

**TOWN OF VINALHAVEN**

**VINALHAVEN, MAINE**

**FINANCIAL AUDIT REPORT**

**JUNE 30, 2018**

**TOWN OF VINALHAVEN  
VINALHAVEN, MAINE  
JUNE 30, 2018**

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# Smith & Associates, CPAs

*A Professional Association*

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## **REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

### **Independent Auditors' Report**

Board of Selectmen and Manager  
TOWN OF VINALHAVEN  
Vinalhaven, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the Town of Vinalhaven, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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.

**Basis for Qualified Opinion on the Government-Wide Financial Statements**

As disclosed in the notes to the financial statements, information necessary to determine the amounts of any OPEB liabilities or similar amounts arising in conjunction with the Town's participation in the Maine Education Association Benefit Trust health plan is not currently available. The amounts, if any, by which the government-wide financial statements may be misstated as a result are not known.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Government-Wide Financial Statements", the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town as of June 30, 2018 and the changes in net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and aggregate remaining fund information of the Town as of June 30, 2018 and the changes in financial position and, where applicable, cash flows thereof 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 Matter***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of the Town's Proportionate Share of Net Pension Liability, the Schedule of Town Pension Contributions, and the Schedules of the Town's Group Life and Health Plan OPEB Liabilities and Related Ratios 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.

Management has omitted Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



SMITH & ASSOCIATES, CPAs  
*A Professional Association*

Yarmouth, Maine  
May 3, 2019

Smith & Associates, CPAs  
*A Professional Association*

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Yarmouth, Maine 04096

**TOWN OF VINALHAVEN  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business -</u>	
	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,818,795	\$ 242,404	\$ 5,061,199
Taxes and Liens Receivable	291,108	0	291,108
Accounts and Grants Receivable	212,242	147,605	359,847
Capital Assets, Net of Accumulated Depreciation	<u>12,433,228</u>	<u>6,313,676</u>	<u>18,746,904</u>
<b>Total Assets</b>	<u>\$ 17,755,373</u>	<u>\$ 6,703,685</u>	<u>\$ 24,459,058</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 99,321</u>	<u>\$ 0</u>	<u>\$ 99,321</u>
<b>Liabilities</b>			
Accounts Payable	\$ 77,436	\$ 17,273	\$ 94,709
Accrued Expenses	235,525	2,009	237,534
Non Current Liabilities			
Due Within One Year	706,133	54,476	760,609
Due in More Than One Year	<u>2,404,304</u>	<u>759,807</u>	<u>3,164,111</u>
<b>Total Liabilities</b>	<u>\$ 3,423,398</u>	<u>\$ 833,565</u>	<u>\$ 4,256,963</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 96,003</u>	<u>\$ 0</u>	<u>\$ 96,003</u>
<b>Net Position</b>			
<i>Net Investment in Capital Assets</i>	\$ 9,484,695	\$ 5,882,334	\$ 15,367,029
<i>Restricted</i>			
Tax Incremental Financing	104,625	0	104,625
Grant and Entitlement Purposes	70,238	0	70,238
School District	801,452	301	801,753
Sewer Hook Ups and Loans	20,726	0	20,726
Permanent Funds, Non-Expendable	219,961	0	219,961
<i>Unrestricted</i>	<u>3,633,596</u>	<u>(12,515)</u>	<u>3,621,081</u>
<b>Total Net Position</b>	<u>\$ 14,335,293</u>	<u>\$ 5,870,120</u>	<u>\$ 20,205,413</u>

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

**TOWN OF VINALHAVEN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets		
				<u>Primary Government</u>		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>	
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General Government	\$ 607,733	\$ 32,055	\$ 0	\$ (575,678)	\$ 0	\$ (575,678)
Public Works and Sanitation	995,958	174,829	103,164	(717,965)	0	(717,965)
Public Safety	861,483	118,336	0	(743,147)	0	(743,147)
Culture and Recreation	86,960	20,815	0	(66,145)	0	(66,145)
Public Health and Welfare	3,653	0	0	(3,653)	0	(3,653)
Education	3,477,136	52,149	1,033,311	(2,391,676)	0	(2,391,676)
Fixed Charges	542,385	0	0	(542,385)	0	(542,385)
Interest on Long-Term Debt	122,799	0	0	(122,799)	0	(122,799)
Depreciation – Unallocated	703,117	0	0	(703,117)	0	(703,117)
<b>Total Government Activities</b>	<b><u>\$ 7,401,224</u></b>	<b><u>\$ 398,184</u></b>	<b><u>\$ 1,136,475</u></b>	<b><u>\$(5,866,565)</u></b>	<b><u>\$ 0</u></b>	<b><u>\$(5,866,565)</u></b>
<b>Business - Type Activities</b>						
Wastewater Department	\$ 454,497	\$ 288,531	\$ 0	\$ 0	\$ (165,966)	\$ (165,966)
School District	552	125	0	0	(427)	(427)
<b>Total Business - Type Activities</b>	<b><u>\$ 455,049</u></b>	<b><u>\$ 288,656</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ (166,393)</u></b>	<b><u>\$ (166,393)</u></b>
<b>Total Primary Government</b>	<b><u>\$ 7,856,273</u></b>	<b><u>\$ 686,840</u></b>	<b><u>\$ 1,136,475</u></b>	<b><u>\$(5,866,565)</u></b>	<b><u>\$ (166,393)</u></b>	<b><u>\$(6,032,958)</u></b>
<b>General Revenues</b>						
Property and Other Taxes				\$ 6,198,703	\$ 0	\$ 6,198,703
Grants and Contributions Not Restricted to Special Programs				77,733	0	77,733
Unrestricted Investment Earnings				70,561	2,929	73,490
Miscellaneous Income				44,236	0	44,236
<b>Total General Revenues</b>				<b><u>\$ 6,391,233</u></b>	<b><u>\$ 2,929</u></b>	<b><u>\$ 6,394,162</u></b>
<b>Changes in Net Position</b>				<b>\$ 524,668</b>	<b>\$ (163,464)</b>	<b>\$ 361,204</b>
<b>Net Position – July 1, 2017, Restated</b>				<b><u>\$ 13,810,625</u></b>	<b><u>\$ 6,033,584</u></b>	<b><u>\$19,844,209</u></b>
<b>Net Position – June 30, 2018</b>				<b><u>\$ 14,335,293</u></b>	<b><u>\$ 5,870,120</u></b>	<b><u>\$20,205,413</u></b>

