343) | 2,708,413 |
| Infrastructure | 7,043,001 | - | - | 7,043,001 |
| | <u>10,932,025</u> | <u>61,650</u> | <u>(22,343)</u> | <u>10,971,332</u> |
| Less: accumulated depreciation | <u>(5,787,982)</u> | <u>(267,625)</u> | <u>22,343</u> | <u>(6,033,264)</u> |
| | <u>5,144,043</u> | <u>(205,975)</u> | <u>-</u> | <u>4,938,068</u> |
| Net governmental capital assets | <u>\$ 6,120,212</u> | <u>\$ (205,975)</u> | <u>\$ -</u> | <u>\$ 5,914,237</u> |

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

| | |
|----------------------------|-------------------|
| General government | \$ 26,264 |
| Public safety | 38,363 |
| Public works | 202,338 |
| Recreation | 660 |
| Total depreciation expense | <u>\$ 267,625</u> |

NOTE 5 - NOTES RECEIVABLE

Amounts recorded as loans receivable represent loans made under an economic development program to local businesses. Management has determined that no allowance for loan losses is necessary at June 30, 2018. Bad debt expense for the year ended June 30, 2018 was \$0. The portion of the loans receivable balance expected to be collected beyond a period of one year is reported in the fund financial statements as nonspendable because those resources are unavailable for use in the near term.

NOTE 6 - LINE OF CREDIT

The Town has secured a revolving line of credit with a bank. The maximum amount of the line is \$2,500,000. Interest is payable at a fixed rate of 3.19%. The line of credit is unsecured. The term of the loan will be six years. The first three years will be the revolving period, the final three years will be the repayment period. The loan will permit revolving advances and principal payments on an as needed basis during the first three years and require semiannual payments of interest based on the use of funds during the prior six months. No advances were taken from the line of credit for the year ended June 30, 2018.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2018:

| | <u>Balance, 7/1/17</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance, 6/30/18</u> | <u>Current Portion</u> |
|---------------------------------|----------------------------|------------------|------------------|-----------------------------|----------------------------|
| <u>Governmental activities:</u> | | | | | |
| Accrued compensated absences | \$ 36,806 | \$ - | \$ (7,713) | \$ 29,093 | \$ 3,637 |

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - NONSPENDABLE FUND BALANCES

At June 30, 2018, the Town had the following nonspendable fund balances:

| | |
|---|------------------|
| General Fund: | |
| Tax Acquired Property | \$ 10,784 |
| Nonmajor Special Revenue Funds (Schedule E) | 42,430 |
| Nonmajor Permanent Funds (Schedule G) | <u>28,046</u> |
| | <u>\$ 81,260</u> |

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

| | |
|---|-------------------|
| Nonmajor Special Revenue Funds (Schedule E) | \$ 382,041 |
| Nonmajor Permanent Funds (Schedule G) | <u>166,267</u> |
| | <u>\$ 548,308</u> |

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2018, the Town had the following assigned fund balances:

