

**TOWN OF TOPSHAM**

**TOPSHAM, MAINE**

**FINANCIAL AUDIT REPORT**

**JUNE 30, 2019**

**TOWN OF TOPSHAM  
TOPSHAM, MAINE  
JUNE 30, 2019**

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## **REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

### **Independent Auditors' Report**

Board of Selectmen and Manager  
TOWN OF TOPSHAM  
Topsham, Maine

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

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, remaining fund information and the discretely presented component unit of the Town of Topsham, Maine as of June 30, 2019, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

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



**SMITH & ASSOCIATES, CPAs**  
*A Professional Association*

**Yarmouth, Maine**  
**December 31, 2019**



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**Town Manager**  
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis is an analysis of the financial condition and operating results of the town for the fiscal year ended June 30, 2019 written by the Town Manager. The purpose is to foster increased interest from citizenry and taxpayers and to provide an easily read overview of the town's financial condition in conjunction with the audited financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the Town of Topsham exceeded its liabilities at the close of the most recent fiscal year by \$17,727,370 per Exhibit I (net position). Of this amount, \$7,073,269 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's total net position increased by \$2,046,800 during the fiscal year.
- At the close of the current fiscal year, the Town of Topsham's governmental funds reported combined ending fund balances of \$8,915,629, an increase of \$1,251,892 over the prior year. The amount of \$5,467,522 is the General Fund Unreserved Fund Balance which is available for appropriation in the next budget cycle and represents 25% of the total general fund expenditures and transfers.
- The Town of Topsham has \$2,065,827 committed for Capital Projects and \$964,868 restricted or committed for TIFs and other Special Revenues. See Note 13 for details of these funds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Topsham's financial statements. The Town's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information.

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

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

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

The government-wide financial statements use separate columns and rows to include the financial balances and activities of Topsham Development, Inc., a component unit of the Town of Topsham for financial reporting purposes.

**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 Topsham, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. While generally accepted accounting principles provide for three broad categories of funds (governmental, proprietary and fiduciary), all of the funds of the Town are currently classified as governmental funds:

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

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information:** Along with this Management Discussion & Analysis, the Town presents several additional pieces of required supplementary information at the end of this report. These schedules provide additional information as called for by the Governmental Accounting Standards Board (GASB) relating to the Town's defined benefit pension plan as well as the Town's other employee benefit plans which provide, in some fashion, continuing benefits to former employees after they retire.

## COMPARATIVE DATA

The following tables provide a summary of the Town of Topsham's net position and statement of activities for the year ended June 30, 2019, with comparative data for the previous year. Net position serves as a useful indicator of the Town's financial position. Changes in net position generally indicate the direction (positive and negative) of the Town's financial position over time. Please note that the data which follow are with respect to the Town of Topsham only and do not include any amounts or balances for Topsham Development, Inc.

## COMPARATIVE DATA (CONTINUED)

## TOWN OF TOPSHAM'S NET POSITION

Condensed Statement of Net Position	Governmental Activities	
	30-Jun-19	30-Jun-18
<b>Assets</b>		
Current and Other Assets	\$ 9,898,143	\$ 8,520,229
Capital Assets	<u>16,947,996</u>	<u>17,751,537</u>
<b>Total Assets</b>	<u>\$ 26,846,139</u>	<u>\$ 26,271,766</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 521,605</u>	<u>\$ 838,835</u>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 1,666,053	\$ 1,624,704
Long Term Liabilities	<u>7,598,743</u>	<u>9,033,374</u>
<b>Total Liabilities</b>	<u>\$ 9,264,796</u>	<u>\$ 10,658,078</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 375,578</u>	<u>\$ 771,953</u>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 9,842,086	\$ 9,516,224
Restricted	812,015	683,574
Unrestricted	<u>7,073,269</u>	<u>5,480,772</u>
<b>Total Net Position</b>	<u>\$ 17,727,370</u>	<u>\$ 15,680,570</u>

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

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$7,677,165 (prior year \$5,956,227) may be used to meet the governments' ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position. The same situation held true for the prior year. The Town's net position increased by \$2,046,800 during the current fiscal year as shown in Exhibit II.

## COMPARATIVE DATA (CONTINUED)

## TOWN OF TOPSHAM'S CHANGES IN NET POSITION

Condensed Statement of Activities	Governmental Activities	
	30-Jun-19	30-Jun-18
<b>Revenues:</b>		
<i>Program Revenues</i>		
Charge for Services	\$ 1,070,394	\$ 1,044,070
Grants and Contributions	316,946	248,085
<i>General Revenues</i>		
Property and Other Taxes	21,242,983	20,316,264
Grants and Contributions Not Restricted to Specific Programs	1,123,806	932,301
Book Value of Assets Disposed	(17,389)	0
Unrestricted Investment Earnings	84,865	51,363
Miscellaneous	<u>62,590</u>	<u>37,488</u>
<b>Total Revenues</b>	<b><u>\$ 23,884,195</u></b>	<b><u>\$ 22,629,571</u></b>
<b>Expenses</b>		
General Government	\$ 1,238,177	\$ 1,611,114
Public Works and Sanitation	1,984,486	2,225,204
Protection	2,546,278	2,369,447
Culture and Recreation	1,077,546	1,016,613
Public Health and Welfare	5,934	18,190
Contractual Services	47,771	104,879
Public Utilities	320,940	346,176
Education	10,244,895	9,691,775
Interest	263,482	292,266
County Tax and Overlay	1,717,755	1,665,681
Depreciation	1,185,360	1,157,353
Tax Increment Financing	<u>1,204,771</u>	<u>1,288,930</u>
<b>Total Expenses</b>	<b><u>\$ 21,837,395</u></b>	<b><u>\$ 21,787,628</u></b>
<b>Increase (Decrease) In Net Position</b>	<b><u>\$ 2,046,800</u></b>	<b><u>\$ 841,943</u></b>
<b>Net Position, July 1</b>	<b><u>\$ 15,680,570</u></b>	<b><u>\$ 14,838,627</u></b>
<b>Net Position, June 30</b>	<b><u>\$ 17,727,370</u></b>	<b><u>\$ 15,680,570</u></b>

## ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Statement of Activities indicates that the total revenues exceeded total expenses by \$2,046,800, resulting in an even stronger overall financial position for the year ended June 30, 2019.

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

**General Fund** – Revenues were greater than expenditures and net transfers by \$317,718 thereby increasing the fund balance to \$5,655,835. This increase reflects a shift compared to the prior year, in which the general fund decreased by \$(241,022). While the amount of fund balance that any town needs to maintain is debatable, this amount is healthy by most standards. My goal has been to at least maintain enough fund balance to eliminate the need for annual tax anticipation borrowing.

**All Other Governmental Funds** – The increase of \$934,174 in combined fund balances for this category is primarily due to the establishment of several new capital reserve balances this year including \$123,080 for Elm Street culverts and \$327,000 for Elm Street reconstruction as well as additions to various other reserve funds. In the prior year, the increase of \$254,914 in such other fund balances was also primarily due to the establishment of new reserves offset by expenditures from same.

## GENERAL FUND BUDGETARY HIGHLIGHTS

As presented in Exhibit VII, final budgeted expenditures and transfers amounted to \$22,555,387 (\$21,809,986 in prior year). The town department budgets were under spent by \$637,298 (\$405,738 in prior year) and revenues were above budgeted estimates by \$346,817 (\$353,240 in prior year), due largely to increases in excise taxes collected. These factors result in a net favorable performance against budget this past year in the amount of \$984,115 (\$758,978 in the prior year.) Put another way, the budget for this past year called for the Town to have to draw \$666,397 from fund balance over the course of the year, but due to the favorable performance noted, we actually added \$317,718 to fund balance. This healthy surplus allows the town to operate from the fiscal year end to the first property tax payment due date without the need to temporarily borrow money. The fund balance continues at a level such that during the last Town Meeting, \$188,313 was allocated to support the municipal budget, and to help minimize a tax increase. The Board of Selectmen's adopted goal is to maintain a fund balance at approximately 18% of the municipal budget. Amounts in excess of this level would be used to supplement the municipal budget, and to fund one-time capital expenses.

### Property Values

Again this past year, property values in Town have increased organically – based on a healthier real estate market. Consequently, while the tax rate increase was estimated to be \$20.31 per thousand at the May Town Meeting, the actual tax rate increase was reduced to \$.42, for a new rate of \$19.15 (from \$18.73 in FY 19) The bulk of the valuation adjustments this year were on the residential side, as opposed to the commercial side as in previous years.

**GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

We continue to work to keep Topsham as a desirable place to live and work. Providing amenities such as our new Bike Path, increasing our investment in road maintenance and repaving, and our professional delivery of first responder services, is matched by our efforts at keeping our commercial areas up to date, making Topsham the place to be. While there are costs associated with all of these efforts, there are also multiple benefits to the community, in higher values and more diversity in our tax base. We have put in place a regulatory system that sets high standards for growth, but also one that establishes a reliable protocol for permits and reviews. When vacancies have appeared, they have generally been filled in a timely manner. It is important to note that Topsham's tax collection rate continues to be high, exceeding 97% in FY 19.

**Revenue Sharing**

For FY 19, State Municipal Revenue Sharing remained at its reduced rate as it has over the past several years. Historically, the State paid 5% of income and sales tax revenues to communities. However, over the past eight years, that percentage has been reduced to 2%. In FY 08, our Revenue sharing was about \$950,000. In FY 19, we received \$513,911, an increase of \$38,311 from FY18, but still a reduction of approximately 46% over 10 years. Had the State adhered to its promise to communities, our total last year would have been approximately \$1,284,775, or \$770,866 more than we actually received. Over the past six years, Topsham taxpayers have had to make up this difference.

Due to the State's underfunding of Revenue Sharing, we have tried to maintain services while reducing staffing levels. We have realized that we are unable to maintain the level of service that residents deserve, and that we want to provide.

**Municipal Services**

To address this shortfall, we have strategically added personnel to improve service delivery. Recently, we added two new positions to the Police Department and a position to the Fire Department. We also added an Assistant Town Manager position to help with overall administrative functions within the Town. While not fully addressing our service delivery concerns, these positions have helped bring us closer to where we want to be, and where residents deserve us to be. We will make further adjustments as needed in order to maintain and improve services.

**Capital Investment Plan**

In 2014, the Board of Selectmen and Finance Committee both approved a Capital Investment Plan. This is simply a long range budget for capital expenses, which includes vehicles, major equipment, roads, debt service and facilities maintenance. By placing all of these expenditures in a single budget, it allows us to schedule them so that we can minimize annual fluctuations in our expenditure level. What we try to avoid is spending \$500,000 one year, and then \$0 the next, then \$500,000 the following year. We believe it is better to budget \$333,000 each year for three years, in this example.

**GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

Our Capital Investments are changing over time, as our debt service continues to decline, leaving us with a greater financial ability to pay for our equipment on an ongoing basis. By scheduling our investments in this manner, we have also been able to increase funding of road reconstruction on an annual basis.

Lastly, it helps us to focus on our facilities, and making sure that we allocate funds for maintenance and replacement of major capital features – roofs, furnaces, HVAC systems, etc.

**Municipal TIFs**

Over the years, there have been a lot of discussions in Topsham about our Tax Increment Financing Districts (TIFs). What are they, how do they work, good, bad, indifferent? In a nutshell, a TIF district freezes the value of a piece of property for a period of time. During that period, the owner continues to pay the full tax on that original property value, and that amount stays with the Town. As the value of the parcel(s) increases over time, the taxes on the increased value are treated a bit differently, based on an agreement made between the owner, the town and the State. For example, in a case where a property owner has made a significant investment to create jobs, a portion of that increased tax revenue may be refunded to the developer, and the remainder stays with the Town. In the case of Municipal TIF Districts, the Town is considered the property owner, and increased tax revenues stay with the Town, under a special designation.

If the Town uses its share of the tax revenue for certain uses – economic development related issues (sheltered) – then the property value related to the tax is not included in the Town's total valuation. When the time comes for the State to distribute aid to education, or when the County sends out its bill to the Towns, this hidden value benefits Topsham through higher aid from the State and lower bills from the County.

What does the Town use its TIF proceeds for? Some go into the General Fund and are not sheltered. Other funds are spent on qualified expenses, and are therefore sheltered. Still other funds are put into reserve accounts and are sheltered. These funds are used at a future date.

What kind of uses can these funds be used for? In the last two years, we allocated funds for several capital projects, including replacing a decaying storm drain system under Main St. We set aside funds to replace the slowly failing culvert under Elm St. (past the cemetery), and to demolish the old Fire Station on Green St. to help spur redevelopment in that area. These types of uses (which the Town will have to undertake someday regardless of TIF districts) are intended to improve our ability to encourage and support economic development. In addition, costs that have been part of our budget for years are now being paid for by these funds, including our Economic Development Department, portions of other departments, parts of capital expenses, etc. Again, these are costs we were incurring anyway.

So, these TIF districts provide dedicated funds to the Town, and shelter some of our new value from the State and the County. And, when we spend those dollars, we have full dollars to spend, as opposed to regular tax funds, which we share with the County and School District to the tune of

more than 60%. What does this mean? It means that when the town raises a dollar in taxes, it only gets about \$.38 to spend (the rest goes to the County and the School District). But when we raise a dollar in a TIF District, we can spend a full dollar.

**CAPITAL ASSET AND DEBT**

**Capital Assets**

Additions to Capital Assets totaled \$399,208 (prior year \$837,834) for the fiscal year ended June 30, 2019 and retirements totaled \$404,779 (prior year \$266,584).

**Debt**

The Town’s total debt in the form of bonds and leases payable decreased by \$1,129,403 to \$7,105,910 (prior year decreased by \$1,145,047 to \$8,235,313). Accrued compensation payable amounted to \$159,493 at June 30, 2019, a \$33,905 decrease from prior year; and our net pension liability fell by \$375,090 this year from last year’s level of \$1,376,974. Additionally, the Town’s OPEB liabilities rose slightly by \$3,767 to \$360,859.

**NEXT YEAR’S BUDGET AND RATES AND FUTURE DEVELOPMENTS**

The FY 19 budget saw increases in revenue, expenditures and valuation, the three components of the tax rate. The resultant mil rate reflected an increase from \$18.12 to \$18.73, approximately 3.37%. For FY19, the Town’s expenditure budget increased by 1.36%, while the County expenditures rose by about 0.81% and SAD 75 increased by 5.71%. The municipal increase was largely due to a significant growth in our Unassigned Fund Balance, resulting in capital expenditures that would not otherwise have been made. The Town’s elected and appointed officials worked hard to present an acceptable budget to the citizens, one that provided service improvements while trying to minimize tax increases.

For FY 20, we hope that our increases in staffing in the Police and Fire Departments will provide more consistent coverage, with a reduced reliance on overtime. Likewise, we will continue to work with staffing needs in Town Hall, to make sure we have adequate staff resources to appropriately manage the Town’s affairs.

The following shows the history of the Mil rate and budgeted general fund expenditures for municipal, school and county governments, and transfers to other funds:

<u>Year</u>	<u>Mil Rate</u>	<u>Budget</u>
2013	\$16.21	\$18,437,241
2014	\$16.65	\$19,348,010
2015	\$17.33	\$19,753,375
2016	\$17.96	\$20,907,970
2017	\$17.99	\$21,514,063
2019	\$18.12	\$23,141,319
2019	\$18.73	\$23,867,908
2020	\$19.15	\$25,688,217

**NEXT YEAR'S BUDGET AND RATES AND FUTURE DEVELOPMENTS (CONTINUED)**

## Issues

Looking forward to FY 2020, there are several issues that are on our radar screen.

Following the adoption of our new Comprehensive Plan, we will begin the implementation process, which will require further investments in zoning amendments. This is an exciting time in Topsham as we look at new ways to accommodate the growth that we are having, while maintaining both the visual and historic qualities that make Topsham such a wonderful community.

The November 2018 State-wide election resulted in a Governor and Legislature that are more attuned to the needs of local communities. There are commitments to increase General Revenue Sharing over two years to 3.5% of State sales and income tax receipts. This is an increase over last year's 2%. The new revenue to Topsham for FY 20 is approximately \$226,542. This is still about \$500,000 below where State Statute says we should be, but it is certainly a step in the right direction. FY 21 should see another .5% increase as well.