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

**TOWN OF VINALHAVEN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General <u>Fund</u>	School <u>District</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,196,940	\$ 857,607	\$ 1,764,248	\$ 4,818,795
Taxes and Liens Receivable	291,108	0	0	291,108
Accounts and Grants Receivable	104,009	87,468	13,998	205,475
Due from Other Funds	<u>0</u>	<u>145,210</u>	<u>605,868</u>	<u>751,078</u>
<b>Total Assets</b>	<b>\$ 2,592,057</b>	<b>\$ 1,090,285</b>	<b>\$ 2,384,114</b>	<b>\$ 6,066,456</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>	<u><b>\$ 2,592,057</b></u>	<u><b>\$ 1,090,285</b></u>	<u><b>\$ 2,384,114</b></u>	<u><b>\$ 6,066,456</b></u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 37,202	\$ 40,234	\$ 0	\$ 77,436
Accrued Expenses	18,173	205,864	0	224,037
Due to Other Funds	<u>253,012</u>	<u>454,057</u>	<u>37,242</u>	<u>744,311</u>
<b>Total Liabilities</b>	<u><b>\$ 308,387</b></u>	<u><b>\$ 700,155</b></u>	<u><b>\$ 37,242</b></u>	<u><b>\$ 1,045,784</b></u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue – Property Taxes	<u>\$ 177,303</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 177,303</u>
<b>Fund Balance</b>				
<i>Nonspendable</i>				
Permanent Funds – Non-Expendable	\$ 0	\$ 0	\$ 219,961	\$ 219,961
<i>Restricted</i>				
Tax Incremental Financing	0	0	104,625	104,625
Grant and Entitlement Purposes	0	0	70,238	70,238
Sewer Hook Ups and Loans	0	0	20,726	20,726
<i>Committed</i>				
Capital Projects	0	0	1,747,471	1,747,471
Appropriated for FY 2018/19	36,916	200,000	0	236,916
School District	0	190,130	0	190,130
<i>Assigned</i>				
Permanent Funds – Expendable	0	0	203,038	203,038
<i>Unassigned</i>				
Special Revenue Fund Deficits	0	0	(19,187)	(19,187)
General Fund	<u>2,069,451</u>	<u>0</u>	<u>0</u>	<u>2,069,451</u>
<b>Total Fund Balance</b>	<u><b>\$ 2,106,367</b></u>	<u><b>\$ 390,130</b></u>	<u><b>\$ 2,346,872</b></u>	<u><b>\$ 4,843,369</b></u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u><b>\$ 2,592,057</b></u>	<u><b>\$ 1,090,285</b></u>	<u><b>\$ 2,384,114</b></u>	<u><b>\$ 6,066,456</b></u>

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



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

**Total Fund Balance – Total Governmental Funds** \$ 4,843,369

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. 12,433,228

Interest payable on long-term debt does not require current financial resources and therefore interest payable is not reported as a liability in Governmental Funds Balance Sheet. (11,488)

Unavailable property tax revenues are not available to pay for Current financial expenditures and, therefore, are deferred inflows of resources. 103,747

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	\$ 706,133	
Due in More Than One Year	2,368,764	
Accrued Compensated Absence Payable	<u>35,540</u>	(3,110,437)

Differences Between Deferred Inflows and Deferred Outflows Relating To OPEB Plans Pursuant to GASB Statement No. 75. 12,455

Differences Between Deferred Inflows and Deferred Outflows Regarding Related Pension Expenses Due to Implementation of GASB No. 68. 64,419

**Net Position of Governmental Activities** **\$ 14,335,293**

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

**TOWN OF VINALHAVEN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	General <u>Fund</u>	School <u>District</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>				
Taxes	\$ 6,034,861	\$ 0	\$ 148,330	\$ 6,183,191
Intergovernmental	149,696	781,273	147,403	1,078,372
Licenses, Permits and Fees	42,416	0	0	42,416
Charges for Services	286,372	36,419	32,977	355,768
Investment Income	22,504	2,082	45,975	70,561
On-Behalf Pension/OPEB Contributions	0	150,877	0	150,877
Miscellaneous	<u>7,022</u>	<u>7,076</u>	<u>33,356</u>	<u>47,454</u>
<b>Total Revenues</b>	<b><u>\$ 6,542,871</u></b>	<b><u>\$ 977,727</u></b>	<b><u>\$ 408,042</u></b>	<b><u>\$ 7,928,640</u></b>
<b>Expenditures</b>				
<i>Current</i>				
General Government	\$ 465,605	\$ 0	\$ 133,497	\$ 599,102
Public Works and Sanitation	833,728	0	34,353	868,081
Public Safety	563,666	0	297,817	861,483
Culture and Recreation	86,312	0	648	86,960
Public Health and Welfare	3,653	0	0	3,653
Debt Service	240,504	0	0	240,504
Education	0	4,000,306	155,009	4,155,315
Fixed Charges	542,385	0	0	542,385
<i>Capital Outlay</i>	<u>147,506</u>	<u>0</u>	<u>54,505</u>	<u>202,011</u>
<b>Total Expenditures</b>	<b><u>\$ 2,883,359</u></b>	<b><u>\$ 4,000,306</u></b>	<b><u>\$ 675,829</u></b>	<b><u>\$ 7,559,494</u></b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b><u>\$ 3,659,512</u></b>	<b><u>\$ (3,022,579)</u></b>	<b><u>\$ (267,787)</u></b>	<b><u>\$ 369,146</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	<u>\$ (3,234,529)</u>	<u>\$ 2,907,625</u>	<u>\$ 326,904</u>	<u>\$ 0</u>
<b>Net Change in Fund Balance</b>	<b>\$ 424,983</b>	<b>\$ (114,954)</b>	<b>\$ 59,117</b>	<b>\$ 369,146</b>
<b>Fund Balance – July 1, 2017, Restated</b>	<b><u>1,681,384</u></b>	<b><u>505,084</u></b>	<b><u>2,287,755</u></b>	<b><u>4,474,223</u></b>
<b>Fund Balance – June 30, 2018</b>	<b><u>\$ 2,106,367</u></b>	<b><u>\$ 390,130</u></b>	<b><u>\$ 2,346,872</u></b>	<b><u>\$ 4,843,369</u></b>

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

**TOWN OF VINALHAVEN  
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, 2018**

**Net Change in Fund Balance – Total Governmental Funds** \$ 369,146

**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 recorded in the current period, net of disposals of same. 19,629

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. (703,117)

The issuance of long-term debt (e.g. accrued compensated Absence pay) provides current financial resources to Governmental Funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 806,742

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. 15,512

Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in Governmental Funds. 30,624

Changes in Deferred Outflows and Deferred Inflows and Net OPEB Liability Relating to Implementation of GASB Statement No. 75. (6,812)

Changes Between Deferred Inflows and Deferred Outflows Related to Pension Expenses and Net Pension Liability Due to Implementation of GASB No. 68. (7,056)