| | Balance, 7/1/17 | Appropriations | Additions | Reductions | Balance, 6/30/18 |
|---|--------------------|------------------|-------------------|---------------------|---------------------|
| Carryforwards: | | | | | |
| General government - cemetery repairs | \$ 2,500 | \$ - | \$ - | \$ (2,500) | \$ - |
| General government - building repairs | 1,500 | - | - | (1,500) | - |
| Public safety - fire department capital | 3,500 | - | - | (1,565) | 1,935 |
| Public safety - fire department | 1,500 | 1,500 | - | (3,000) | - |
| Public works - summer roads | 15,000 | 2,500 | - | (17,500) | - |
| Public works - road surface | 105,000 | - | - | (105,000) | - |
| Public works - equipment | 90,000 | - | - | (61,650) | 28,350 |
| Public works - maintenance | 6,500 | 24,500 | - | (17,781) | 13,219 |
| Recreation - library building repairs | 1,500 | - | - | - | 1,500 |
| Recreation - supplies | 500 | 6,600 | - | (7,100) | - |
| Recreation - fields/facilities | 2,000 | 4,000 | - | (2,571) | 3,429 |
| Old Point School | 4,000 | - | - | (3,567) | 433 |
| Town Legal Expense | - | 56,000 | 63,786 | (108,944) | 10,842 |
| Garden | - | - | 2,037 | (943) | 1,094 |
| Madison Anson Days | 25,116 | - | 15,633 | (19,520) | 21,229 |
| Internship Funds | - | - | 800 | - | 800 |
| Keep Madison Warm Fund | 54 | - | - | (54) | - |
| Mug Up Social Gathering | - | - | 925 | - | 925 |
| Beach Access | - | - | 3,432 | - | 3,432 |
| Recreation Funds | - | - | 775 | (190) | 585 |
| Christmas Parade Committee | 7,381 | 3,000 | 2,115 | (4,764) | 7,732 |
| 189 Main Street Playground/Parking | 22,250 | - | 24,240 | (44,562) | 1,928 |
| Emergency Management | 576 | - | - | (50) | 526 |
| Fortin Playground at OPA | - | - | 45,730 | (21,976) | 23,754 |
| Rec Participation | 4,448 | - | 9,709 | (5,944) | 8,213 |
| Foreclosure Sales | 42,859 | - | 58,347 | (45,110) | 56,096 |
| Police Contract Reimbursement | 52,177 | - | 41,755 | (61,755) | 32,177 |
| Reserves: | | | | | |
| Debt retirement | 33,903 | - | - | (33,903) | - |
| Water access/beach area | 3,432 | - | - | (3,432) | - |
| Revaluation | 124,375 | - | 3,926 | - | 128,301 |
| Legal deductible | 29,577 | - | - | (29,577) | - |
| | <u>\$ 579,648</u> | <u>\$ 98,100</u> | <u>\$ 273,210</u> | <u>\$ (604,458)</u> | <u>\$ 346,500</u> |

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. As of June 30, 2018, the Town's share of school, Madison Electric Works, and county debt was as follows:

| | <u>Outstanding Debt</u> | <u>Town's Percentage</u> | <u>Total Share</u> |
|------------------------|-----------------------------|------------------------------|------------------------|
| County of Somerset | \$ 14,460,000 | 6.95% | \$ 1,004,931 |
| Madison Electric Works | 1,550,152 | 100.00% | 1,550,152 |
| MSAD No. 59 | 3,977,484 | 100.00% | 3,977,484 |
| | | | <u>\$ 6,532,567</u> |

NOTE 12 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the Town had the following overspent appropriations:

| | <u>Excess</u> |
|---|------------------|
| Storm Drains and Waste Disposal (Article 7) | <u>\$ 19,569</u> |
| | <u>\$ 19,569</u> |

The Town is aware of this over-expenditure and plans to address it in the next fiscal year.

NOTE 13 - ECONOMIC DEPENDENCY

A single taxpayer, Eagle Creek Renewable Energy, is assessed approximately \$1,113,270 or approximately 14.91% of the Town of Madison's current year tax commitment.

NOTE 14 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS

Tax Increment Financing District

The Town has established a tax increment financing district in accordance with Maine statutes to finance economic development programs located in the Town of Madison, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

Municipal Development and Tax Increment Financing District

On March 30, 2006, the Madison Board of Selectmen, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy. The original District, known as the "Backyard Farms Tract," is comprised of 160 acres with an original assessed value of \$349,840. This agreement was amended in February of 2008 to adjust the District boundaries and to add 85 acres of town-owned public roads. This area is known as "Town Tract 1." In November of 2013 a second amendment request was approved to further adjust the District boundaries and add an additional 94.46 acres with an original assessed value of \$6,817,100. This area is known as "Town Tract 2." The potential projects that will be implemented under this Development Program include: the development of up to 8 multi-acre greenhouses, a cogeneration facility and other ancillary improvements, along with the related machinery and equipment, reconstruction and maintenance of roads, sidewalks and infrastructure, construction of a centrally located public safety building, creation of a local transfer station, economic development planning and administrative expenses associated with the development effort. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$31,641,914 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$14,849,791. The Development Program provides for 100% of the increase in assessed value of the Backyard Farms Tract to be captured and designated as captured assessed value for 30 years, starting with the Town's 2007-2008 fiscal year. The Town will not capture any of the increased assessed value of Town Tract 1 or Town Tract 2. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5227(3)(A).

