

Audited Financial Statements and
Other Financial Information

Town of Appleton, Maine

June 30, 2020



Proven Expertise & Integrity

TOWN OF APPLETON, MAINE

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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Selectboard
Town of Appleton
Appleton, Maine

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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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 and the aggregate remaining fund information of the Town of Appleton, Maine as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 11 and 70 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Appleton, Maine's basic financial statements. The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 20-A MRSA §6051, Sub-chapter 1(K) of the Maine Revised Statutes, as amended and is also not a required part of the basic financial statements.

The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2021, on our consideration of the Town of Appleton, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Appleton, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
June 16, 2021

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

(UNAUDITED)

The following management's discussion and analysis of the Town of Appleton, Maine's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2020. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the above-mentioned financial statements have one column for the Town's one type of activity. The type of activity presented for the Town of Appleton, Maine is:

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

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 Appleton, Maine, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Appleton, Maine are categorized as governmental funds.

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

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

The Town of Appleton, Maine presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and

changes in fund balances. The Town's major governmental funds are the general fund and the education fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund, a Schedule of Proportionate Share of Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of Changes in Net OPEB Liability - MMEHT, a Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT, a Schedule of Changes in Net OPEB Liability - MEABT, a Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT, a Schedule of Proportionate Share of Net OPEB Liability - SET Plan, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town's total net position increased by \$266,599 from \$5,101,113 to \$5,367,712.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased to a balance of \$1,900,437.

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

	2020	2019 (Restated)
Assets:		
Current Assets	\$ 2,422,673	\$ 2,148,240
Noncurrent Assets-Capital Assets	4,279,364	4,108,936
Total Assets	6,702,037	6,257,176
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	62,362	67,002
Deferred Outflows Related to OPEB	34,218	10,155
Total Deferred Inflows of Resources	96,580	77,157
Liabilities:		
Current Liabilities	262,710	310,732
Noncurrent Liabilities	1,123,609	882,347
Total Liabilities	1,386,319	1,193,079
Deferred Inflows of Resources:		
Prepaid Taxes	14,193	9,195
Deferred Inflows Related to Pensions	18,792	16,683
Deferred Inflows Related to OPEB	11,601	14,263
Total Deferred Inflows of Resources	44,586	40,141
Net Position:		
Net Investment in Capital Assets	3,462,090	3,551,794
Restricted:		
Permanent Funds	5,185	4,775
Unrestricted	1,900,437	1,544,544
Total Net Position	\$ 5,367,712	\$ 5,101,113

Revenues and Expenses

Revenues for the Town's governmental activities increased by 10.36% while total expenses decreased by 2.61%. The increase in revenues was primarily due to grants and contributions not restricted to specific programs. The decrease in expenses was primarily due to public works.

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

	2020	2019
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 20,591	\$ 13,511
Operating grants and contributions	1,214,532	1,043,430
<i>General Revenues:</i>		
Property taxes	2,754,742	2,719,350
Excise taxes	291,486	266,629
Grants and contributions not restricted to specific programs	518,740	293,980
Miscellaneous	204,369	197,802
Total Revenues	5,004,460	4,534,702
Expenses		
General government	220,927	237,210
Public safety	157,987	114,445
Health and sanitation	39,462	38,747
Public works	531,500	829,793
County tax	140,776	136,026
Education	2,902,559	2,998,149
On-behalf payments	377,348	207,934
Interest on long-term debt	11,310	11,715
Unclassified	355,992	290,625
Total Expenses	4,737,861	4,864,644
 Change in Net Position	 266,599	 (329,942)
 Net Position - July 1, Restated	 5,101,113	 5,431,055
 Net Position - June 30	 \$ 5,367,712	 \$ 5,101,113