**Change in Net Position of Governmental Activities** **\$ 524,668**

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

**TOWN OF VINALHAVEN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance
<b>Revenues</b>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	with Final Budget Positive (Negative)
Taxes	\$ 5,911,004	\$ 5,911,004	\$ 6,034,861	\$ 123,857
Intergovernmental	120,781	120,781	149,696	28,915
Licenses, Permits and Fees	33,300	33,300	42,416	9,116
Charges for Services	180,000	180,000	286,372	106,372
Investment Income	10,000	10,000	22,504	12,504
Miscellaneous	<u>0</u>	<u>0</u>	<u>7,022</u>	<u>7,022</u>
<b>Total Revenues</b>	<b><u>\$ 6,255,085</u></b>	<b><u>\$ 6,255,085</u></b>	<b><u>\$ 6,542,871</u></b>	<b><u>\$ 287,786</u></b>
 <b>Expenditures</b>				
<i>Current</i>				
General Government	\$ 549,310	\$ 514,907	\$ 465,605	\$ 49,302
Public Works and Sanitation	858,985	853,124	833,728	19,396
Public Safety	632,195	648,195	563,666	84,529
Culture and Recreation	100,595	100,595	86,312	14,283
Public Health and Welfare	8,179	8,179	3,653	4,526
Debt Service	242,000	242,000	240,504	1,496
Education	2,977,865	2,977,865	2,977,865	0
Fixed Charges	561,685	561,685	542,385	19,300
<i>Capital Outlay</i>	<u>150,000</u>	<u>250,000</u>	<u>147,506</u>	<u>102,494</u>
<b>Total Expenditures</b>	<b><u>\$ 6,080,814</u></b>	<b><u>\$ 6,156,550</u></b>	<b><u>\$ 5,861,224</u></b>	<b><u>\$ 295,326</u></b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b><u>\$ 174,271</u></b>	<b><u>\$ 98,535</u></b>	<b><u>\$ 681,647</u></b>	<b><u>\$ 583,112</u></b>
 <b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	<u>\$ (213,000)</u>	<u>\$ (256,664)</u>	<u>\$ (256,664)</u>	<u>\$ 0</u>
<b>Net Change in Fund Balances</b>	<b>\$ (38,729)</b>	<b>\$ (158,129)</b>	<b>\$ 424,983</b>	<b>\$ 583,112</b>
<b>Fund Balance – July 1, 2017</b>	<u>1,681,384</u>	<u>1,681,384</u>	<u>1,681,384</u>	<u>0</u>
<b>Fund Balance – June 30, 2018</b>	<b><u>\$ 1,642,655</u></b>	<b><u>\$ 1,523,255</u></b>	<b><u>\$ 2,106,367</u></b>	<b><u>\$ 583,112</u></b>

This Exhibit VII reflects the Town-only appropriations which include the school appropriation as voted at Town Meeting. Exhibit V in the audit reflects a “blended” version of the Actual Statement of Revenues, Expenditures and Changes in Fund Balance.

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

**EXHIBIT VIII**

**TOWN OF VINALHAVEN  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Wastewater</u>	<u>School District</u>	<u>Total Proprietary Funds</u>
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 235,336	\$ 7,068	\$ 242,404
Accounts Receivable	<u>147,605</u>	<u>0</u>	<u>147,605</u>
Total Current Assets	\$ 382,941	\$ 7,068	\$ 390,009
Noncurrent Assets			
Capital Assets (Net of Accumulated Depreciation)	<u>6,313,676</u>	<u>0</u>	<u>6,313,676</u>
<b>Total Assets</b>	<u>\$ 6,696,617</u>	<u>\$ 7,068</u>	<u>\$ 6,703,685</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	\$ 10,506	\$ 0	\$ 10,506
Accrued Expenses	2,009	0	2,009
Due to Other Funds	0	6,767	6,767
Bonds Payable	<u>54,476</u>	<u>0</u>	<u>54,476</u>
Total Current Liabilities	\$ 66,991	\$ 6,767	\$ 73,758
Noncurrent Liabilities			
Bonds Payable	<u>759,807</u>	<u>0</u>	<u>759,807</u>
<b>Total Liabilities</b>	<u>\$ 826,798</u>	<u>\$ 6,767</u>	<u>\$ 833,565</u>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 5,882,334	\$ 0	\$ 5,882,334
Unrestricted	<u>(12,515)</u>	<u>301</u>	<u>(12,214)</u>
<b>Total Net Position</b>	<u>\$ 5,869,819</u>	<u>\$ 301</u>	<u>\$ 5,870,120</u>

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

**EXHIBIT IX**

**TOWN OF VINALHAVEN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Business - Type Activities – Enterprise Funds</u>		
	<u>Wastewater</u>	<u>School District</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues</b>			
Charges for Sales and Services			
User Fees	\$ 288,531	\$ 125	\$ 288,656
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Operating Revenues</b>	<u>\$ 288,531</u>	<u>\$ 125</u>	<u>\$ 288,656</u>
<b>Operating Expenses</b>			
Cost of Sales and Service	\$ 196,673	\$ 0	\$ 196,673
Depreciation	239,460	0	239,460
Site Improvements	0	552	552
Administration	<u>6,967</u>	<u>0</u>	<u>6,967</u>
<b>Total Operating Expenses</b>	<u>\$ 443,100</u>	<u>\$ 552</u>	<u>\$ 443,652</u>
<b>Operating Income (Loss)</b>	<u>\$ (154,569)</u>	<u>\$ (427)</u>	<u>\$ (154,996)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment Income	\$ 2,913	\$ 16	\$ 2,929
Interest Expense	<u>(11,397)</u>	<u>0</u>	<u>(11,397)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>\$ (8,484)</u>	<u>\$ 16</u>	<u>\$ (8,468)</u>
<b>Changes in Net Position</b>	\$ (163,053)	\$ (411)	\$ (163,464)
<b>Net Position – July 1, 2017, Restated</b>	<u>6,032,872</u>	<u>712</u>	<u>6,033,584</u>
<b>Net Position – June 30, 2018</b>	<u>\$ 5,869,819</u>	<u>\$ 301</u>	<u>\$ 5,870,120</u>