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period of 15 or 20 years, or the remainder of the term of the District designation, whichever is less. The actual term will depend on a combination of Company investment in the Backyard Farms Tract of the District and the number of full-time employees (Less than \$60 million invested and less than 170 full-time employees – lesser of 15 years or the remainder of the District term. \$60 million or more invested and 170 or more full-time employees – lesser of 20 years or the remainder of the District term). The percentage of TIF revenues to be paid to the Company varies from 70% to 75%, depending on the number of full-time employees hired and retained by the Company (Less than 350 full-time employees – 70% returned to the Company and 30% retained by the Town. 350 or more full-time

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

employees – 75% returned to the Company and 25% retained by the Town). If the value of the taxable property within the original District drops below \$8 million, the Company will not receive any TIF revenues. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Selectmen shall determine, in its discretion, whether it is necessary or appropriate to enter any Credit Enhancement Agreement to grant these abatements. The state law does not provide for the recapture of abated taxes in the event an abatement recipient does not fill the commitment it makes in return for the tax abatement. The Town reserves the right to incur indebtedness to finance, in part or in whole, the projects within the Development Program. Any projects financed through municipal bonded indebtedness must be approved in advance by the Madison voters.

Abatements

The Town has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities. The Town currently only has one tax abatement agreement, the Backyard Farms Municipal Development and Tax Increment Financing District, which is summarized below:

Backyard Farms Municipal Development and Tax Increment Financing District

In March of 2006, the Town of Madison entered into a credit enhancement agreement with Backyard Farms, LLC for the development of the Backyard Farms greenhouse facility. The agreement is effective for 20 years. 70% of the property taxes to be generated on the improvements within the District will be returned to the developer and 30% will be retained by the Town and used to fund the development plan of the District. If certain hiring thresholds are achieved by Backyard Farms at any point during the 30 year period, the percentage of tax increment revenues captured and returned to Backyard Farms, LLC would increase from 70% to 75%. As such, the percentage of tax increment revenues captured and retained by the Town would decrease from 30% to 25%.

For the fiscal year ended June 30, 2018, the Town abated property taxes for the following program:

| Tax Abatement Program | Percentage of Taxes Abated During the Fiscal Year | Amount of Taxes Abated During the Fiscal Year |
|---|---|---|
| Backyard Farms Municipal Development and Tax Increment Financing District | 70% | \$ 457,483 |

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

The total amount of captured tax increment revenues for this TIF District was \$578,447. The amount of captured tax increment revenues returned to Backyard Farms LLC was \$457,483; representing 70% of the total captured tax increment revenues. The remaining 30% (\$196,064) was retained by the Town for economic development and infrastructure initiatives. In addition, the BETE reimbursement from the State (\$308,405) related to the property added in this TIF district is also captured and retained for the noted designated purpose for a total of \$504,469.

NOTE 15 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the International City Management Association Retirement Corporation (ICMA-RC).

The plan, available to all full-time and permanent part-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plan.

The Town's deferred compensation plan contribution for the employees for the year ended June 30, 2018, was approximately \$36,761 which was charged to the general fund. The amount withheld from the Town's employees' as deferred compensation which was contributed to the plan was approximately \$27,785 which was charged to the general fund as wages. In addition, Madison Electric Works is allowed to participate in the plan. The amount contributed to the plan from Madison Electric Works (both employee and employer portions) was approximately \$89,000 for the year ended June 30, 2018, which was reimbursed in full by the Electric Works.

NOTE 16 - RISK MANAGEMENT

The Town faces a full realm of risks typical of a thriving entity. Liabilities associated with torts and protections against damage of loss of assets are the general categories of risk for which the Town carries commercial insurance. Specific insurance related to these categories includes general, police and public officials' liability coverage, workers compensation, and automobile insurance. The Town is liable for deductibles ranging up to \$1,000 for settlements exceeding the limits of coverage, which range from \$50,000 to \$3,000,000.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 - RISK MANAGEMENT (CONTINUED)

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2018. There were no significant reductions in insurance coverage from that of the prior year and the amounts of settlements have not exceeded insurance coverage for each of the past three years.