Financial Analysis of the Town's Fund Statements

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

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

	<u>2020</u>	<u>2019</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 2,688	\$ 2,688
Assigned	398,639	431,227
Unassigned	728,981	474,199
Total General Fund	<u>\$ 1,158,059</u>	<u>\$ 908,114</u>
Education Fund:		
Restricted	\$ 350,905	\$ 90,207
Assigned	40,207	190,000
Total Education Fund	<u>\$ 391,112</u>	<u>\$ 280,207</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 624	\$ 624
Assigned	67,949	86,454
Unassigned	(28,375)	(13,570)
Capital Project Funds:		
Restricted	-	1
Committed	257,234	194,989
Unassigned	(1,500)	-
Permanent Funds:		
Restricted	5,185	4,150
Assigned	185,551	183,685
Total Nonmajor Funds	<u>\$ 486,668</u>	<u>\$ 456,333</u>

The changes to total fund balances for the general fund, the education fund and the aggregate non-major funds occurred due to the regular activity of operations.

Budgetary Highlights

The difference between the original and final budget for the general fund was due to the commitment process.

The general fund actual revenues exceeded budgeted amounts by \$408,640. All revenue categories were within or in excess of budgeted amounts.

The general fund actual expenditures were under budgeted amounts by \$239,237. All expenditure categories were within or under budgeted amounts with the exception of unclassified.

There was no significant difference between the original and final budget for the education fund.

The education fund actual revenues exceeded budgeted amounts by \$6,736. All revenue categories were within or in excess of budgeted amounts.

The education fund actual expenditures were under budget by \$294,169. All expenditure categories were within or under budgeted amounts.

Capital Asset and Long-Term Debt Administration

Capital Assets

As of June 30, 2020, the net book value of capital assets recorded by the Town increased by \$170,428. This increase was due to the capital asset additions of \$519,262 less current year depreciation expense of \$348,834.

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

	2020	2019 (Restated)
Land	\$ 86,450	\$ 86,450
Buildings and improvements	1,310,109	1,360,717
Equipment and vehicles	558,116	212,035
Infrastructure	2,324,689	2,449,734
Total	\$ 4,279,364	\$ 4,108,936

Debt

At June 30, 2020, the Town had a bond and note from direct borrowings payable outstanding in the amount of \$817,274 versus a bond payable in the amount of \$557,142 in the prior year. Refer to Note 6 of Notes to Financial Statements.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

Economic Factors and Next Year's Budgets and Rates

The Town's unassigned fund balance is at a level sufficient to sustain government operations for a period of approximately two months. The Town also maintains reserves for future operations, capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 2915 Sennebec Road, Appleton, Maine 04862.

TOWN OF APPLETON, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,537,134
Investments	483,980
Accounts receivable (net of allowance for uncollectibles):	
Taxes	264,035
Liens	74,317
Due from other governments	59,895
Inventory	624
Tax acquired property	2,688
Total current assets	<u>2,422,673</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	86,450
Infrastructure, buildings and vehicles, net of accumulated depreciation	4,192,914
Total noncurrent assets	<u>4,279,364</u>
TOTAL ASSETS	<u>6,702,037</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	62,362
Deferred outflows related to OPEB	34,218
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>96,580</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,798,617</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 4,554
Accrued payroll	168,778
Due to other governments	5,612
Current portion of long-term obligations	83,766
Total current liabilities	<u>262,710</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bond payable	426,947
Net pension liability	52,273
Net OPEB liability	337,828
Total noncurrent liabilities	<u>1,123,609</u>
TOTAL LIABILITIES	<u>1,386,319</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	14,193
Deferred inflows related to pensions	18,792
Deferred inflows related to OPEB	11,601
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>44,586</u>
NET POSITION	
Net investment in capital assets	3,462,090
Restricted	5,185
Unrestricted	1,900,437
TOTAL NET POSITION	<u>5,367,712</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 6,798,617</u>