Housing costs continue to rise, which is a good thing for those residents that want to sell their property. However, for those that are seeking to purchase, it gets harder and harder every year to be able to afford, particularly for those that are in the 'middle' income group – fire fighters, police officers, teachers, office workers, etc. How do we, as a community, remain affordable for our children and our employees? This is a challenge that will only get harder as housing costs continues to inflate. A side effect of this is higher housing values for everyone else, which can translate to higher taxes, and shifting of the tax burden from commercial to residential property owners, even without increases in tax rates.

Our municipal facilities are wonderful. They still feel new. However, our newest facilities are already 10 years old, and our oldest are now 20 years old. Maintaining these facilities into the future will be a focus of future budget discussions and planning. The Board of Selectmen is attempting to plan for these costs with increased set asides in our capital budget for future major maintenance costs with our facilities. Likewise, with the voter's approval of a new high school, we will see higher costs associated with its construction in the FY 20 budget.

Budgeting for the needs of the community continues to be challenge, as services are requested daily that we don't have the capacity to provide. This balance between what we would like to do, and what we have to do, while keeping taxes at a reasonable level, is a difficult task. The continued shortchanging of General Revenue Sharing by the State has complicated this effort, but we will continue to search out creative revenue sources as well as minimizing un-needed new expenditures.

Growth trends, demographic shifts, job development, costs associated with doing business, will affect the future for all of us. How to maintain the quality of services that we provide as the demand increases? How to keep traffic flowing into, out of, and through our community without destroying the vitality of Topsham? What are the budgetary impacts of this growth, this change in service demands, this change in the demographic make-up of our Town? How do we afford to maintain our existing infrastructure? These are some of the challenges we all face as we look to the future. I am confident that as a Town we will rise to meet them.

**TOWN OF TOPSHAM  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	Primary <u>Government</u> Governmental <u>Activities</u>	Component <u>Unit</u> Topsham Development <u>Inc.</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 8,777,315	\$ 104,844
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$422,000	426,323	0
Taxes Receivable, Net of Allowance of Uncollectible Taxes of \$27,000	566,765	0
Tax Liens Receivable	127,740	0
Capital Assets, Net of Accumulated Depreciation	<u>16,947,996</u>	<u>0</u>
<b>Total Assets</b>	<b><u>\$26,846,139</u></b>	<b><u>\$ 104,844</u></b>
<b>Deferred Outflows of Resources</b>		
Related to Pension	\$ 475,575	\$ 0
Related to OPEB	<u>46,030</u>	<u>0</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 521,605</u></b>	<b><u>\$ 0</u></b>
<b>Liabilities</b>		
Accounts Payable	\$ 220,089	\$ 0
Accrued Expenses	416,561	0
Non Current Liabilities		
Due Within One Year	1,029,403	0
Due in More Than One Year	6,236,000	0
Net Pension Liability	1,001,884	0
Net OPEB Liabilities	<u>360,859</u>	<u>0</u>
<b>Total Liabilities</b>	<b><u>\$ 9,264,796</u></b>	<b><u>\$ 0</u></b>
<b>Deferred Inflows of Resources</b>		
Related to Pension	\$ 289,153	\$ 0
Related to OPEB	58,609	0
Prepaid Property Taxes	<u>27,816</u>	<u>0</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 375,578</u></b>	<b><u>\$ 0</u></b>
<b>Net Position</b>		
<i>Net Investment In Capital Assets</i>	\$ 9,842,086	\$ 0
<i>Restricted</i>		
Tax Increment Financing (TIFs)	603,896	0
Permanent Funds, Non-Expendable	208,119	0
<i>Unrestricted</i>	<u>7,073,269</u>	<u>104,844</u>
<b>Total Net Position</b>	<b><u>\$17,727,370</u></b>	<b><u>\$ 104,844</u></b>

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

**TOWN OF TOPSHAM  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>		<u>Component</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>	<u>Unit</u> Topsham Development Inc.	
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General Government	\$ 1,238,177	\$ 201,693	\$ 0	\$ (1,036,484)	\$ (1,036,484)	\$ 0	\$ 0
Public Works and Sanitation	1,984,486	188,385	165,196	(1,630,905)	(1,630,905)	0	0
Protection	2,546,278	457,470	125,273	(1,963,535)	(1,963,535)	0	0
Culture and Recreation	1,077,546	222,846	0	(854,700)	(854,700)	0	0
Public Health and Welfare	5,934	0	0	(5,934)	(5,934)	0	0
Contractual Services	47,771	0	0	(47,771)	(47,771)	0	0
Public Utilities	320,940	0	0	(320,940)	(320,940)	0	0
Education	10,244,895	0	26,477	(10,218,418)	(10,218,418)	0	0
Fixed Charges	1,717,755	0	0	(1,717,755)	(1,717,755)	0	0
Tax Increment Financing	1,204,771	0	0	(1,204,771)	(1,204,771)	0	0
Interest On Long-Term Debt	263,482	0	0	(263,482)	(263,482)	0	0
Depreciation – Unallocated	<u>1,185,360</u>	<u>0</u>	<u>0</u>	<u>(1,185,360)</u>	<u>(1,185,360)</u>	<u>0</u>	<u>0</u>
<b>Total Governmental Activities</b>	<u>\$21,837,395</u>	<u>\$ 1,070,394</u>	<u>\$ 316,946</u>	<u>\$(20,450,055)</u>	<u>\$(20,450,055)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Total Primary Government</b>	<u>\$21,837,395</u>	<u>\$ 1,070,394</u>	<u>\$ 316,946</u>	<u>\$(20,450,055)</u>	<u>\$(20,450,055)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Component Unit – Topsham Development, Inc.</b>	<u>\$ 3,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>
<b><u>General Revenues</u></b>							
Property and Other Taxes					\$ 21,242,983	\$ 0	\$ 0
Grants and Contributions Not Restricted to Specific Programs					1,123,806		
Unrestricted Investment Earnings					84,865	222	222
Loss on Disposal of Capital Assets					(17,389)	0	0
Miscellaneous					<u>62,590</u>	<u>0</u>	<u>0</u>
<b>Total General Revenues</b>					<u>\$ 22,496,855</u>	<u>\$ 222</u>	<u>\$ 222</u>
<b>Changes in Net Position</b>					\$ 2,046,800	\$ (2,778)	\$ (2,778)
<b>Net Position – July 1, 2018</b>					<u>15,680,570</u>	<u>107,662</u>	<u>107,662</u>
<b>Net Position – June 30, 2019</b>					<u>\$ 17,727,370</u>	<u>\$ 104,884</u>	<u>\$ 104,884</u>

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

**TOWN OF TOPSHAM  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General Fund	Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 7,082,338	\$ 0	\$ 1,694,977	\$ 8,777,315
Taxes Receivable	566,765	0	0	566,765
Tax Liens Receivable	127,740	0	0	127,740
Accounts and Notes Receivable	413,041	0	13,282	426,323
Due From Other Funds	<u>0</u>	<u>603,896</u>	<u>947,639</u>	<u>1,551,535</u>
<b>Total Assets</b>	<b>\$ 8,189,884</b>	<b>\$ 603,896</b>	<b>\$ 2,655,898</b>	<b>\$ 11,449,678</b>
<b>Deferred Outflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 8,189,884</u></b>	<b><u>\$ 603,896</u></b>	<b><u>\$ 2,655,898</u></b>	<b><u>\$ 11,449,678</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 220,089	\$ 0	\$ 0	\$ 220,089
Accrued Expenses	370,609	0	0	370,609
Due To Other Funds	<u>1,551,535</u>	<u>0</u>	<u>0</u>	<u>1,551,535</u>
<b>Total Liabilities</b>	<b><u>\$ 2,142,233</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 2,142,233</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>\$ 391,816</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 391,816</u></b>
<b>Fund Balance</b>				
<i>Nonspendable</i>				
Permanent Funds – Non-Expendable	\$ 0	\$ 0	\$ 208,119	\$ 208,119
<i>Restricted</i>				
Special Revenue Funds – TIFs	0	603,896	0	603,896
<i>Committed</i>				
Special Revenue Funds - Other	0	0	360,972	360,972
Capital Projects Funds	0	0	2,065,827	2,065,827
Appropriated Fund Balance FY 2019/20	188,313	0	0	188,313
<i>Assigned</i>				
Permanent Funds, Expendable	0	0	27,404	27,404
<i>Unassigned</i>				
Special Revenue Funds	0	0	(3,998)	(3,998)
Capital Projects Funds	0	0	(2,426)	(2,426)
General Fund	<u>5,467,522</u>	<u>0</u>	<u>0</u>	<u>5,467,522</u>
<b>Total Fund Balance</b>	<b><u>\$ 5,655,835</u></b>	<b><u>\$ 603,896</u></b>	<b><u>\$ 2,655,898</u></b>	<b><u>\$ 8,915,629</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b><u>\$ 8,189,884</u></b>	<b><u>\$ 603,896</u></b>	<b><u>\$ 2,655,898</u></b>	<b><u>\$ 11,449,678</u></b>