NOTE 17 - COMPONENT UNIT

The Town of Madison, Maine has discretely presented the following component unit in the financial statements:

Madison Electric Works (MEW), a department of the Town, was created by a legislative act of the State of Maine for the purpose of performing all duties of the Town of Madison in connection with the management and operation of the service area's electric works. MEW services parts of the towns of Madison, Anson, Norridgewock and Starks. Operations of MEW are financed through usage fees charged to customers. MEW is a separate legal entity from the Town, however, debt issued for MEW is backed by the full faith and credit of the Town. Financing costs for MEW debt are provided through user charges. Separately issued financial statements of MEW can be obtained by contacting the Electric Works' superintendent at 6 Business Park Drive, Madison, ME.

NOTE 18 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 19 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund

TOWN OF MADISON, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts | | Actual Amounts | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 1,924,782 | \$ 1,924,782 | \$ 1,924,782 | \$ - |
| Resources (Inflows): | | | | |
| Taxes: | | | | |
| Property taxes | 7,545,722 | 7,545,722 | 7,523,455 | (22,267) |
| Excise taxes | 704,750 | 704,750 | 806,975 | 102,225 |
| Intergovernmental revenues: | | | | |
| State revenue sharing | 291,169 | 291,169 | 296,358 | 5,189 |
| Homestead exemption | 234,886 | 234,886 | 234,877 | (9) |
| Local road assistance | 60,552 | 60,552 | 60,552 | - |
| BETE reimbursement | 342,924 | 342,924 | 343,003 | 79 |
| Other | 33,750 | 33,750 | 40,625 | 6,875 |
| Charges for services | 98,320 | 98,320 | 99,411 | 1,091 |
| Interest income | 7,500 | 7,500 | 18,674 | 11,174 |
| Miscellaneous revenues | 47,000 | 47,000 | 119,299 | 72,299 |
| Transfers from other funds | 12,500 | 12,500 | 267,188 | 254,688 |
| Amounts Available for Appropriation | <u>11,303,855</u> | <u>11,303,855</u> | <u>11,735,199</u> | <u>431,344</u> |
| Charges to Appropriations (Outflows): | | | | |
| General government | 563,935 | 565,435 | 524,567 | 40,868 |
| Public safety | 909,655 | 911,155 | 906,339 | 4,816 |
| Public works | 803,900 | 825,400 | 820,163 | 5,237 |
| Parks and recreation | 73,000 | 75,500 | 75,456 | 44 |
| Cemeteries | 32,750 | 35,250 | 34,158 | 1,092 |
| Community and social agencies | 170,470 | 171,970 | 171,953 | 17 |
| Education | 5,088,528 | 5,088,528 | 5,088,528 | - |
| County tax | 871,711 | 871,711 | 871,711 | - |
| Unclassified | 153,250 | 243,532 | 96,631 | 146,901 |
| Capital outlay | - | 202,500 | 171,782 | 30,718 |
| Transfers to other funds | 961,951 | 961,951 | 961,951 | - |
| Total Charges to Appropriations | <u>9,629,150</u> | <u>9,952,932</u> | <u>9,723,239</u> | <u>229,693</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 1,674,705</u> | <u>\$ 1,350,923</u> | <u>\$ 2,011,960</u> | <u>\$ 661,037</u> |
| Utilization of assigned fund balance | \$ - | \$ 293,325 | \$ - | \$ (293,325) |
| Utilization of unassigned fund balance | 250,077 | 250,077 | - | (250,077) |
| | <u>\$ 250,077</u> | <u>\$ 543,402</u> | <u>\$ -</u> | <u>\$ (543,402)</u> |

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

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF MADISON, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2018