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

TOWN OF APPLETON, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 220,927	\$ -	\$ -	\$ -	\$ (220,927)
Public safety	157,987	-	-	-	(157,987)
Health and sanitation	39,462	-	-	-	(39,462)
Public works	531,500	-	45,236	-	(486,264)
County tax	140,776	-	-	-	(140,776)
Education	2,902,559	-	791,948	-	(2,110,611)
On-behalf payments	377,348	-	377,348	-	-
Interest on long-term debt	11,310	-	-	-	(11,310)
Unclassified	355,992	20,591	-	-	(335,401)
Total government	<u>\$ 4,737,861</u>	<u>\$ 20,591</u>	<u>\$ 1,214,532</u>	<u>\$ -</u>	<u>(3,502,738)</u>

STATEMENT B (CONTINUED)
TOWN OF APPLETON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(3,502,738)
General revenues:	
Taxes:	
Property taxes, levied for general purposes	2,754,742
Excise taxes	291,486
Grants and contributions not restricted to specific programs	518,740
Miscellaneous	204,369
Total general revenues	3,769,337
Change in net position	266,599
NET POSITION - JULY 1	5,101,113
NET POSITION - JUNE 30	\$ 5,367,712

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

TOWN OF APPLETON, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Education Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,527,265	\$ 7,445	\$ 2,424	\$ 1,537,134
Investments	-	-	483,980	483,980
Accounts receivable (net of allowance for uncollectibles):				
Taxes	264,035	-	-	264,035
Liens	74,317	-	-	74,317
Due from other governments	36,416	-	23,479	59,895
Tax acquired property	2,688	-	-	2,688
Inventory	-	-	624	624
Due from other funds	97,695	574,484	31,922	704,101
TOTAL ASSETS	\$ 2,002,416	\$ 581,929	\$ 542,429	\$ 3,126,774
LIABILITIES				
Accounts payable	\$ 561	\$ 3,993	\$ -	\$ 4,554
Accrued payroll	-	168,778	-	168,778
Due to other governments	5,612	-	-	5,612
Due to other funds	606,406	19,546	78,149	704,101
TOTAL LIABILITIES	612,579	192,317	78,149	883,045
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	14,193	-	-	14,193
Deferred tax revenues	217,585	-	-	217,585
TOTAL DEFERRED INFLOWS OF RESOURCES	231,778	-	-	231,778
FUND BALANCES				
Nonspendable	2,688	-	624	3,312
Restricted	-	349,405	5,185	354,590
Committed	26,251	-	257,234	283,485
Assigned	398,639	40,207	253,500	692,346
Unassigned	730,481	-	(52,263)	678,218
TOTAL FUND BALANCES	1,158,059	389,612	464,280	2,011,951
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,002,416	\$ 581,929	\$ 542,429	\$ 3,126,774

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

TOWN OF APPLETON, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 2,011,951
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	4,279,364
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	62,362
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	34,218
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	217,585
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bond payable	(510,713)
Note from direct borrowings payable	(306,561)
Net pension liability	(52,273)
Net OPEB liability	(337,828)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(18,792)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	<u>(11,601)</u>
Net position of governmental activities	<u>\$ 5,367,712</u>

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

TOWN OF APPLETON, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Education Fund	Other Governmental Funds	Total
REVENUES				
Taxes:				
Property taxes	\$ 2,767,245	\$ -	\$ -	\$ 2,767,245
Excise taxes	291,486	-	-	291,486
Intergovernmental	339,929	1,180,436	500	1,520,865
Charges for services	20,591	-	-	20,591
Miscellaneous revenues	37,100	5,236	162,033	204,369
TOTAL REVENUES	3,456,351	1,185,672	162,533	4,804,556
EXPENDITURES				
Current:				
General government	219,652	-	-	219,652
Public safety	128,264	-	-	128,264
Health and sanitation	39,462	-	-	39,462
Public works	402,172	-	-	402,172
County tax	140,776	-	-	140,776
Education	538,738	2,410,250	-	2,948,988
On-behalf payments	-	164,941	-	164,941
Unclassified	87,949	-	243,745	331,694
Interest	-	11,310	-	11,310
Capital outlay	-	-	356,561	356,561
TOTAL EXPENDITURES	1,557,013	2,586,501	600,306	4,743,820
EXCESS REVENUES OVER (UNDER) EXPENDITURES	1,899,338	(1,400,829)	(437,773)	60,736
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	-	306,561	306,561
Transfers in	20,000	1,633,893	159,159	1,813,052
Transfers (out)	(1,669,393)	(123,659)	(20,000)	(1,813,052)
TOTAL OTHER FINANCING SOURCES (USES)	(1,649,393)	1,510,234	445,720	306,561
NET CHANGE IN FUND BALANCES	249,945	109,405	7,947	367,297
FUND BALANCES - JULY 1	908,114	280,207	456,333	1,644,654
FUND BALANCES - JUNE 30	\$ 1,158,059	\$ 389,612	\$ 464,280	\$ 2,011,951