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

**EXHIBIT X**

**TOWN OF VINALHAVEN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Wastewater</u>	<u>School District</u>	<u>Total Proprietary Funds</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers	\$ 273,962	\$ 125	\$ 274,087
Payments to Vendors and Employees	<u>(206,084)</u>	<u>0</u>	<u>(206,084)</u>
<b>Net Cash Provided by (Used) in Operating Activities</b>	<u>\$ 67,878</u>	<u>\$ 125</u>	<u>\$ 68,003</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal and Interest Paid During the Year	<u>\$ (65,467)</u>	<u>\$ 0</u>	<u>\$ (65,467)</u>
<b>Cash Flow from Noncapital Financing Activities</b>			
Transfers to Other Funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Cash Flows from Investing Activities</b>			
Investment Income Received	<u>\$ 2,913</u>	<u>\$ 16</u>	<u>\$ 2,929</u>
<b>Net Increase (Decrease) in Cash</b>	<u>\$ 5,324</u>	<u>\$ 141</u>	<u>\$ 5,465</u>
<b>Cash and Cash Equivalents– July 1, 2017</b>	<u>230,012</u>	<u>6,927</u>	<u>236,939</u>
<b>Cash and Cash Equivalents – June 30, 2018</b>	<u>\$ 235,336</u>	<u>\$ 7,068</u>	<u>\$ 242,404</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used) in Operating Activities:</b>			
Operating Income (Loss)	<u>\$ (154,569)</u>	<u>\$ (427)</u>	<u>\$ (154,996)</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by (Used) in Operating Activities</b>			
Depreciation Expense	\$ 239,460	\$ 0	\$ 239,460
(Increase) Decrease in Accounts Receivable	(14,569)	0	(14,569)
Increase (Decrease) in Accounts Payable	(2,444)	0	(2,444)
Increase (Decrease) in Due to Other Funds	0	552	552
Increase (Decrease) in Accrued Expenses	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Adjustments</b>	<u>\$ 222,447</u>	<u>\$ 552</u>	<u>\$ 222,999</u>
<b>Net Cash Provided by (Used) in Operating Activities</b>	<u>\$ 67,878</u>	<u>\$ 125</u>	<u>\$ 68,003</u>

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

**TOWN OF VINALHAVEN  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	Agency Funds
<b>Assets</b>	
Cash and Cash Equivalents	\$ <u>63,021</u>
<b>Liabilities</b>	
Amounts Held for Others	\$ <u>63,021</u>
<b>Net Position</b>	<u><u>\$ 0</u></u>

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



**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**A. – General Statement**

The Town of Vinalhaven, Maine was incorporated in 1789 under the laws of the State of Maine and currently operates under a Town Manager-Selectmen Form of Government. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable, fiscally dependent or because of the nature and significance of its relationship with the Town of Vinalhaven. Blended component units, although legally separate entities, are in substance, part of the government's operations.

Maine School Administrative District No. 8 serves all the citizens of the government and because of the nature and significance of its relationship with the Town has been included. A complete financial statement of the District is available at the Superintendent's Office.

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, which has not been presented as indicated in the Independent Auditors' Report.
- 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.

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**B. – Financial Reporting Entity**

The Town's combined financial statements include the accounts of all Town of Vinalhaven 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.

Based on the aforementioned criteria, the Town of Vinalhaven has no component units that are not included in this report.

**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.

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 are 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 must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc).

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**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.

**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. The MSAD 8 School District is considered a major fund. The Maine School Administrative District No. 8 provides elementary and secondary education to students on the Island of Vinalhaven. The District's financial statements include the operation of all organizations for which the Board of Education exercises oversight responsibility.

*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. The following is a description of the proprietary funds of the Town of Vinalhaven:

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

**Proprietary Funds (Continued)**

*Enterprise Funds* are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has a third party requirement that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Wastewater Department, a major fund, operates in a manner similar to private business enterprises. The intent is that costs for sewer services provided to the general public on a continuing basis be recovered or financed primarily through charges to users. Maine Administrative District No. 8 maintains one enterprise fund, the Smith Hokansen Memorial Hall Fund. These funds are intended to improve the educational experience for District students.

**Fiduciary Funds**

*Fiduciary Funds* are used to report assets held in an agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position, changes in net position, which are reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Maine School Administrative District No. 8 Student Activities accounts are considered Fiduciary Funds.

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

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**E. – Measurement Focus/Basis of Accounting (Continued)**

The government-wide statements 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.

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.

**F. – Budgetary Control**

Formal budgetary accounting is employed as a management control for the general fund of the Town of Vinalhaven.

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

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

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

The Town does not adopt budgets for the Special Revenue Funds.

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**G. – Cash and Investments**

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 fiscal agent. Investments are recorded at fair market value.

**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 are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land Improvements	20 Years
Buildings and Improvements	7 - 40 Years
Equipment	3 - 20 Years
Vehicles	3 - 10 Years
Infrastructure	40 Years

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

**I. - Compensated Absences**

The Town of Vinalhaven recognizes accumulated sick leave compensation during the period in which the related liability is incurred. In compliance with the Town's personnel policies, the total for accrued compensated absence pay was \$35,540 at June 30, 2018.

**J. - Interfund Activity**

Interfund activity is reported as 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. 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 represents the differences between assets and liabilities. Equity is classified as net position and displayed in three components:

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**K. – Equity Classifications (Continued)**

**Government-Wide Statements (Continued)**

- 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 do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Statements**

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen, such as an appropriation. Assigned fund balance is constrained by the Board’s intent to be used for specific purposes by directive. See Note 10 for additional information about fund balances.

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

The Town has implemented the following statements:

*GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB No. 65, Items Previously Reported as Assets and Liabilities.*

GASB 63 and GASB 65 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model. These terms are defined as follows:

*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.

*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.

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

The GASB emphasizes in GASB 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, 2018 in Exhibit I amounted to \$99,321 (comprised of \$12,455 relating to OPEB and \$86,866 relating to pension benefits) and \$96,003 (comprised of \$73,556 relating to property taxes and \$22,447 relating to pension benefits), respectively. Per Exhibit III, the modified accrual deferred inflows of resources amounted to \$177,303 (all related to property taxes), and there was no deferred outflow of resources at that point in time.

**M. – 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.

**N. – Accounts Receivable**

Accounts Receivable at June 30, 2018, primarily consist of miscellaneous intergovernmental and ambulance receivables. There is an allowance for doubtful accounts for ambulance receivables for the Town in the amount of \$46,000.

**NOTE 2 – CASH AND INVESTMENTS**

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 such excess funds in checking accounts, savings accounts, certificates of deposit or repurchase agreements.

**A. Deposits**

At June 30, 2018, cash and cash equivalents of the Town and School District were all insured or collateralized and are all thus do not carry custodial credit risk.

**B. Investments**

At June 30, 2018, the Town held no investments in securities.

**NOTE 3 – 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 coverage's during the fiscal year and no significant settlements that exceeded insurance coverage.



**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – PROPERTY TAXES**

The Town is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. The Town of Vinalhaven’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, 2017, upon which the levy for the year ended June 30, 2018, was based, amounted to \$516,292,323. This assessed value was 100% of the estimated market value and 109.38% of the 2018 State valuation of \$472,000,000. 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 \$42,524 for the year ended June 30, 2018.

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.

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.