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|-------------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| Resources (Inflows): | | | | |
| Taxes: | | | | |
| Property taxes | \$ 7,545,722 | \$ 7,545,722 | \$ 7,523,455 | \$ (22,267) |
| Excise taxes | 704,750 | 704,750 | 806,975 | 102,225 |
| Intergovernmental revenues: | | | | |
| State revenue sharing | 291,169 | 291,169 | 296,358 | 5,189 |
| Homestead exemption | 234,886 | 234,886 | 234,877 | (9) |
| Tree growth reimbursement | 17,500 | 17,500 | 20,856 | 3,356 |
| Veterans' exemption | 4,000 | 4,000 | 4,010 | 10 |
| Local road assistance | 60,552 | 60,552 | 60,552 | - |
| BETE reimbursement | 342,924 | 342,924 | 343,003 | 79 |
| Other state/federal funds | 12,250 | 12,250 | 15,759 | 3,509 |
| Charges for services: | | | | |
| Town clerk fees/licenses | 24,000 | 24,000 | 26,604 | 2,604 |
| Code enforcement/permit fees | 6,000 | 6,000 | 6,270 | 270 |
| Public safety | 2,000 | 2,000 | 2,030 | 30 |
| Public works income | 46,000 | 46,000 | 45,084 | (916) |
| Parks and recreation | 1,500 | 1,500 | - | (1,500) |
| Library | 9,400 | 9,400 | 9,828 | 428 |
| Town owned property | 9,420 | 9,420 | 9,595 | 175 |
| Investment income: | | | | |
| Regular investment income | 7,500 | 7,500 | 18,674 | 11,174 |
| Other revenues: | | | | |
| Fees/interest on taxes | 37,000 | 37,000 | 46,908 | 9,908 |
| Cable t.v. franchise | - | - | - | - |
| Misc. other | 10,000 | 10,000 | 72,391 | 62,391 |
| Transfers from other funds | 12,500 | 12,500 | 267,188 | 254,688 |
| Amounts Available for Appropriation | <u>\$ 9,379,073</u> | <u>\$ 9,379,073</u> | <u>\$ 9,810,417</u> | <u>\$ 431,344</u> |

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

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------|--------------------|-----------------------|-----------------|----------------|------------------------------------|
| EXPENDITURES | | | | | |
| General government: | | | | | |
| Administration | \$ 478,935 | \$ 1,500 | \$ 480,435 | \$ 446,640 | \$ 33,795 |
| Planning board | 6,800 | - | 6,800 | 5,751 | 1,049 |
| Code enforcement | 16,750 | - | 16,750 | 17,707 | (957) |
| Boards & commissions | 19,450 | - | 19,450 | 19,284 | 166 |
| Elections | 2,000 | - | 2,000 | 3,435 | (1,435) |
| Assessing | 40,000 | - | 40,000 | 31,750 | 8,250 |
| | <u>563,935</u> | <u>1,500</u> | <u>565,435</u> | <u>524,567</u> | <u>40,868</u> |
| Public safety: | | | | | |
| Ambulance | 92,250 | - | 92,250 | 92,245 | 5 |
| Police department | 450,000 | - | 450,000 | 450,000 | - |
| Fire department | 101,155 | 1,500 | 102,655 | 92,324 | 10,331 |
| Animal control officer | 7,000 | - | 7,000 | 3,418 | 3,582 |
| Street lights | 58,000 | - | 58,000 | 62,310 | (4,310) |
| Hydrants | 201,250 | - | 201,250 | 206,042 | (4,792) |
| | <u>909,655</u> | <u>1,500</u> | <u>911,155</u> | <u>906,339</u> | <u>4,816</u> |
| Public works: | | | | | |
| Public areas | 30,000 | - | 30,000 | 29,358 | 642 |
| Waste disposal | 198,000 | - | 198,000 | 218,211 | (20,211) |
| General operations | 550,450 | 6,500 | 556,950 | 536,679 | 20,271 |
| Winter roads | 1,200 | - | 1,200 | - | 1,200 |
| Summer roads | 24,250 | 15,000 | 39,250 | 35,915 | 3,335 |
| | <u>803,900</u> | <u>21,500</u> | <u>825,400</u> | <u>820,163</u> | <u>5,237</u> |

SCHEDULE B (CONTINUED)