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

**TOWN OF TOPSHAM  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

<b>Total Fund Balance – Total Governmental Funds</b>	<b>\$ 8,915,629</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</b>	
Capital Assets Used in Governmental Activities are not Current Financial Resources and Therefore are not reported in the Governmental Funds Balance Sheet.	16,947,996
Interest Payable on Long-Term Debt does not require Current Financial Resources. Therefore, Interest Payable is not reported as a Liability in Governmental Funds Balance Sheet.	(45,952)
Property Tax Revenues are reported in the Governmental Funds Balance Sheet under NCGA Interpretation-3, <u>Revenue Recognition-Property Taxes.</u>	364,000
Long Term Liabilities are not due and payable in the Current Period and, therefore, they are not reported in the Governmental Funds Balance Sheet	
Due in One Year	\$ 1,029,403
Due in More Than One Year	6,076,507
Accrued Compensated Absence Pay	<u>159,493</u>
	(7,265,403)
Net Liabilities, Deferred Inflows, and Deferred Outflows Regarding Pension and OPEB Expenses Due to Implementation of GASB No. 68 and 75.	<u>(1,188,900)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 17,727,370</u></b>

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

**TOWN OF TOPSHAM**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Taxes	\$19,891,771	\$ 1,333,212	\$ 0	\$ 21,224,983
Intergovernmental	1,197,579	0	243,173	1,440,752
Licenses, Permits and Fees	91,872	0	0	91,872
Charges For Services	678,402	0	400	678,802
Investment Income	77,592	0	7,273	84,865
Miscellaneous	<u>298,591</u>	<u>0</u>	<u>61,096</u>	<u>359,687</u>
<b>Total Revenues</b>	<b><u>\$22,235,807</u></b>	<b><u>\$ 1,333,212</u></b>	<b><u>\$ 311,942</u></b>	<b><u>\$ 23,880,961</u></b>
<b>Expenditures</b>				
<i>Current</i>				
General Government	\$ 1,680,509	\$ 0	\$ 0	\$ 1,680,509
Public Works and Sanitation	1,544,192	0	31,874	1,576,066
Protection	2,545,747	0	531	2,546,278
Culture and Recreation	1,031,956	0	45,590	1,077,546
Public Health and Welfare	5,089	0	845	5,934
Contractual Services	47,771	0	0	47,771
Public Utilities	320,940	0	0	320,940
Education	10,244,895	0	0	10,244,895
Fixed Charges	1,717,755	0	0	1,717,755
Debt Service	1,398,976	0	0	1,398,976
Tax Increment Financing	0	1,204,771	0	1,204,771
<i>Capital Outlay</i>	<u>514,885</u>	<u>0</u>	<u>292,743</u>	<u>807,628</u>
<b>Total Expenditures</b>	<b><u>\$21,052,715</u></b>	<b><u>\$ 1,204,771</u></b>	<b><u>\$ 371,583</u></b>	<b><u>\$ 22,629,069</u></b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b><u>\$ 1,183,092</u></b>	<b><u>\$ 128,441</u></b>	<b><u>\$ (59,641)</u></b>	<b><u>\$ 1,251,892</u></b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In (Out)	<u>(865,374)</u>	<u>0</u>	<u>865,374</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ (865,374)</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 865,374</u></b>	<b><u>\$ 0</u></b>
<b>Net Change in Fund Balance</b>	<b>\$ 317,718</b>	<b>\$ 128,441</b>	<b>\$ 805,733</b>	<b>\$ 1,251,892</b>
<b>Fund Balance – July 1, 2018</b>	<b><u>5,338,117</u></b>	<b><u>475,455</u></b>	<b><u>1,850,165</u></b>	<b><u>7,663,737</u></b>
<b>Fund Balance – June 30, 2019</b>	<b><u>\$ 5,655,835</u></b>	<b><u>\$ 603,896</u></b>	<b><u>\$ 2,655,898</u></b>	<b><u>\$ 8,915,629</u></b>

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

**TOWN OF TOPSHAM  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

**Net Change in Fund Balance – Total Governmental Funds** \$ 1,251,892

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

Governmental Funds report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount of Capital Assets Added in the Current Period. 399,208

Depreciation Expense on Capital Assets is Reported in the Government-Wide Statement of Activities and Changes in Net Position, but They Do Not Require the Use of Current Financial Resources. Therefore, Depreciation Expense is Not Reported as Expenditure in Governmental Funds. (1,185,360)

The Issuance of Long-Term Debt (e.g. Bonds Payable, Capital Leases, and) Notes Payable) Provides Current Financial Resources to Governmental Funds, while the Repayment of the Principal of Long-Term Debt Consumes the Current Financial Resources of Governmental Funds. Neither Transaction, However, has Any Effect on Net Position. In addition, Governmental Funds Report the Effect of Issuance Cost, Premiums, Discounts, and Similar Items When Debt is First Issued, Whereas the Amounts are Deferred and Amortized in the Statement of Activities. This Amount is the Net Effect of These Differences in the Treatment of Long-Term Debt and Related Items. 1,129,403

Some Property Tax Will Not be Collected for Several Months After the Town's Fiscal Year End; They are Not Considered Current Financial Resources in the Governmental Funds. This Amount is the Net Effect of the Differences. 18,000

Loss on Disposal of Capital Assets Arising From Book Value of Assets Being Reported at the Government-Wide Level But Not at the Governmental Fund Level, While Proceeds From Such Disposals Are Reported At Both Levels. (17,389)

Accrued Interest Expense and Accrued Compensated Absences are reported in the Government-Wide Statement of Activities and Changes in Net Position, But Do Not Require the Use of Current Financial Resources; Therefore, the Changes in These Items Are Not Reported as Expenditures in Governmental Funds. 39,996

Changes Between Deferred Inflows and Deferred Outflows Related to Pension and OPEB and Implementation of GASB No. 68 and 75. 411,050

**Change In Net Position of Governmental Activities** \$ 2,046,800

**TOWN OF TOPSHAM  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues</b>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Property and Other Taxes	\$19,770,092	\$19,728,826	\$19,891,771	\$ 162,945
Intergovernmental	1,185,766	1,185,766	1,197,579	11,813
Licenses, Permits and Fees	83,238	83,238	91,872	8,634
Charges For Services	587,290	587,290	678,402	91,112
Investment Income	58,000	58,000	77,592	19,592
Miscellaneous	<u>245,870</u>	<u>245,870</u>	<u>298,591</u>	<u>52,721</u>
<b>Total Revenues</b>	<u>\$21,930,256</u>	<u>\$21,888,990</u>	<u>\$22,235,807</u>	<u>\$ 346,817</u>
<b>Expenditures</b>				
<i>Current</i>				
General Government	\$ 1,864,467	\$ 1,853,326	\$ 1,680,509	\$ 172,817
Public Works and Sanitation	1,622,815	1,622,815	1,544,192	78,623
Protection	2,809,943	2,809,943	2,545,747	264,196
Culture and Recreation	1,059,728	1,059,728	1,031,956	27,772
Public Health and Welfare	20,600	20,600	5,089	15,511
Contractual Services	117,600	72,535	47,771	24,764
Public Utilities	370,763	370,763	320,940	49,823
Education	10,244,895	10,244,895	10,244,895	0
Fixed Charges	1,731,508	1,690,242	1,717,755	(27,513)
Debt Service	1,398,979	1,398,979	1,398,976	3
<i>Capital Outlay</i>	<u>1,355,355</u>	<u>546,187</u>	<u>514,885</u>	<u>31,302</u>
<b>Total Expenditures</b>	<u>\$22,596,653</u>	<u>\$21,690,013</u>	<u>\$21,052,715</u>	<u>\$ 637,298</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<u>\$ (666,397)</u>	<u>\$ 198,977</u>	<u>\$ 1,183,092</u>	<u>\$ 984,115</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In (Out)	<u>0</u>	<u>(865,374)</u>	<u>(865,374)</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 0</u>	<u>\$ (865,374)</u>	<u>\$ (865,374)</u>	<u>\$ 0</u>
<b>Net Change in Fund Balance</b>	\$ (666,397)	\$ (666,397)	\$ 317,718	\$ 984,115
<b>Fund Balance – July 1, 2018</b>	<u>5,338,117</u>	<u>5,338,117</u>	<u>5,338,117</u>	<u>0</u>
<b>Fund Balance – June 30, 2019</b>	<u>\$ 4,671,720</u>	<u>\$ 4,671,720</u>	<u>\$ 5,655,835</u>	<u>\$ 984,115</u>

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

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. – General Statement**

The Town of Topsham, Maine was incorporated in 1764 under the laws of the State of Maine and currently operates under a Selectmen/Manager Form of Government.