The following summarizes the 2017-2018 levy:

Assessed Value	\$ 516,292,323
Less: BETE	(72,937)
Less: Homestead Exemption	<u>(6,900,000)</u>
Net Assessed Value	\$ 509,319,386
Tax Rate (Per \$1,000)	<u>11.41</u>
Commitment	\$ 5,811,334
Supplemental Taxes Assessed	<u>11,239</u>
Sub-Total	\$ 5,822,573
Less: Abatements	(22,223)
Collections	<u>(5,544,077)</u>
Receivable at Year End	<u><u>\$ 256,273</u></u>
 Collection Rate	 <u>95.2%</u>

Property taxes on real and personal property accounts were due on November 2, 2017 and May 2, 2018. Interest was charged at 7% on delinquent accounts after those dates.

**NOTE 5 – JOINTLY GOVERNED VENTURE**

School Administrative District No. 8 is one of ten participants in the Region 8 Vocational School, a governmental unit which provides vocational training for its members’ students. There is no equity interest; however, the District has an ongoing financial responsibility each year to fund a proportionate part of the Vocational School’s budget. In fiscal year 2018, the District provided \$104,522 in funding, or approximately 3.12% of the Vocational School’s budget of \$3,344,477.

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 – CAPITAL ASSETS**

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

	Beginning Balance July 1	Additions/ Completions	Retirements/ Adjustments	Ending Balance June 30
<b><u>Governmental Activities</u></b>				
<i>Capital Assets Not Being Depreciated</i>				
Land and Construction in Progress	<u>\$ 1,248,162</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,248,162</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	\$15,624,903	\$ 0	\$ 0	\$15,624,903
Machinery and Equipment	653,406	7,017	0	660,423
Vehicles	1,313,634	12,612	84,890	1,241,356
Infrastructure	<u>3,368,812</u>	<u>0</u>	<u>0</u>	<u>3,368,812</u>
Total Capital Assets, Being Depreciated	<u>\$20,960,755</u>	<u>\$ 19,629</u>	<u>\$ 84,890</u>	<u>\$20,895,494</u>
<i>Less Accumulated Depreciation for</i>				
Buildings and Improvements	\$ 6,731,268	\$ 503,710	\$ 0	\$ 7,234,978
Machinery and Equipment	608,423	12,708	0	621,131
Vehicles	999,112	102,479	84,890	1,016,701
Infrastructure	<u>753,398</u>	<u>84,220</u>	<u>0</u>	<u>837,618</u>
Total Accumulated Depreciation	<u>\$ 9,092,201</u>	<u>\$ 703,117</u>	<u>\$ 84,890</u>	<u>\$ 9,710,428</u>
Total Capital Assets, Being Depreciated, Net	<u>\$11,868,554</u>	<u>\$ (683,488)</u>	<u>\$ 0</u>	<u>\$11,185,066</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><u>\$13,116,716</u></u>	<u><u>\$ (683,488)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$12,433,228</u></u>
<b><u>Business-Type Activities</u></b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	<u>\$ 87,734</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87,734</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	\$9,563,470	\$ 0	\$ 0	\$9,563,470
Machinery and Equipment	<u>14,912</u>	<u>0</u>	<u>0</u>	<u>14,912</u>
Total Capital Assets, Being Depreciated	<u>\$9,578,382</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$9,578,382</u>
<i>Less Accumulated Depreciation for</i>				
Buildings and Improvements	\$3,108,131	\$ 239,087	\$ 0	\$3,347,218
Machinery and Equipment	<u>4,849</u>	<u>373</u>	<u>0</u>	<u>5,222</u>
Total Accumulated Depreciation	<u>\$3,112,980</u>	<u>\$ 239,460</u>	<u>\$ 0</u>	<u>\$3,352,440</u>
Total Capital Assets, Being Depreciated, Net	<u>\$6,465,402</u>	<u>\$ (239,460)</u>	<u>\$ 0</u>	<u>\$6,225,942</u>
<b>Business-Type Activities, Net</b>	<u><u>\$6,553,136</u></u>	<u><u>\$ (239,460)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$6,313,676</u></u>

Depreciation expense has not been charged as a direct expense.

**TOWN OF VINALHAVEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7 – LONG-TERM DEBT**

At June 30, 2018, loans and bonds payable consisted of the following individual issues:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
<b>Bar Harbor Bank and Trust</b>		
2015 Public Works Vehicle Bond of \$85,000, Maturity 2019, Annual Principal Payments of \$17,000 Plus Interest at 1.69%	34,000	0
2015 Road Reconstruction and Paving Bond of \$650,000, Maturity 2024, Annual Principal Payments of \$65,000 Plus Interest at 2.39%	455,000	0
2016 Public Works Truck Bond of \$185,000, Maturity 2021, Annual Principal Payments of \$37,000 Plus Interest at 1.79%	111,000	0
<b>Maine Municipal Bond Bank</b>		
2002 School Construction Bond , Maturity on October 25, 2021, Annual Payments of \$587,132 Plus Interest, 3.048% - 5.423% Interest Rate. Subsequent to June 30, 2018, the Bond Bank revised the District's future debt service obligations as the result of a favorable refunding issue recently completed by the Bond Bank, effectively eliminating the District's interest obligations on this bond subsequent to June 30, 2018.	2,348,533	0
2011 State Revolving Loan Fund, Maturity 10/1/31, Annual Principal Payments of \$ 51,319 - \$61,999, Interest Rate 1%	0	814,283
<b>Total Loans and Bonds Payable</b>	<u>\$ 2,948,533</u>	<u>\$ 814,283</u>

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

**Changes in Outstanding Debt**

Transactions for the year ended June 30, 2018, are summarized as follows:

	Balance July 1	Issues or Additions	Payments or Expenditures	Balance June 30	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 3,757,092	\$ 0	\$ 808,559	\$ 2,948,533	\$ 706,133
Net Pension Obligation	77,097	0	21,697	55,400	0
Net OPEB Liability	51,697	19,267	0	70,964	0
Accrued Compensated Absence Payable	<u>33,721</u>	<u>1,819</u>	<u>0</u>	<u>35,540</u>	<u>0</u>
<b>Total</b>	\$3,919,607	\$ 21,086	\$ 830,256	\$3,110,437	\$ 706,133
<b>Business-Type Activities</b>					
General Obligation Bonds	<u>868,220</u>	<u>0</u>	<u>53,937</u>	<u>814,283</u>	<u>54,476</u>
<b>Total</b>	<u>\$ 4,787,827</u>	<u>\$ 21,086</u>	<u>\$ 884,193</u>	<u>\$ 3,924,720</u>	<u>\$ 760,609</u>

**Annual Requirements to Retire Debt Obligation**

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 706,133	\$ 13,436	\$ 54,476	\$ 10,988	\$ 785,033
2020	706,133	10,933	55,021	10,440	782,527
2021	689,133	8,430	55,571	9,888	763,022
2022	652,134	6,214	56,128	9,326	723,802
2023	65,000	4,661	56,688	8,765	135,114
2024/28	65,000	3,107	292,059	35,161	395,327
2029/33	<u>65,000</u>	<u>1,553</u>	<u>244,340</u>	<u>17,378</u>	<u>328,271</u>
<b>Total</b>	<u>\$ 2,948,533</u>	<u>\$ 48,334</u>	<u>\$ 814,283</u>	<u>\$ 101,946</u>	<u>\$ 3,913,096</u>

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, 2018, the amount of outstanding long-term debt was equal to 0.80% of property valuation for the year then ended.