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|--------------------|-----------------------|------------------|------------------|------------------------------------|
| Parks and recreation: | | | | | |
| Preble Avenue | 15,100 | 2,000 | 17,100 | 10,309 | 6,791 |
| Recreation | 57,900 | 500 | 58,400 | 65,147 | (6,747) |
| | <u>73,000</u> | <u>2,500</u> | <u>75,500</u> | <u>75,456</u> | <u>44</u> |
| Cemeteries | <u>32,750</u> | <u>2,500</u> | <u>35,250</u> | <u>34,158</u> | <u>1,092</u> |
| Community and social agencies: | | | | | |
| Community programs | 42,645 | - | 42,645 | 45,238 | (2,593) |
| Library | 109,425 | 1,500 | 110,925 | 108,332 | 2,593 |
| Service organizations | 18,400 | - | 18,400 | 18,383 | 17 |
| | <u>170,470</u> | <u>1,500</u> | <u>171,970</u> | <u>171,953</u> | <u>17</u> |
| Education | <u>5,088,528</u> | <u>-</u> | <u>5,088,528</u> | <u>5,088,528</u> | <u>-</u> |
| County tax | <u>871,711</u> | <u>-</u> | <u>871,711</u> | <u>871,711</u> | <u>-</u> |
| Capital outlay: | | | | | |
| Roads | - | 105,000 | 105,000 | 105,000 | - |
| Public works equipment | - | 90,000 | 90,000 | 61,650 | 28,350 |
| Fire department | - | 3,500 | 3,500 | 1,565 | 1,935 |
| OPA repairs | - | 4,000 | 4,000 | 3,567 | 433 |
| | <u>-</u> | <u>202,500</u> | <u>202,500</u> | <u>171,782</u> | <u>30,718</u> |

SCHEDULE B (CONTINUED)

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|------------------------------------|---------------------|-----------------------|---------------------|---------------------|------------------------------------|
| Unclassified: | | | | | |
| Old Point | 18,800 | - | 18,800 | 18,922 | (122) |
| Playground | 2,800 | - | 2,800 | 2,808 | (8) |
| Boat landing | 1,200 | - | 1,200 | - | 1,200 |
| 55 Western Ave | 2,400 | - | 2,400 | 3,179 | (779) |
| Madison Anson Days | - | 40,749 | 40,749 | 19,520 | 21,229 |
| Keep Madison Warm Fund | - | 54 | 54 | 54 | - |
| Christmas Parade Committee | - | 12,496 | 12,496 | 4,764 | 7,732 |
| 189 Main Street Playground/Parking | - | 22,250 | 22,250 | 20,322 | 1,928 |
| Emergency Management | - | 576 | 576 | 50 | 526 |
| Rec Participation | - | 14,157 | 14,157 | 5,944 | 8,213 |
| Overlay | 128,050 | - | 128,050 | 21,068 | 106,982 |
| | <u>153,250</u> | <u>90,282</u> | <u>243,532</u> | <u>96,631</u> | <u>146,901</u> |
| Transfers to other funds: | | | | | |
| Special revenue funds | 961,951 | - | 961,951 | 961,951 | - |
| | <u>961,951</u> | <u>-</u> | <u>961,951</u> | <u>961,951</u> | <u>-</u> |
| Total Expenditures | <u>\$ 9,629,150</u> | <u>\$ 323,782</u> | <u>\$ 9,952,932</u> | <u>\$ 9,723,239</u> | <u>\$ 229,693</u> |

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

TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

| | Special Revenue Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|--------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 87,145 | \$ 58,732 | \$ 145,877 |
| Investments | 241,128 | 135,581 | 376,709 |
| Notes receivable | 42,430 | - | 42,430 |
| Due from other funds | 68,132 | - | 68,132 |
| TOTAL ASSETS | <u>\$ 438,835</u> | <u>\$ 194,313</u> | <u>\$ 633,148</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Due to other funds | 14,364 | - | 14,364 |
| TOTAL LIABILITIES | <u>14,364</u> | <u>-</u> | <u>14,364</u> |
| FUND BALANCES | | | |
| Nonspendable | 42,430 | 28,046 | 70,476 |
| Restricted | 382,041 | 166,267 | 548,308 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | <u>424,471</u> | <u>194,313</u> | <u>618,784</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 438,835</u> | <u>\$ 194,313</u> | <u>\$ 633,148</u> |