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

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

The financial statements include:

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

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

**B. – Financial Reporting Entity**

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

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

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. – Financial Reporting Entity (Continued)**

Based on the aforementioned criteria, the Town of Topsham included the financial balances and activities of Topsham Development, Inc. within the accompanying government-wide financial statements. Topsham Development, Inc. (TDI) is a tax-exempt Maine nonprofit corporation organized in 1995 to pursue industrial development, business attraction, and economic and community development in Topsham, Maine. Members of TDI's Board of Directors are appointed by the Town's Board of Selectmen and can be removed from office by the selectmen. Accordingly, in adherence to GASB Statement No. 14 as amended, TDI qualifies as a component unit of the Town of Topsham for financial reporting purposes.

As TDI does not meet the applicable requirements for blending, it has been included as a discreetly presented component unit within these financial statements.

**C. – Financial Statements – Government-Wide Statements**

The Town's financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type, as applicable.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position 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. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

**D. – Financial Statements – Fund Financial Statements**

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

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Governmental Funds**

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

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

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

*Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

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

**Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Currently, the Town does not maintain or utilize any proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

**E. – Measurement Focus/Basis of Accounting**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. A one-year availability period is used for recognition of all other Governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

**F. – Budgetary Control**

Formal budgetary accounting is employed as a management control for the general fund of the Town of Topsham. The Town of Topsham'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:

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. – Budgetary Control (Continued)**

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

**G. – Cash and Cash Equivalents**

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

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

**H. - Capital Assets**

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

Buildings and Improvements	7-30 Years
Machinery and Equipment	5-16 Years
Vehicles	7-16 Years
Infrastructure	10-50 Years

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

**I. - Compensated Absences**

The Town of Topsham recognizes accumulated sick leave, vacation, and comp time compensation during the period in which the related liability is incurred. In compliance with Town personnel policies the liability for accrued compensated absence pay was \$159,493 at June 30, 2019.

**J. - Interfund Activity**

Interfund activity is reported as either, loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. - Interfund Activity (Continued)**

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**K. – Equity Classifications**

**Government-Wide Statements**

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

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

**Fund Financial Statements**

Governmental fund equity is classified as fund balance. The Town’s fund balances represent:

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

**L. – Deferred Outflows and Inflows of Resources**

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

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

The deferred inflows and outflows of resources listed at June 30, 2019 in Exhibit I amounted to \$375,578 and \$521,605, respectively. Per Exhibit III, the deferred inflows of resources listed at June 30, 2019 for the Town of Topsham amounted to \$391,816 related to property taxes and there were no deferred outflow of resources at that time at the fund level.

**M. – Accounts Receivable**

Accounts Receivable at June 30, 2019 primarily consists of ambulance receipts, franchise fees, and miscellaneous governmental receivables. An allowance for doubtful accounts is recorded at June 30, 2019 as \$422,000 with respect to ambulance accounts receivable, and is based on a periodic review of unpaid receivables and the estimated collectability of same. The Town recognizes all other non-tax bad debts using the specific write-off method, which is not materially different from the allowance method as required under generally accepted accounting principles.

**N. – Use of Estimates**

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

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The Town's deposits may from time to time be subject to various risks as follows:

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

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

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

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

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 – PROPERTY TAXES**

The Town is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. The Town of Topsham’s property tax is levied on the assessed value listed as of the prior April 1<sup>st</sup> for all taxable real and personal property located in the Town. Assessed values are periodically established by the Assessor at 100% of assumed market value. The assessed value for the list of April 1, 2018, upon which the levy for the year ended June 30, 2019, was based amounted to \$1,049,171,165. The net assessed value of \$1,017,957,858 was 108.58% of the 2019 State valuation of \$937,550,000.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$19,331 for the year ended June 30, 2019.

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

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

Assessed Value	\$ 1,049,171,165
Less: BETE	(3,053,994)
Less: Homestead Exemption	<u>(28,159,313)</u>
Net Assessed Value	\$ 1,017,957,858
Tax Rate (Per \$1,000)	<u>18.73</u>
Commitment	\$ 19,066,351
Supplemental Taxes Assessed	<u>17,529</u>
Sub-Total	\$ 19,083,880
Less: Abatements	(45,299)
Less: Collections	<u>(18,481,756)</u>
 Receivable at Year End	 <u><u>\$ 556,825</u></u>
 Collection Rate	 97.1%

Property taxes may be paid in two installments with due dates of October 16, 2018, and April 16, 2019, with interest charged at a rate of 7.0% on delinquent accounts.

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance <u>July 1</u>	Additions/ Completions	Retirements/ Adjustments	Ending Balance <u>June 30</u>
<b><u>Governmental Activities</u></b>				
Capital Assets not being Depreciated				
Land	\$ 1,453,638	\$ 0	\$ 0	\$ 1,453,638
Work in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Nondepreciable Assets	<u>\$ 1,453,638</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,453,638</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	\$ 19,965,723	\$ 170,520	\$ 255,300	\$ 19,880,943
Machinery and Equipment	1,080,516	32,416	0	1,112,932
Vehicles	4,768,281	182,687	149,479	4,801,489
Infrastructure	<u>2,395,586</u>	<u>13,585</u>	<u>0</u>	<u>2,409,171</u>
Total Capital Assets being Depreciated	<u>\$ 28,210,106</u>	<u>\$ 399,208</u>	<u>\$ 404,779</u>	<u>\$ 28,204,535</u>
<i>Less Accumulated Depreciation for</i>				
Buildings and Improvements	\$ 8,075,780	\$ 653,279	\$ 255,300	\$ 8,473,759
Machinery and Equipment	840,491	50,836	0	891,327
Vehicles	2,094,017	411,399	132,090	2,373,326
Infrastructure	<u>901,920</u>	<u>69,845</u>	<u>0</u>	<u>971,765</u>
Total Accumulated Depreciation	<u>\$ 11,912,208</u>	<u>\$ 1,185,359</u>	<u>\$ 387,390</u>	<u>\$ 12,710,177</u>
Total Capital Assets being Depreciated, Net	<u>\$16,297,898</u>	<u>\$ (786,151)</u>	<u>\$ 17,389</u>	<u>\$15,494,358</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 17,751,536</u>	<u>\$ (786,151)</u>	<u>\$ 17,389</u>	<u>\$ 16,947,996</u>

Depreciation expense has not been charged as a direct expense.