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

TOWN OF APPLETON, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 367,297</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	519,262
Depreciation expense	<u>(348,834)</u>
	<u>170,428</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported:	
Taxes and liens receivable	<u>(12,503)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	(4,640)
OPEB	<u>24,063</u>
	<u>19,423</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	(2,109)
OPEB	<u>2,662</u>
	<u>553</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Position.	
	<u>(306,561)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>46,429</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	12,365
Net OPEB liability	<u>(30,832)</u>
	<u>(18,467)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 266,599</u></u>

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

TOWN OF APPLETON, MAINE

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Agency Funds</u>
	Student
	<u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 5,625
Investments	3,591
TOTAL ASSETS	<u>\$ 9,216</u>
LIABILITIES	
Deposits held for others	\$ 9,216
TOTAL LIABILITIES	<u>\$ 9,216</u>

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Appleton, Maine was incorporated under the laws of the State of Maine. The Town operates under the Town meeting - Select Board form of government and provides the following services: general government, public safety, health and sanitation, public works, education and unclassified.

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

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Maine, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Maine issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or activities. As of the date of this report, the state of emergency was extended to June 11, 2021 but may be further extended if circumstances warrant. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on and Results of Operations

On March 17, 2020 Maine LD 2167 was issued and executed by the Governor of Maine. Among other measures, this LD gave guidance concerning municipal budgets and the election process during the state of emergency. The Town needed to postpone Town Meeting. In accordance with Executive Order 39, issued by the Governor of Maine on April 10, 2020, primary elections (and all applicable dates in coordination with it) were suspended from June 9 to July 14.

In accordance with Executive Order 19, issued by the Governor of Maine on March 24, 2020, Town facilities were temporarily closed to the public and all nonessential services to its inhabitants were suspended from April 7, 2020 to April 10, 2020. The Town was required to reduce its staff temporarily for three days.

Impact on Finances

The Town does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act funding and applicable Federal and /or State programs.

Expected Federal/State Support

The Town may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the Town expects that if those actions are necessary, that the Town would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

Conclusion

The ongoing effects of COVID-19, including the financial impact to the Town and its inhabitants, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Standards

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

1. Governmental Funds:

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

Major funds:

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

Nonmajor funds:

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

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the Town's programs. The reporting focus is on net position and changes in net position and is 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 financial statements.

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$ 2,654,624
Add: On-behalf payments	164,941
Total GAAP basis	<u>\$ 2,819,565</u>
Expenditures per budgetary basis	\$ 2,545,219
Add: On-behalf basis	164,941
Total GAAP basis	<u>\$ 2,710,160</u>

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

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

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Town's investment policy requires collateralization of accounts and deposits only when exceeding an amount equal to 25% of capital, surplus and undivided profits as defined in M.S.R.A 30-A § 5706.

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

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations
- Repurchase agreements whose underlying collateral consist of the foregoing
- Money market mutual funds whose portfolios consist of the foregoing

It is the policy of the Town of Appleton Maine to invest public funds in a manner in which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the Town and conforming to all state and local statutes governing the investment of public funds.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible amounts is estimated to be \$0 as of June 30, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$59,895 for the year ended June 30, 2020.

Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption and are valued at cost. Under the consumption method, the costs of inventory items are recognized as expenditures when used. In the school nutrition program, inventory consists of food supplies. The special revenue funds inventory consists of school lunch supplies and food on hand at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

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

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

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

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

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

Long-term Obligations

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

All long-term obligations to be repaid from governmental resources are reported as liabilities in government-wide statements. The long-term obligations consist of a bond payable, a note from direct borrowings payable, net pension liability and net OPEB liability.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the State Employee and Teacher (SET) Plan and additions to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Education Association Benefits Trust (MEABT), which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MEABT to complete the actuarial report. Additions to/deductions from the MEABT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MEABT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the State Employee and Teacher (SET) Plan and additions to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

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

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given annually by vote of the taxpayers and is expressed by the Selectboard.

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For this item, the Town has deferred outflows related to pensions and deferred outflows related to OPEB that qualifies for reporting in this category. These items are reported in the statement of net position.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions and deferred inflows related to OPEB qualify for reporting in this category as well. These items are reported in the statement of net position only. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the upcoming fiscal year was levied September 17, 2019 on the assessed value listed as of April 1, 2019, for all real and personal property located in the Town. Taxes were due on November 30, 2019. Interest on unpaid taxes commenced on December 1, 2019, at 5.0% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$6,941 for the year ended June 30, 2020.

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

Program Revenues

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

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made in public funds in a manner which will provide safety of principal with a market rate of return while meeting the cash flow demands of the Town and conforming to all state statutes and local ordinances governing the investment of public funds. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the federal depository insurance (FDIC) or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2020, the Town's deposits of \$1,542,759 were comprised of bank deposits of \$1,668,944. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash balance. Of these bank deposits, \$502,424 were insured by FDIC and consequently were not exposed to custodial credit risk. The remaining bank deposits of \$1,166,520 were collateralized with securities held by the financial institution in the Town's name.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 1,400,020
Municipal NOW account	46,845
Money market account	219,655
Savings accounts	2,424
	<u>\$ 1,668,944</u>

Investments:

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

In accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. As such, of the Town's investments of \$487,571, \$250,000 were fully covered by FDIC and consequently were not exposed to custodial credit risk. Of the remaining investments, \$14,481 in common stock certificates are not exposed to custodial credit risk since they are held directly by the client and \$223,090 in certificates of deposit were collateralized by securities held by the financial institution in the Town's name.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy seeks to limit investment maturities to less than four years when practicable as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$473,090 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2020, the Town had the following investments and maturities:

Account Type	Fair Value	Not Applicable	Less than 1 Year	1-5 Years
Equity Securities:				
Common Stock	\$ 14,481	\$ 14,481	\$ -	\$ -

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2020:

Investments by Fair Value Level	June 30, 2020 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Equity Securities:				
Common Stock - Domestic	\$ 14,481	\$ 14,481	\$ -	\$ -
Total Investments by Fair Value Level	\$ 14,481	\$ 14,481	\$ -	\$ -

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Town has no Level II or III investments. Certificates of deposit held with local financial institutions for \$473,090 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

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

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 97,695	\$ 606,406
Education fund	574,484	19,546
Nonmajor special revenue funds	17,657	74,242
Nonmajor capital projects funds	9,367	3,778
Nonmajor permanent funds	4,898	129
	<u>\$ 704,101</u>	<u>\$ 704,101</u>

The result of amounts owed between funds are considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2020 consisted of the following:

	Transfer In	Transfer (Out)
General fund	\$ 20,000	\$ 1,669,393
Education fund	1,633,893	123,659
Nonmajor special revenue funds	33,659	-
Nonmajor capital projects funds	125,500	20,000
	<u>\$ 1,813,052</u>	<u>\$ 1,813,052</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance, 7/1/19 (Restated)	Additions	Disposals	Balance, 6/30/20
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 86,450	\$ -	\$ -	\$ 86,450
	<u>86,450</u>	<u>-</u>	<u>-</u>	<u>86,450</u>
Depreciated assets:				
Buildings and improvements	2,238,743	5,098	-	2,243,841
Equipment and vehicles	596,686	372,024	-	968,710
Infrastructure	9,747,402	142,140	-	9,889,542
	<u>12,582,831</u>	<u>519,262</u>	<u>-</u>	<u>13,102,093</u>
Less: accumulated depreciation	(8,560,345)	(348,834)	-	(8,909,179)
	<u>4,022,486</u>	<u>170,428</u>	<u>-</u>	<u>4,192,914</u>
Net capital assets	<u>\$ 4,108,936</u>	<u>\$ 170,428</u>	<u>\$ -</u>	<u>\$ 4,279,364</u>
<u>Current year depreciation:</u>				
General government				\$ 23,345
Public safety				29,723
Public works				271,468
Recreation				24,298
Total depreciation expense				<u>\$ 348,834</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
Bond payable	\$ 557,142	\$ -	\$ (46,429)	\$ 510,713	\$ 46,429
Note from direct borrowings payable	-	306,561	-	306,561	37,338
	<u>\$ 557,142</u>	<u>\$ 306,561</u>	<u>\$ (46,429)</u>	<u>\$ 817,274</u>	<u>\$ 83,767</u>

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bond and note from direct borrowings payable:

Bond payable:

\$650,000 General Obligation Bond due in annual installments and semiannual interest installments through November 2030. Interest is charged at a fixed rate of 1.160% - 3.061% per annum. Annual principal installments are \$46,429. \$ 510,713

Note from direct borrowings payable:

\$306,561, Promissory Note for a Fire Truck, due in annual principal and interest installments through November 2027. Interest is charged at a fixed rate of 2.530% per annum. Annual principal and interest installments are \$42,508. 306,561

Total bond and note from direct borrowing payable \$ 817,274

The following is a summary of outstanding bond and note from direct borrowings principal and interest requirements for the following fiscal years ending June 30:

	BOND PAYABLE		NOTE FROM DIRECT BORROWINGS PAYABLE		Total Debt Service
	Principal	Interest	Principal	Interest	
2021	\$ 46,429	\$ 10,506	\$ 37,338	\$ 5,171	\$ 99,444
2022	46,429	9,835	35,602	6,906	98,772
2023	46,429	9,113	36,516	5,993	98,051
2024	46,429	8,336	37,452	5,056	97,273
2025	46,429	6,599	38,402	4,107	95,537
2026-2030	232,145	17,733	121,251	6,273	377,402
2031-2035	46,423	711	-	-	47,134
	<u>\$ 510,713</u>	<u>\$ 62,833</u>	<u>\$ 306,561</u>	<u>\$ 33,506</u>	<u>\$ 913,613</u>

All bonds payable and notes from direct borrowings payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

TOWN OF APPLETON, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in the other long-term obligations for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
Net pension liability	\$ 64,638	\$ 47,159	\$ (59,524)	\$ 52,273	\$ -
Net OPEB liability	306,996	41,303	(10,471)	337,828	-
	<u>\$ 371,634</u>	<u>\$ 88,462</u>	<u>\$ (69,995)</u>	<u>\$ 390,101</u>	<u>\$ -</u>

Refer to Notes 14, 15, 16 and 17 for more detailed information regarding other long-term obligations.