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

TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

| | Special Revenue Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|--------------------|---|
| REVENUES | | | |
| Investment income, net of unrealized gains/(losses) | \$ 5,371 | \$ 8,784 | \$ 14,155 |
| Other | 2,138 | - | 2,138 |
| TOTAL REVENUES | <u>7,509</u> | <u>8,784</u> | <u>16,293</u> |
| EXPENDITURES | | | |
| Program expenses | 745,848 | - | 745,848 |
| TOTAL EXPENDITURES | <u>745,848</u> | <u>-</u> | <u>745,848</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(738,339)</u> | <u>8,784</u> | <u>(729,555)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,077,095 | - | 1,077,095 |
| Transfers (out) | (267,188) | (115,144) | (382,332) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>809,907</u> | <u>(115,144)</u> | <u>694,763</u> |
| NET CHANGE IN FUND BALANCES | 71,568 | (106,360) | (34,792) |
| FUND BALANCES - JULY 1 | <u>352,903</u> | <u>300,673</u> | <u>653,576</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 424,471</u> | <u>\$ 194,313</u> | <u>\$ 618,784</u> |

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

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

| | Public Library Expendable Trust Fund | Dorothy Brown Expendable Trust Fund | Backyard Farms Capture & Retain TIF | Backyard Farms Capture & Return TIF | Revolving Loan Fund | Cemetery Lot Sales Fund | Total |
|--|---|--|--|--|------------------------|-------------------------------|-------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 18,034 | \$ 6,096 | \$ 62,042 | \$ 66 | \$ - | \$ 907 | \$ 87,145 |
| Investments | 63,355 | 75,816 | - | - | - | 101,957 | 241,128 |
| Notes receivable | - | - | - | - | 42,430 | - | 42,430 |
| Due from other funds | - | - | - | - | 68,132 | - | 68,132 |
| TOTAL ASSETS | <u>\$ 81,389</u> | <u>\$ 81,912</u> | <u>\$ 62,042</u> | <u>\$ 66</u> | <u>\$ 110,562</u> | <u>\$ 102,864</u> | <u>\$ 438,835</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | 14,364 | - | - | - | 14,364 |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>14,364</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>14,364</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | - | - | - | - | 42,430 | - | 42,430 |
| Restricted | 81,389 | 81,912 | 47,678 | 66 | 68,132 | 102,864 | 382,041 |
| Committed | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>81,389</u> | <u>81,912</u> | <u>47,678</u> | <u>66</u> | <u>110,562</u> | <u>102,864</u> | <u>424,471</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 81,389</u> | <u>\$ 81,912</u> | <u>\$ 62,042</u> | <u>\$ 66</u> | <u>\$ 110,562</u> | <u>\$ 102,864</u> | <u>\$ 438,835</u> |

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

TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

| | Public Library Expendable Trust Fund | Dorothy Brown Expendable Trust Fund | Backyard Farms Capture & Retain TIF | Backyard Farms Capture & Return TIF | Revolving Loan Fund | Cemetery Lot Sales Fund | Total |
|---|---|--|--|--|------------------------|-------------------------------|-------------------|
| REVENUES | | | | | | | |
| Investment income, net of unrealized gains/(losses) | \$ 5,498 | \$ (3,258) | \$ 1,120 | \$ 41 | \$ - | \$ 1,970 | \$ 5,371 |
| Other | 915 | - | - | - | 1,223 | - | 2,138 |
| TOTAL REVENUES | 6,413 | (3,258) | 1,120 | 41 | 1,223 | 1,970 | 7,509 |
| EXPENDITURES | | | | | | | |
| Program expenditures | 2,009 | - | 286,357 | 457,482 | - | - | 745,848 |
| TOTAL EXPENDITURES | 2,009 | - | 286,357 | 457,482 | - | - | 745,848 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 4,404 | (3,258) | (285,237) | (457,441) | 1,223 | 1,970 | (738,339) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | 504,469 | 457,482 | - | 115,144 | 1,077,095 |
| Transfers (out) | - | (2,861) | (250,077) | - | - | (14,250) | (267,188) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | (2,861) | 254,392 | 457,482 | - | 100,894 | 809,907 |
| NET CHANGE IN FUND BALANCES | 4,404 | (6,119) | (30,845) | 41 | 1,223 | 102,864 | 71,568 |
| FUND BALANCES - JULY 1 | 76,985 | 88,031 | 78,523 | 25 | 109,339 | - | 352,903 |
| FUND BALANCES - JUNE 30 | \$ 81,389 | \$ 81,912 | \$ 47,678 | \$ 66 | \$ 110,562 | \$ 102,864 | \$ 424,471 |

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

Permanent Funds

Permanent funds are used to account for assets held by the Town of Madison, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of cemeteries and scholarships.

TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS
JUNE 30, 2018

| | Cemetery | Jacobs Scholarship | Total |
|--|-------------------|-----------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 58,166 | \$ 566 | \$ 58,732 |
| Investments | 128,317 | 7,264 | 135,581 |
| Due from other funds | - | - | - |
| TOTAL ASSETS | <u>\$ 186,483</u> | <u>\$ 7,830</u> | <u>\$ 194,313</u> |
| LIABILITIES | | | |
| Due to other funds | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | 23,046 | 5,000 | 28,046 |
| Restricted | 163,437 | 2,830 | 166,267 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | <u>186,483</u> | <u>7,830</u> | <u>194,313</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 186,483</u> | <u>\$ 7,830</u> | <u>\$ 194,313</u> |

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

TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Cemetery</u> | <u>Jacobs Scholarship</u> | <u>Total</u> |
|--|-------------------|-------------------------------|-------------------|
| REVENUES | | | |
| Investment income, net of unrealized gains/(losses) | \$ 8,377 | \$ 407 | \$ 8,784 |
| TOTAL REVENUES | <u>8,377</u> | <u>407</u> | <u>8,784</u> |
| EXPENDITURES | | | |
| Other | - | - | - |
| TOTAL EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>8,377</u> | <u>407</u> | <u>8,784</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers (out) | (115,144) | - | (115,144) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(115,144)</u> | <u>-</u> | <u>(115,144)</u> |
| NET CHANGE IN FUND BALANCES | (106,767) | 407 | (106,360) |
| FUND BALANCES - JULY 1 | <u>293,250</u> | <u>7,423</u> | <u>300,673</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 186,483</u> | <u>\$ 7,830</u> | <u>\$ 194,313</u> |

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

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF MADISON, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2018

| | Land and Non-depreciable Assets | Buildings, Building Improvements & Land Improvements | Furniture, Fixtures, Equipment & Vehicles | Infrastructure | Total |
|--------------------------------|---------------------------------------|--|--|----------------|--------------|
| General government | \$ 292,910 | \$ 918,894 | \$ 34,186 | \$ - | \$ 1,245,990 |
| Public safety | 20,000 | 158,760 | 1,064,456 | - | 1,243,216 |
| Public works | 7,500 | 132,664 | 1,607,271 | 7,043,001 | 8,790,436 |
| Recreation | 655,759 | 9,600 | 2,500 | - | 667,859 |
| Total General Capital Assets | 976,169 | 1,219,918 | 2,708,413 | 7,043,001 | 11,947,501 |
| Less: Accumulated Depreciation | - | (463,921) | (2,009,613) | (3,559,730) | (6,033,264) |
| Net General Capital Assets | \$ 976,169 | \$ 755,997 | \$ 698,800 | \$ 3,483,271 | \$ 5,914,237 |

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

TOWN OF MADISON, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018

| | General Capital Assets 7/1/17 | Additions | Deletions | General Capital Assets 6/30/18 |
|--------------------------------|--|---------------------|-------------|---|
| General government | \$ 1,245,990 | \$ - | \$ - | \$ 1,245,990 |
| Public safety | 1,243,216 | - | - | 1,243,216 |
| Public works | 8,751,129 | 61,650 | (22,343) | 8,790,436 |
| Recreation | 667,859 | - | - | 667,859 |
| Total General Capital Assets | 11,908,194 | 61,650 | (22,343) | 11,947,501 |
| Less: Accumulated Depreciation | (5,787,982) | (267,625) | 22,343 | (6,033,264) |
| Net General Capital Assets | <u>\$ 6,120,212</u> | <u>\$ (205,975)</u> | <u>\$ -</u> | <u>\$ 5,914,237</u> |

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



Proven Expertise and Integrity

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

Board of Selectmen
Town of Madison
Madison, 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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Madison, 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 Madison, Maine's basic financial statements, and have issued our report thereon dated October 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Madison, 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 Madison, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Madison, 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.

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www.rhrsmith.com

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 Madison, Maine's financial statements are free from 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.

RHR Smith & Company

Buxton, Maine
October 8, 2018