**NOTE 5 – LONG-TERM DEBT**

At June 30, 2019, loans, leases, and bonds payable consisted of the following individual issues:

	<u>Governmental Activities</u>
<b>Bank of New York/Mellon</b>	
General Obligation Refunding Bond of 2012, Interest Rates 2% - 5%, Annual Principal Payments of \$730,000 or More Starting in FY 16/17, Maturity in 2025.	5,140,000
<b>Gorham Savings Bank</b>	
General Obligation Bond of 2006, Interest Rate 3.49% to 4.05%, Annual Principal Payments of \$50,000 - \$160,000, Maturity in 2024.	300,000

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

	<u>Governmental Activities</u> (Continued)
<b>Maine Municipal Bond Bank</b>	
General Obligation Bond of 2011, Interest Rate 0.5% to 5.5%, Annual Principal Payments of \$58,953 - \$78,953, Maturity in 2021.	\$ 176,860
General Obligation Bond of 2016, Interest Rate 0.35% to 2.74%, Annual Principal Payments of \$74,550, Maturity in 2025.	521,850
General Obligation Bond of 2016, Interest Rate 1.16% to 2.13%, Annual Principal Payments of \$120,900 Maturity in 2026	<u>967,200</u>
<b>Total Loans, Leases and Bonds Payable</b>	<b><u>\$ 7,105,910</u></b>

**Changes in Outstanding Debt**

Transactions for the year ended June 30, 2019, are summarized as follows:

	<u>Balance</u> <u>July 1</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>June 30</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 8,235,313	0	\$ 1,129,403	\$ 7,105,910	\$ 1,029,403
Net Pension Liability	1,376,974	0	375,090	1,001,884	0
Net OPEB Liabilities	357,092	3,767	0	360,859	0
Compensated Absences	<u>193,398</u>	<u>0</u>	<u>33,905</u>	<u>159,493</u>	<u>0</u>
<b>Total Governmental Activities</b>	<b><u>\$10,162,777</u></b>	<b><u>3,767</u></b>	<b><u>\$ 1,538,398</u></b>	<b><u>\$ 8,628,146</u></b>	<b><u>\$ 1,029,403</u></b>

**Annual Requirements to Retire Debt Obligations**

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2019, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019/20	\$ 1,029,403	\$ 230,562	\$ 1,259,965
2020/21	1,034,403	189,685	1,224,088
2021/22	1,044,404	148,206	1,192,610
2022/23	990,450	204,646	1,195,096
2023/24	985,450	71,254	1,056,704
2025/29	<u>2,021,800</u>	<u>62,890</u>	<u>2,084,690</u>
<b>Total</b>	<b><u>\$ 7,105,910</u></b>	<b><u>\$ 907,243</u></b>	<b><u>\$ 8,013,153</u></b>

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

In accordance with 30-A MRSA, Section 5702, as amended, the amount of long-term debt that can be incurred by the Municipality is limited by state statute. Total outstanding long-term obligations during a year can be no greater than 7.5%, with certain exceptions, of the state valuation of taxable property as of the beginning of the fiscal year. As of June 30, 2019, the amount of outstanding long-term debt was equal to 0.68% of property valuation for the year then ended.

**NOTE 6 – RETIREMENT PLANS**

The Town of Topsham provides retirement pension plans for its employees through a defined contribution plan and a defined benefit pension plan.

**I. Deferred Compensation Plan – ICMA-RC**

*A. Description of the Plan*

The government offers its employees a deferred compensation plan through ICMA Retirement Corporation, created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional.

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the government subject only to the claims of the government's general creditors. Participants' right under the plan are equal to those of general creditor of the government in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the government's legal counsel that the government has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The government believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

*B. Funding Policy*

Under this plan, the Town matches employee deferrals on a dollar-for-dollar basis, up to a maximum of 6% of compensation. Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment options is made by the participants. Total employer contributions by the Town were \$60,343 for the year ended June 30, 2019.

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

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

A. *Plan Description*

Qualifying personnel of the Town participate in the Maine Public Employees Retirement System. The plan is a multiple employer, cost-sharing pension plan. The Town has been enrolled in the MEPERS system since July 1, 1996. It is part of the COLA program within the MEPERS system plan. The Town participates in the Special Plan options. MEPERS is established under Maine law found in 5 MRSA Part 20. The authority to establish and amend benefit provisions rests with the State legislature.

B. *Funding Policy*

The Town makes available to all full time employees the option to make a one-time irrevocable election to participate in the Maine Public Employees Retirement System (MEPERS), Participating Local District (“PLD”) Plan 2C and 3C. The employee shall pay, through payroll deduction(s), his/her required contribution determined by MEPERS. The Town shall pay its required contribution determined by MEPERS. This benefit shall be offered to eligible employees on the date of hire.

C. *Pension Benefits*

Benefit terms are established in Maine Statute. The System’s retirement programs provide defined retirement benefits based on member’s average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility of benefits upon reaching qualification) occurs upon the earning of 5 years of service credit for Town employees.

Normal retirement age of PLD members is age 60 to 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.

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

Upon termination of membership, members’ accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual interest credited to member’s accounts is set by the System’s Board of Trustees.

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

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

*D. Member and Employer Contributions*

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contributions rates are determined through actuarial valuations. For the year ended June 30, 2019, the member contribution rate was between 8.0% and 9.5%, while the Town's contribution rate was between 10.5% and 12.7%.

*E. Revenue Recognition*

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

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

At June 30, 2019, the Town reported a net pension liability of \$1,001,884. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Town proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At the June 30, 2018 measurement date, the Town proportion was 0.366082%, while at the June 30, 2017 measurement date it was 0.366309%. For the fiscal year ended June 30, 2019, the Town recognized pension expense (recovery) of \$(201,146).

At June 30, 2019, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources are as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between Expected and Actual Experience	\$ 3,137	\$ 11,004
Changes in Assumptions	159,908	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	241,915
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions.	80,491	36,234
Town Contributions Subsequent to the Measurement Date	<u>232,039</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 475,575</u></b>	<b><u>\$ 289,153</u></b>

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

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

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

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

<b>For the Year Ended June 30,</b>	<u>Amount</u>
2020	\$ 367,505
2021	46,015
2022	(164,574)
2023	<u>(62,524)</u>
<b>Total</b>	<u>\$ 186,422</u>

G. *Actuarial Assumptions*

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

- **Salary Increases and Inflation**            2.75% to 9.00%
- **Investment Rate of Return**            6.75%
- **Cost of Living Benefit Increases**    1.91%

For the Town employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates or return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of the June 30, 2018 valuation are summarized in the following table:

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

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

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

H. *Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Proportionate Share of the Net Pension Liability	\$2,361,307	\$1,001,884	\$(268,804)

J. *Pension Plan Financial and Actuarial Information*

Additional financial information and actuarial information can be found in the Maine PERS 2018 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

**NOTE 7 – INTERFUND ACTIVITY**

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

<b>Due To</b>	
Major Fund	
Special Revenue Fund – Tax Increment Financing (TIFs)	\$ 603,896
Non Major Governmental Funds	
Special Revenue Funds	\$ 291,529
Capital Projects	656,110
<b>Total</b>	<b><u>\$1,551,535</u></b>
 <b>Due From</b>	
General Fund	<b><u>\$1,551,535</u></b>

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 – INTERFUND ACTIVITY (CONTINUED)**

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

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<b>Transfer To</b>	
Non Major Governmental Funds:	
Capital Projects	<u>\$ 865,374</u>
<b>Total</b>	<u><u>\$ 865,374</u></u>
<b>Transfer From</b>	
General Fund	<u>\$ 865,374</u>
<b>Total</b>	<u><u>\$ 865,374</u></u>

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

**NOTE 8 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

There have been no significant reductions in insurance coverages during the fiscal year and no significant settlements that exceeded insurance coverage.

**NOTE 9 – OVERLAPPING DEBT**

The Town's proportionate share of MSAD #75's debt is not recorded in the financial statements of the Town of Topsham. At June 30, 2019, the Town's share was 37.83% (or \$33,331,469) of the District's outstanding future debt service requirements (including principal and interest) of \$88,108,564.

The Town's proportionate share of Sagadahoc County's debt is not recorded in the financial statements of the Town of Topsham. At June 30, 2019, the Town's share was 20.07% (or \$888,920) of the County's outstanding debt (principal only) of \$4,429,097.

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 – FUND BALANCE APPROPRIATIONS**

At the Annual Town Meeting held on May 16, 2018, the Townspeople voted appropriations of general fund balance totaling \$666,397 which are reflected as the excess of budgeted expenditures over budgeted revenues as per Exhibit VII. These appropriations were used to reduce the tax commitment.

**NOTE 11 – TAX INCREMENT FINANCING DISTRICTS**

The Town of Topsham had previously voted to approve nine municipal development programs and financial plans as follows:

- By-Pass (Highlands I) on May 15, 1996
- Village Candle on May 20, 1998
- Bowdoin Mill on September 24, 1998
- By-Pass North (Highlands II) on May 19, 1999
- Coastal Metal Fab Municipal Development on May 16, 2001
- Municipal Infrastructure Development on March 25, 2004
- Frost Street Municipal Development on February 17, 2005
- 29 Elm Street Affordable Housing Development on September 25, 2013
- Downtown and Transit-Oriented Municipal Development and Omnibus Tax Increment Financing District on September 25, 2013.