NOTE 8 - RESTRICTED NET POSITION

At June 30, 2020, the Town had the following restricted net position:

Wentworth	\$ 1,185
Gushee fund	4,000
	<u>\$ 5,185</u>

NOTE 9 - NONSPENDABLE FUND BALANCES

At June 30, 2020, the Town had the following nonspendable fund balances:

General fund:	
Tax acquired property	\$ 2,688
Nonmajor special revenue funds (Schedule D)	624
	<u>\$ 3,312</u>

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2020, the Town had the following restricted fund balances:

Education fund	\$ 349,405
Nonmajor permanent funds (Schedule H)	5,185
	<u>\$ 354,590</u>

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - COMMITTED FUND BALANCES

At June 30, 2020, the Town had the following committed fund balances:

Nonmajor capital projects funds (Schedule F)	<u>\$ 257,234</u>
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NOTE 12 - ASSIGNED FUND BALANCES

At June 30, 2020, the Town had the following assigned fund balances:

General fund:

Carryforwards:

General government	\$ 4,807
Public safety	3,803
Public works	90,029
FY 2021 tax reduction	300,000
Education fund	40,207
Nonmajor special revenue funds (Schedule D)	67,949
Nonmajor permanent funds (Schedule H)	185,551
	<u>\$ 692,346</u>

NOTE 13 - DEFICIT FUND BALANCES

At June 30, 2020, the Town had the following deficit fund balances:

Nonmajor special revenue funds (Schedule D):	
School nutrition program	\$ 2,113
School special revenue funds	24,138
Barker Flats	23,888
Nonmajor capital projects funds (Schedule F):	
Cemetery reserve	1,500
	<u>\$ 51,639</u>

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 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. As of June 30, 2019, there were 239 employers, including the State of Maine, participating in the plan.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.69%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. The Department's teachers are required to contribute 7.65% of their compensation to the retirement system. The Department's payroll for teachers covered by this program was approximately \$1,151,018 for the year ended June 30, 2020. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 14.33% of the Department's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$164,941 for the year ended June 30, 2020. Title 5 of the Maine Revised Statutes Annotated also requires the Department to contribute at an actuarially determined normal cost rate of 4.16%, which totaled \$47,886 for 2020. In addition, the Department is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 14.95% of compensation and totaled \$8,598 the year ended June 30, 2020.

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

At June 30, 2020, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the Town were as follows:

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Town's proportionate share of the net pension liability	\$ 52,273
State's proportionate share of the net pension liability associated with the Town	<u>1,186,460</u>
Total	<u>\$ 1,238,733</u>

The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating Towns and the State, actuarially determined. At June 30, 2019, the Town's proportion was 0.00357%, which was a decrease of 0.00122% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized net pension expense of \$209,959 and revenue of \$209,959 for support provided by the State of Maine. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SET Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,067	\$ -
Changes of assumptions	1,514	-
Net difference between projected and actual earnings on pension plan investments	-	7,379
Changes in proportion and differences between contributions and proportionate share of contributions	8,895	11,413
Contributions subsequent to the measurement date	<u>47,886</u>	<u>-</u>
Total	<u>\$ 62,362</u>	<u>\$ 18,792</u>

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$47,886 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	SET Plan
	<hr/>
Plan year ended June 30:	
2020	\$ 5,595
2021	(8,276)
2022	(1,658)
2023	22
2024	-
Thereafter	-

Actuarial Methods and Assumptions

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

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits and dividing it by the value, also as of the member's entry age and of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

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

Investment Rate of Return - 6.75% per annum for the year ended June 30, 2019, compounded annually.

Salary Increases, Merit and Inflation - state employees, 2.75% to 8.75% per year; teachers, 2.75% to 14.50% per year.

Mortality Rates - For active members and non-disabled retirees the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases - 2.20% per annum for the year ended June 30, 2019.

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

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2019 for the Plan. 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.

The following table shows how the collective net pension liability as of June 30, 2019 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for the Plan.

	1% Decrease	Discount Rate	1% Increase
SET Plan:			
Discount rate	5.75%	6.75%	7.75%
Town's proportionate share of the net pension liability	\$ 94,509	\$ 52,273	\$ 17,078

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2019 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2019 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2019 and 2018, this was three years for the SET Plan.