Under a provision of state law, the State of Maine reimburses the School District for the financial costs of the approved School construction. Annual principal and interest payments of \$560,333 for the School's long-term debt were received for the year ended June 30, 2018. Such amounts were used to reduce the assessments levied to the participating municipality. Future reimbursements are dependent upon appropriation by the legislature of the State of Maine.

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – INTERFUND ACTIVITY**

Interfund balances at June 30, 2018 consisted of the following:

<b>Due To</b>	
School District	\$ 145,210
<i>Non-Major Governmental Funds</i>	
Special Revenue Funds - School	42,474
Capital Projects - School	310,382
Capital Projects – Town	251,621
Permanent Funds - Town	<u>1,391</u>
<b>Total</b>	<b><u>\$ 751,078</u></b>
<b>Due From</b>	
General Fund	\$ 253,012
School District	454,057
School Proprietary Funds	6,767
<i>Non-Major Governmental Funds</i>	
Special Revenue Funds – School	22,791
Capital Project Funds - School	<u>14,451</u>
<b>Total</b>	<b><u>\$ 751,078</u></b>

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, 2018, consisted of the following:

<b>Transfer To</b>	
School District	\$ 2,977,865
General Fund	10,000
<i>Non-Major Governmental Funds</i>	
Special Revenue Funds - School	5,240
Capital Project Funds - School	65,000
Capital Project Funds - Town	<u>266,664</u>
<b>Total</b>	<b><u>\$ 3,324,769</u></b>
<b>Transfer From</b>	
General Fund	\$ 3,244,529
School District	70,240
<i>Non-Major Governmental Funds</i>	
Permanent Funds - Town	<u>10,000</u>
<b>Total</b>	<b><u>\$ 3,324,769</u></b>

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.

**TOWN OF VINALHAVEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9 – GOVERNMENTAL FUND BALANCES**

Previously, the Town implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, committed, restricted, assigned, and unassigned.

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 balance exceed the total net resources of the fund.

The Town of Vinalhaven 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.

The Town’s General Fund unassigned fund balance total of \$2,069,451 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. Other fund balances per Exhibit III at year-end consisted of amounts which the Town of Vinalhaven intends to use for the following purposes:

<i><b>Nonspendable</b></i>	
<b>Permanent Funds, Nonexpendable</b>	
<b>School District</b>	
L. Grant Duell Scholarship	\$ 20,000
Gwendolyn Green Scholarship	10,000
Philip and Miona Bennett Scholarship	5,200
Amy Cousens Scholarship	5,594
Madeline A. Hanley Nursing	1,850
Otto C. Heddericg Scholarship	1,200
<b>Town</b>	
Cemetery Funds	123,501
Mary Talbot Fund	<u>52,616</u>
<b>Total</b>	<u>\$ 219,961</u>

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – GOVERNMENTAL FUND BALANCES (CONTINUED)**

*Restricted*

**Town**

Sewer Hook Ups and Loans	\$ 20,726
Tax Incremental Financing	<u>104,625</u>
<b>Total</b>	<b><u>\$ 125,351</u></b>

*Restricted*

**Grants and Entitlement Purposes - School**

Unemployment Fund	\$ 31,368
Laptop	20,561
PEPG Grant	4,600
Island Institute	4,262
MBNA Wall Lighting Grant	2,000
Regional Planning Grant	1,968
Professional Based Education Transition Grant	3,051
Friends of Library	686
Girls Point of View	1,656
ITV	14
Garbage to Garden	<u>72</u>
<b>Total</b>	<b><u>\$ 70,238</u></b>

*Committed*

**Capital Projects**

**School District**

Capital Projects and Improvements	\$ 240,044
Minor Capital Playground	73,334
Playground Fund	23,882
Technology Reserve	60,000

**Town**

Sidewalk Reserve	325,619
Roads Capital Reserve	299,183
Fire Department Equipment and Truck	167,676
Harbor Reserve	91,733
Ambulance Vehicle and Equipment	91,651
Public Works Garage	39,037
Public Works Reserve	50,441
Carrying Place Bridge	58,589
Lanes Island	50,000
Landfill Compactor	59,861
Planning Balance Carryforward	34,402
Historical Sites	22,308
Library Reserve	19,839
Parks Reserve	5,976
Equipment Replacement	5,488
Municipal Building – EMS Addition	4,356
Ambulance Training and Education	19,129

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – GOVERNMENTAL FUND BALANCES**

Nativity Scene	2,600
New Playground	325
Park Commission	958
Landfill Equipment	740
Old Fire Hall	<u>300</u>
<b>Total</b>	<b><u>\$ 1,747,471</u></b>

***Committed***

**School District**

Appropriated for FY 2018/19	\$ 200,000
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**Town**

Appropriated for FY 2018/19	<u>36,916</u>
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<b>Total</b>	<b><u>\$ 236,916</u></b>
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***Assigned***

**Permanent Unreserved Funds, Expendable**

**School District**

L. Grant Duell Scholarship	\$ 5,588
Fraser/Calderwood	10,527
Gwendolyn Green Scholarship	476
Amy Cousens Scholarship	12
Madeline A Hanley Nursing	1,610
Otto C. Heddericg Scholarship	1,373
Rubashkin Inspirational Scholarship	2,617
Philip and Miona Bennett Scholarship	2,027

**Town**

Harriet Chatfield Trust	136,611
Cemetery Funds	31,668
Mary Talbot Fund	<u>10,529</u>

<b>Total</b>	<b><u>\$ 203,038</u></b>
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***Committed***

**School District**

<u>\$ 190,130</u>
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***Unassigned***

General Fund	\$ 2,069,451
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*Non-Major Special Revenue Fund Deficits - School*

Local Entitlement	(9,006)
ESEA	(8,762)
Marine Trades	<u>(1,419)</u>

<b>Total</b>	<b><u>\$ 2,050,264</u></b>
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<b>Grand Total</b>	<b><u>\$ 4,843,369</u></b>
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Certain of these amounts must be earmarked to conform to State Law and comply with Federal Regulations.