As an integral part of the Town's community development effort, the Districts will create a climate supportive of business expansions and job creations while enhancing development potential in the designated area. The expenditures for these development projects will be recouped in future years via an incremental tax levied upon the Districts' captured assessed value.

The Town approved total project costs consisting of the design and construction of various public facilities and capital improvements within the Districts. Pursuant to applicable regulations, a sinking fund will be established and utilized to retire the bonded debt associated with the related Development District Improvements when revenue exceeding related bonded debt retirement is collected.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not expected to be material.

**NOTE 13 – GOVERNMENTAL FUND BALANCES**

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

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

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)**

The General Fund unassigned fund balance total of \$5,467,522 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

The Town of Topsham adopted a Fund Balance Policy in 2012 and approved a revision on January 15, 2016. The Fund Balance Policy is stated below:

The purpose of the unassigned fund balance policy shall be to create a guideline to ensure the well being of the Town’s financial administration in a manner that assists in proving for a stable cash flow, reducing short term borrowing costs and meeting the town’s long term capital investment objectives while ensuring that year-to-year fluctuations do not allow accumulation of an excessive unassigned fund balance.

The General Fund shall endeavor to have an audited Unassigned Fund Balance level equivalent to two (2) months (16.7%) of annual general fund operating revenues and expenditures. If the Unassigned Fund Balance drops below the 16.7% level, the Town will develop a plan, through the annual budget process, to restore the balance to the target level over a period of not more than two (2) fiscal years. If the Unassigned Fund Balance exceeds the 16.7% level, all or part of the excess may be used as follows:

1. At least 50% of allocated funds shall be used to reduce the tax commitment in the next fiscal year.
2. Be committed or assigned for capital needs or one time expenditures.

In no case may the unassigned Fund Balance exceed 18%.

If funds in the Unassigned Fund Balance are appropriated for an emergency situation, it is not required to allocate any of those funds toward a reduction in the tax commitment.

At June 30, 2019 the Town’s unassigned fund balance of \$5,467,522 was in excess of the stipulated 18% level of \$3,945,256.

As per Exhibit III, a summary of the nature and purpose of these reserves by fund type at June 30, 2019 follows:

***Nonspendable and Assigned***

<b>Permanent Funds</b>	Non-Expendable	Expendable	Total
	<u>Principal</u>	<u>Interest</u>	
Whittier Trust	\$ 182,144	\$ 6,430	\$ 188,574
William Trust	18,190	1,252	19,442
Worthy Poor Cash Fund	0	9,621	9,621
Charles Walker Trust	500	7,433	7,933
Mustard Fund	2,938	674	3,612
First Parish Church	924	1,209	2,133
Cemetery Trust	1,176	269	1,445
Barron Fund	1,000	230	1,230
Common School	667	153	820
Lulu Bickford Trust	<u>580</u>	<u>133</u>	<u>713</u>
<b>Total</b>	<b><u>\$ 208,119</u></b>	<b><u>\$ 27,404</u></b>	<b><u>\$ 235,523</u></b>

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)**

***Committed***

**Capital Projects**

PW Paving 2019	\$ 379,139
Elm Street Reconstruction	327,000
Main Street Reconstruction	261,394
Software	147,250
Public Works Bay Park Drainage	127,162
Elm Street Culverts	123,080
Revaluation	83,253
Capital Replacement	72,708
Impact Fees	71,521
Economic and Community Dev. – Quality of Life	58,071
Lower Village Traffic 2019	50,000
Police Department Academy	42,514
Oak Hill Performance Fund	40,177
Professional Services	39,514
Recreation Department Lights	25,189
Forestry Management	24,585
Open Space	19,504
Capital Maintenance Fund	18,393
Assessing Hydro Sam Appraisal	12,146
Public Works Road Striping	11,443
CAMA Upgrade	11,272
Trails Grant	11,265
Public Works One-Ton	11,189
Public Works Storage Building	9,766
Town Hall Office Equipment	9,653
Androscoggin River Bike Path	8,735
Recreation Resurfacing 2019	8,000
Recreation Department Foreside Building Repairs	7,000
Topsham Public Library Building	6,969
Bowdoin Mills Traffic Escrow	6,398
Bike Path Landscaping 2019	5,672
Town Landing Trail Escrow	5,073
Topsham Fair Mall Stream Watershed Fund	4,897
Solid Waste Compactor 2019	4,747
Phone System	4,649
Topsham Crossing	3,443
Topsham Public Library Tech Infrastructure	3,043
Police Department K9	2,144
Solid Waste Facility Grinding 2019	2,000
SWF Equipment	1,962
Home Depot Sidewalks	1,461
Fire Department Donations	1,439
Police Department Donations	<u>1,007</u>

**Total** **\$ 2,065,827**

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)**

***Restricted***

TIF Economic Development Funds \$ 603,896

***Committed***

Appropriated General Fund Balance FY 2019/20 \$ 188,313

***Committed - Special Revenues***

FEMA Storms	\$ 177,022
Unemployment Fund	41,107
Professional Services	30,904
CDBG Main Street Village	16,690
Pedestrian Improvement Account	16,112
Pejepscot School	15,890
Bridge to Bridge	13,343
Fire Department	10,543
Head of Tide Park Grant	8,261
Androscoggin Trail Development	6,254
Home Safety Survey	4,745
Conservation	4,000
Topsham Fair Mall Road Master Plan	2,413
Land Conservation Grant	2,400
Winter Baseball	2,387
LVRA Study	2,100
RTP #1551	1,967
Restoration	1,054
Drug Seizures	1,050
Town Hall Park	766
NAPC/CLG WKS	597
Unemployment Fund – TPL	513
Tree Committee Cole Memorial	390
Police Department Canine Grant	300
Wellness Incentive Grant	<u>164</u>

**Total** \$ 360,972

***Unassigned***

**Capital Projects Funds**

Bond Fund	\$ (1,119)
Comprehensive Plan	(1,307)

**Special Revenue Funds**

Topsham Fair Mall Stream Watershed Project	\$ (13)
Route 196/201 Topsham Fair Mall	(2,648)
Maine Historic District Designs	<u>(1,337)</u>

**Total** \$ (6,424)

**General Fund** \$ 5,467,522

**TOWN OF TOPSHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 14 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. - Budgetary Accounting**

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

**B. - Excess of Expenditures over Appropriations**

For the year ended June 30, 2019, Exhibit VII indicates no budgetary overdrafts, other than an immaterial overdraft of \$27,513 within the fixed charges line. Total expenditures did not exceed total appropriations for the year.

Additionally, for 2019 the Town appropriated \$1,333,212 of incremental property tax revenues generated through its TIF districts for credit-enhancement payments and certain other expenditures. Of this budgeted appropriation, \$1,204,771 was expended with the remaining unexpended appropriation added to a separate special revenue fund per Exhibits III and V.

**C. - Deficit Balances**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end.

As of June 30, 2019, Note 13 specifies various funds carrying deficit balances; these are all classified as unassigned within Exhibit III.

The Town expects to fund all these deficit projects by the end of fiscal year ending June 30, 2020.

**NOTE 15 – OPEB PLANS**

The Town provides certain other postemployment benefits to its employees through the following plans:

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

*Plan Description*

Qualifying personnel of the Town participate in the Maine Public Employees Retirement System, including that system's Group Life Insurance Plan. This plan is a multiple employer, cost-sharing OPE plan.

*Benefits*

Under the GLI OPEB plan, MPERS provides basic group life insurance benefits, during retirement, to retirees who participated in the plan prior to retirement for a minimum of 10 years. The level of coverage is initially set to an amount equal to the retirees average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 15 – OPEB PLANS (CONTINUED)**

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

At June 30, 2019, the Town reported a net OPEB liability of \$50,798. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation as of that date. The Town proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members. At the June 30, 2018 measurement date, the Town proportion was 0.251463%. At the June 30, 2017 measurement date, the Town proportion was 0.251177%. For the fiscal year ended June 30, 2019, the Town recognized OPEB expense of \$3,264.

At June 30, 2019, the reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between Expected and Actual Experience	\$ 4,287	\$ 0
Changes in Assumptions	3,257	9,374
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	2,666
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions.	<u>4,246</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 11,790</u></b>	<b><u>\$ 12,040</u></b>

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

For the Year Ended June 30,	<u>Amount</u>
2020	\$ (568)
2021	(568)
2022	(568)
2023	(65)
2024	<u>1,519</u>
<b>Total</b>	<b><u>\$ (250)</u></b>

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 15 – OPEB PLANS (CONTINUED)**

*Actuarial Assumptions*

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

- **Salary Increases and Inflation**                    2.75% to 9.00%
- **Investment Rate of Return**                        6.75%

For the Town employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females. The long-term expected rate of return on OPEB plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates or return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of the June 30, 2018 valuation are summarized below:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	70%	6.0%
U.S. Government	10%	2.3%
Real Estate	5%	5.2%
Traditional Credit	<u>15%</u>	3.0%
Total	<u>100%</u>	

*Discount Rate*

The discount rate used to measure the total OPEB liability was 5.13%, which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.87%, based on the Bond Buyer 20-Year Municipal Bond Index as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be available to make all projected future benefit payments to current plan members. Therefore, the portion of future projected benefit payments after 2047 are discounted at the municipal bond index rate.

*Sensitivity of the Proportionate Net OPEB Liability to Changes in the Discount Rate*

The following presents the Town’s proportionate share of the net OPEB liability calculated using the discount rate of 5.13%, as well as what the Town proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.13%) or 1 percentage point higher (6.13%) than the current rate:

	<u>1% Decrease (4.13%)</u>	<u>Current Discount Rate (5.13%)</u>	<u>1% Increase (6.13%)</u>
Proportionate Share of the Net Pension Liability	\$67,112	\$50,798	\$37,936

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 15 – OPEB PLANS (CONTINUED)**

*Plan Financial and Actuarial Information*

Additional financial information and actuarial information can be found in the Maine PERS 2018 Comprehensive Annual Financial Report available online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (207) 512-3100.

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

*Plan Description*

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

*Benefits*

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with at least 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. At January 1, 2018 there were 38 active employees participating in this plan and no inactive employees, retirees or beneficiaries entitled to and/or receiving benefits.

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

The Town's total Health Plan OPEB liability of \$310,061 was measured as of January 1, 2019 and was determined by an actuarial valuation at January 1, 2018 as subsequently remeasured. For the year ended June 30, 2019 the Town recognized OPEB expense of \$24,210 related to the Health Plan. At June 30, 2019 the Town reported deferred inflows of resources and deferred outflows of resources related to the Health Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 0	\$ 19,810
Changes in Assumptions	32,213	26,759
Contributions Made Subsequent to Measurement Date	<u>2,027</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 34,240</u></b>	<b><u>\$ 46,569</u></b>

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

<b>For the Year Ended June 30,</b>	<u>Amount</u>
2020	\$ 48
2021	(1,979)
2022	(1,979)
2023	(1,979)
2024	(1,981)
Thereafter	<u>(4,459)</u>
<b>Total</b>	<b><u>\$ (12,329)</u></b>

**TOWN OF TOPSHAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 15 – OPEB PLANS (CONTINUED)**

The total OPEB liability in the January 1, 2019 measurement was determined using the following actuarial assumptions applied to all period included in the measurement:

➤ <b>Inflation</b>	3.00%
➤ <b>Salary Increases</b>	2.75%
➤ <b>Discount Rate</b>	4.10%
➤ <b>Healthcare Cost Trend Rates</b>	8.20% for 2019, decreasing 0.28% per year
➤ <b>Retirees' Share of Benefit Costs</b>	100% of projected premiums

For the Health Plan, the mortality rate is based on the RP2014 Total Dataset Mortality Tables for males and females. The discount rate of 4.10% used to measure the Health Plan OPEB liability was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

The following presents the Town's total OPEB liability related to the Health Plan calculated using the discount rate of 4.10%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate:

	1% Decrease <u>(3.10%)</u>	Current Discount Rate <u>(4.10%)</u>	1% Increase <u>(5.10%)</u>
Total OPEB Liability	\$359,053	\$310,061	\$269,837

The following presents the Town's total OPEB liability related to the Health Plan calculated using the healthcare cost trend rate of 8.20% decreasing 0.28% per year, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.20% decreasing 0.28% per year) or 1 percentage point higher (9.20% decreasing 0.28% per year) than the current rate:

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	\$265,511	\$310,061	\$365,393

**NOTE 16 – DATE OF MANAGEMENT'S REVIEW**

Management has evaluated subsequent events through December 31, 2019, the date on which the financial statements were available to be issued.

**SCHEDULE I**

**TOWN OF TOPSHAM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
JUNE 30, 2019**

	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Town's Proportion of Net Pension Liability	0.366082%	0.366309%	0.352866%	0.369506%	0.390418%
Town's Proportionate Share of the Net Pension Liability	\$ 1,001,884	\$ 1,376,974	\$ 1,874,885	\$ 1,178,897	\$ 600,780
Town's Covered Payroll	\$ 1,834,629	\$ 1,696,532	\$ 1,652,048	\$ 1,589,045	\$1,499,774
Town's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	<u>54.61%</u>	<u>81.16%</u>	<u>113.49%</u>	<u>74.19%</u>	<u>40.06%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>91.14%</u>	<u>86.43%</u>	<u>81.61%</u>	<u>88.27%</u>	<u>94.10%</u>

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

Notes to Required Supplementary Information

Significant Changes of Benefit Terms – None

Significant Changes to Assumptions – None, other than a decrease in the discount rate for the current year's valuation from 6.875% to 6.75%.

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

**SCHEDULE II**

**TOWN OF TOPSHAM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOWN PENSION CONTRIBUTIONS  
JUNE 30, 2019**

	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Contractually Required Contribution	\$ 230,039	\$ 203,221	\$ 172,607	\$ 165,581	\$ 151,041
Actual Contribution	<u>(230,039)</u>	<u>(203,221)</u>	<u>(172,607)</u>	<u>(165,581)</u>	<u>(151,041)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>				
Covered Payroll	\$ 1,987,732	\$ 1,834,629	\$ 1,696,532	\$ 1,652,408	\$ 1,589,045
Contributions as a Percentage of Covered Payroll	<u>11.57%</u>	<u>11.08%</u>	<u>10.17%</u>	<u>10.02%</u>	<u>9.51%</u>

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

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

**SCHEDULE III**

**TOWN OF TOPSHAM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF NET OPEB LIABILITY – HEALTH PLAN  
JUNE 30, 2019**

	<u>6/30/19</u>	<u>6/30/18</u>
Service Cost	\$ 16,832	\$ 13,968
Interest	11,384	10,844
Changes of Benefit Terms	0	0
Differences Between Expected and Actual Experience	0	(27,734)
Changes of Assumptions or Other Inputs	(31,219)	45,099
Benefit Payments	<u>(2,027)</u>	<u>0</u>
Net Changes	(5,030)	42,177
Total OPEB Liability - Beginning	<u>315,091</u>	<u>272,914</u>
Total OPEB Liability - Ending	<u>\$ 310,061</u>	<u>\$ 315,091</u>
Covered-Employee Payroll	\$ 2,020,112	\$ 2,020,112
Total OPEB Liability as a Percentage of Covered-Employee Payroll	15.3%	15.6%

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

Notes to Required Supplementary Information

Significant Changes of Benefit Terms – None

Significant Changes to Assumptions – None, other than an increase in the discount rate for the current year's valuation from 3.44% to 4.10%.

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

**SCHEDULE IV**

**TOWN OF TOPSHAM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF NET OPEB LIABILITY AND CONTRIBUTIONS – GROUP LIFE PLAN  
JUNE 30, 2019**

	<u>6/30/19</u>	<u>6/30/18</u>
Town's Proportion of Net OPEB Liability	\$ <u>50,798</u>	\$ <u>42,001</u>
Town's Covered Employee Payroll (Prior Year)	\$ <u>1,834,629</u>	\$ <u>1,696,532</u>
Town's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll	<u>2.76%</u>	<u>2.48%</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>43.92%</u>	<u>47.42%</u>
Contractually Required Contributions	\$ 2,690	\$ 2,605
Contributions Made in Relation to Contractually Required Amounts	<u>(2,690)</u>	<u>(2,605)</u>
Contribution Excess (Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 1,987,732	\$ 1,834,629
Contributions as a Percentage of Covered Employee Payroll	0.14%	0.14%

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

Notes to Required Supplementary Information

Significant Changes of Benefit Terms – None

Significant Changes to Assumptions – None, other than a decrease in the discount rate for the current year's valuation from 6.875% to 6.75%.

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