**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – NET POSITION – BUSINESS TYPE ACTIVITIES**

The unrestricted net position of the Business Type Activities - Enterprise Funds for the School District consist of the following balances at June 30, 2018:

Smith Hokansen Memorial Hall	\$ 301
<b>Total</b>	<u>\$ 301</u>

**NOTE 11 – RETIREMENT PLANS**

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

A. *Plan Description*

Qualifying personnel of the School District participate in the Maine Public Employees Retirement System. The plan is a multiple employer, cost-sharing pension plan with a special funding situation. The State of Maine is a non-employer contributing entity in that the state pays the unfunded actuarial liability (UAL) on behalf of the teachers, while the District contributes the normal cost, which is actuarially calculated. 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*

All teachers participate in this pension plan, while the District makes available to all other eligible employees the option to make a one-time irrevocable election to participate in the Maine Public Employees Retirement System (MEPERS), State Employees and Teachers Plan. The employee shall pay, through payroll deduction(s), his/her required contribution determined by MEPERS, 7.65%. The School 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 25 years of service credit for District employees. Normal retirement age of State Employees and Teachers 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 VINALHAVEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – RETIREMENT PLANS (CONTINUED)**

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 contribution rates are determined through actuarial valuations. For the year ended June 30, 2018, the member contribution rate was 7.65%, the District's contribution rate was 3.97% (normal cost), and the State of Maine contributed 11.68% (UAL).

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, 2018, the District reported a net pension liability of \$55,400. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The District proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At the June 30, 2017 measurement date, the District proportion was 0.003814%, compared to 0.004364% as of the June 30, 2016 measurement date.

At June 30, 2018 the District's reported net pension liability was a portion of the total proportionate share of the collective net pension liability associated with the District's participation in the Teacher plan, as follows:

District's Proportionate Share of Net Pension Liability	\$ 55,400
State of Maine's Proportionate Share of Net Pension Liability	<u>1,777,819</u>
Total	<u>\$ 1,833,219</u>

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$204,921 and State support of \$134,179 at the government-wide level. Within the governmental fund financial statements, the District recognized on-behalf pension contributions from the State in the amount of \$149,527 as revenues and offsetting expenditures.

At June 30, 2018, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources are as follows:

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 – RETIREMENT PLANS (CONTINUED)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 2,329	\$ 0
Changes in Assumptions	0	866
Net Difference between Projected and Actual Earnings on Pension Plan Investments	15,456	16,271
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions.	5,395	5,310
District Contributions Subsequent to the Measurement Date	<u>63,686</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 86,866</u></b>	<b><u>\$ 22,447</u></b>

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>
2019	\$ 65,738
2020	1,279
2021	370
2022	<u>(2,968)</u>
<b>Total</b>	<b><u>\$ 64,419</u></b>

G. *Actuarial Assumptions*

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

➤ <b>Inflation</b>	2.75%
➤ <b>Salary Increases</b>	2.75% to 14.50%
➤ <b>Investment Rate of Return</b>	6.875%
➤ <b>Cost of Living Benefit Increases</b>	2.20%

For the District employees, the mortality rate is based on the RP2014 Total Dataset Mortality Tables for males and females. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates 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.

**TOWN OF VINALHAVEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – RETIREMENT PLANS (CONTINUED)**

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, 2017 valuation are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	30.0%	6.0%
U.S. Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Hard Assets	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	<u>10.0%</u>	5.9%
	<u>100.0%</u>	

H. *Discount Rate*

The discount rate used to measure the total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that plan member contribution will be made 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 District’s proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the District proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.875%) or 1 percentage point higher (7.875%) than the current rate:

	<u>1% Decrease (5.875%)</u>	<u>Current Discount Rate (6.875%)</u>	<u>1% Increase (7.875%)</u>
Proportionate Share of the Net Pension Liability	\$97,210	\$55,400	\$20,879

J. *Pension Plan Financial and Actuarial Information*

Additional financial information and actuarial information can be found in the Maine PERS 2017 Comprehensive Annual Financial Report available online or by contacting the System at (207) 512-3100.

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 – RETIREMENT PLANS (CONTINUED)**

**II. Deferred Compensation Plan – IRA OR 457(b) Account**

The Town of Vinalhaven provides full time employees with a retirement benefit of 6% of the individuals gross annual earnings, not including overtime, to be deposited in an IRA or 457(b) account. An employee shall have the option to match any or all of the employer contributed amount. IRA and 457(b) administration is subject to applicable Federal and State regulations. The Town's total employer contributions under this plan for the year ended June 30, 2018 amounted to \$23,297.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

The Town of Vinalhaven and School Administrative District No. 8 participate in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that they have not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the Town and School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective agents; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 13 – TAX INCREMENTAL FINANCING**

On November 5, 2009 the inhabitants of the Town of Vinalhaven qualified by law to vote approved the Municipal Development and Tax Increment Financing (TIF) District (Fox Island Wind Project) and adopted the Development Program for such District presented at a Special Town Meeting. Fox Island Wind, LLC (FIW) proposed to construct three 1.5-megawatt wind turbines in the District at a cost of \$14.5 million. The District's means and objectives are to capture and retain all (100%) of this increased assessed value from both real and personal property improvements in the District. The Town will allocate a portion of the tax increment revenue attributable to the FIW Project to FIW to help finance costs of the Project. The Town will retain 10% of the balance of the Tax increment revenue attributable to the Project to help finance public improvements. Allocation to FIW of 90% is pursuant to a Credit Enhancement Agreement between the Town and FIW dated July 1, 2010. The term of 30 years runs from July 1, 2010 to June 30, 2040.

**NOTE 14 – OVERLAPPING DEBT**

The Town's proportionate share of Knox County's debt is not recorded in the financial statements of the Town of Vinalhaven. At June 30, 2017, the latest date for which information is available, the Town's share was 6.56% or \$139,091 of the Knox County outstanding debt of \$2,120,680.

**TOWN OF VINALHAVEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 15 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. - Budgetary Accounting**

The Town of Vinalhaven 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 and Deficit Balances**

For the year ended June 30, 2018, expenditures did not exceed appropriations. Exhibit VII shows no overdrafts.

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. As of June 30, 2018, three special revenue funds carried deficit balances as identified in Note 9.

**NOTE 16 – OPEB PLANS**

**I. 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 twelve 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 \$70,964 was measured as of January 1, 2018 and was determined by an actuarial valuation at that date. For the year ended June 30, 2018 the Town recognized OPEB expense of \$7,065 related to the Health Plan. At June 30, 2018 the Town reported deferred inflows of resources and deferred outflows of resources related to the Health Plan from the following sources:

**TOWN OF VINALHAVEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 16 – OPEB PLANS (CONTINUED)**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between Expected and Actual Experience	\$ 2,047	\$ 0
Changes in Assumptions	<u>10,408</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 12,455</u></b>	<b><u>\$ 0</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:

For the Year Ended June 30,	<u>Amount</u>
2019	\$ 1,780
2020	1,780
2021	1,780
2022	1,780
2023	1,780
Thereafter	<u>3,555</u>
<b>Total</b>	<b><u>\$ 12,455</u></b>

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

- **Inflation** 3.00%
- **Salary Increases** 2.75%
- **Discount Rate** 3.44%
- **Healthcare Cost Trend Rates** 8.27% for 2018, decreasing 0.28% per year
- **Retirees' Share of Benefit Costs** 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 3.44% 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 3.44%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate:

**TOWN OF VINALHAVEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 16 – OPEB PLANS (CONTINUED)**

	1% Decrease	Current Discount	1% Increase
	<u>(2.44%)</u>	<u>Rate (3.44%)</u>	<u>(4.44%)</u>
Total OPEB Liability	\$83,752	\$70,964	\$60,651

The following presents the Town’s total OPEB liability related to the Health Plan calculated using the healthcare cost trend rate of 8.27% 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 (7.27% decreasing 0.28% per year) or 1 percentage point higher (9.27% decreasing 0.28% per year) than the current rate:

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	\$60,277	\$70,964	\$84,575

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

*Plan Description*

Qualifying personnel of the School District participate in the Maine Public Employees Retirement System, including that system’s Group Life Insurance Plan. This plan is a multiple employer, cost-sharing OPEB plan with a special funding situation. The State of Maine is a non-employer contributing entity in that the state pays 100% of the actuarially determined contributions for retirees.

*Benefits*

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.

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

Commencing with the year ended June 30, 2018, the District has adopted the provisions of GASB Statement No. 75 as applicable to the District’s OPEB plans. At June 30, 2018, the District reported a net OPEB liability of \$0, as the State of Maine’s non-employer contributing entity required participation level is 100%. At June 30, 2018 the District’s reported net OPEB liability was a portion of the total proportionate share of the collective net OPEB liability associated with the School Department’s participation in the Teacher plan, as follows:

District’s Proportionate Share of Net OPEB Liability	\$ 0
State of Maine’s Proportionate Share of Net OPEB Liability	<u>14,892</u>
Total	<u>\$ 14,892</u>



**TOWN OF VINALHAVEN**  
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**JUNE 30, 2018**

**NOTE 16 – OPEB PLANS (CONTINUED)**

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$1,657, State support of \$1,657, and on-behalf payments of \$1,350.

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

*Plan Financial and Actuarial Information*

Additional financial information and actuarial information can be found in the Maine PERS 2017 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

**III. Group Health Insurance Plan – Maine Education Association Benefits Trust (MEABT)**

The School District provides health insurance benefits to its employees through a group plan administered through the Maine Education Association Benefits Trust. Under this plan, retirees are eligible to continue such coverage post-employment, with the premium cost being born by the State of Maine and the retirees, with no ongoing financial obligation on the part of the School Department. The amount, if any, of OPEB liability and similar amounts arising from any implicit rate subsidy existing under this plan has not been determined.

**NOTE 17 – PRIOR PERIOD ADJUSTMENTS**

During the year ended June 30, 2018, it was determined that the School District's unemployment fund, which had historically been considered an enterprise fund, is more properly viewed as a special revenue fund. Accordingly, within the current year's financial statements, the prior year's ending balance in this fund of \$33,648 has been reclassified from enterprise fund status to special revenue fund status.

During the year ended June 30, 2018, the Town adopted the provisions of GASB Statement No. 75 relating to other post-employment benefits ("OPEB"). As a result, a prior period adjustment reducing government-wide net position in the amount of \$51,697 as of the beginning of the year, and corresponding to the OPEB liability existing as of that point in time.

**NOTE 18 – SUBSEQUENT EVENTS AND DATE OF MANAGEMENT'S REVIEW**

Management has evaluated subsequent events through May 3, 2019, the date on which the financial statements were available to be issued.

**TOWN OF VINALHAVEN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
JUNE 30, 2018**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
District's Proportion of Net Pension Liability	0.003814%	0.004364%	0.003194%	0.000678%
District's Proportionate Share of the Net Pension Liability	\$ 55,400	\$ 77,097	\$ 43,123	\$ 7,325
State of Maine's Proportionate Share of the Net Pension Liability	<u>1,777,819</u>	<u>2,284,473</u>	<u>1,561,505</u>	<u>1,205,897</u>
<b>Total</b>	<u>\$ 1,833,219</u>	<u>\$ 2,361,570</u>	<u>\$ 1,604,628</u>	<u>\$1,213,222</u>
District's Covered Employee Payroll	\$ 1,526,050	\$ 1,452,540	\$ 1,371,239	\$1,242,152
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	<u>3.63%</u>	<u>5.31%</u>	<u>3.14%</u>	<u>0.59%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>83.35%</u>	<u>76.21%</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.

**TOWN OF VINALHAVEN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS  
JUNE 30, 2018**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Contractually Required Contribution	\$ 63,686	\$ 56,190	\$ 54,229	\$ 41,692
Actual Contribution	<u>(63,686)</u>	<u>(56,190)</u>	<u>(54,229)</u>	<u>(41,692)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$1,483,641	\$ 1,526,050	\$ 1,452,240	\$ 1,371,239
Contributions as a Percentage of Covered Employee Payroll	<u>4.29%</u>	<u>3.68%</u>	<u>3.73%</u>	<u>3.04%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined for the District'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.

**TOWN OF VINALHAVEN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE  
OF NET OPEB LIABILITY – GROUP LIFE PLAN  
JUNE 30, 2018**

	<u>6/30/18</u>
District's Proportion of Net OPEB Liability	<u>0.00%</u>
District's Proportionate Share of the Net OPEB Liability	\$ 0
State of Maine's Proportionate Share of the Net OPEB Liability	<u>14,892</u>
Total	<u>\$ 14,892</u>
School Department's Covered Employee Payroll	<u>\$ 1,483,641</u>
School Department's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll	<u>0.00%</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>60.11%</u>
Contractually Required Contributions	\$ 0
Contributions Made in Relation to Contractually Required Amounts	<u>(0)</u>
Contribution Excess (Deficiency)	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 1,483,641
Contributions as a Percentage of Covered Employee Payroll	0.00%

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.

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

**TOWN OF VINALHAVEN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF NET OPEB LIABILITY – GROUP HEALTH PLAN  
JUNE 30, 2018**

	<u>6/30/18</u>
Service Cost	\$ 3,214
Interest	2,071
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	2,340
Changes of Assumptions or Other Inputs	11,895
Benefit Payments	<u>(253)</u>
Net Changes	19,267
Total OPEB Liability - Beginning	<u>51,697</u>
Total OPEB Liability - Ending	<u>\$ 70,964</u>
Covered-Employee Payroll	\$ 469,357
Total OPEB Liability as a Percentage of Covered-Employee Payroll	15.1%

Amounts presented for each fiscal year were determined as of the prior January 1. The data above was determined by the actuarial valuation date which was six-months 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.

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