Differences between Expected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2019 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the *Actuarial Methods and Assumptions* section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in the plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2019 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

Employees Covered by Benefit Terms

At January 1, 2020, the following employees were covered by the benefit terms:

Active members	2
Retirees and spouses	0
Total	<u>2</u>

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
POS 200	\$1,065	\$2,389
<u>Medicare</u>		
Medicare-Eligible Retirees	\$589	\$1,179

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the Town reported a liability of \$25,653 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2020 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2020, the Town recognized OPEB expense of \$6,570. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 317	\$ -
Changes of assumptions	3,798	973
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	326	-
Total	<u>\$ 4,441</u>	<u>\$ 973</u>

\$326 were reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

TOWN OF APPLETON, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

		MMEHT
Plan year ended December 31:		
2021	\$	1,569
2022		1,573
2023		-
2024		-
2025		-
Thereafter		-

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2020. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 2.74% per annum for June 30, 2020 was based upon a measurement date of December 26, 2019. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	1.74%	2.74%	3.74%
Total OPEB liability	\$ 29,333	\$ 25,653	\$ 22,594
Plan fiduciary net position	-	-	-
Net OPEB liability	\$ 29,333	\$ 25,653	\$ 22,594
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 22,694	\$ 25,653	\$ 29,190
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 22,694</u>	<u>\$ 25,653</u>	<u>\$ 29,190</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
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Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2020, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2019. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Assumptions

The actuarial assumptions used in the January 1, 2020 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2020, they are as follows:

Discount Rate - 2.74% per annum for year end 2020 reporting. 4.10% per annum for 2019 year end reporting.

Trend Assumptions:

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007 and version 2020_b was used for this valuation. The following assumptions were input into this model:

<u>Variable</u>	<u>Rate</u>
Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per capital 2029+	1.50%
Extra Trend due to Taste/Technology 2029+	1.20%
Expected Health Share of GDP 2029	20.00%
Health Share of GDP Resistance Point	25.00%
Year for Limiting Cost Growth to GDP Growth	2040

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group. The rate for the extra trend for taste and technology was set above the baseline of 1.1% (to 1.2%) to move closer to the 30-year average to reflect the future projections from the Centers for Medicare and Medicaid Services Office of the Actuary (CMS OACT). The Medicare Trustee Report and CBO Long-Term Budget Outlook.

The trends selected from 2020 to 2023 were based on plan design, population weighting, renewal projections, and market analysis. For years 2024 to 2028, these are interpolated from 2023 to 2029 (which is the product of the inflation, GDP and extra trend rate assumptions).

Deductibles, Co-payments and Out of Pocket Maximums are assumed to increase at the above trend rates. The ultimate trend rate reflects an assumed nominal per capital GDP growth.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Administrative and claims expense: 3% per annum

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

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2020, they are as follows:

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2020 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2020 was \$217.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town Office at 2915 Sennebec Road, Appleton, Maine 04862.

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

Plan Description

The State of Maine and School retirees contribute to the School's OPEB Plan with the Maine Education Association Benefits Trust (MEABT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the State, the School and/or the School retirees. MEABT is a fully funded, self-insured trust which provides benefits to education organizations and acts as the agent to the School concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MEABT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MEABT participants and are administered by a number of third-party administrators contracted by MEABT. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MEABT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting MEABT at (888) 622-4418.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The employee must have participated in a plan for the 12 months prior to retirement and have 10 years (under age 50) or 5 years (age 50 or above) of continuous active service and enrollment in the health plan to be eligible for

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

this Plan. The retiree who terminates coverage may elect to re-enroll in coverage if they participated in the health plan for 12 months prior to terminating coverage, as long as re-enrollment occurs within 5 years from coverage termination and as long as the retiree is not past age 62. The retiree must have maintained continuous health insurance coverage during the break in coverage with MEABT to be eligible for re-enrollment and is only eligible for re-enrollment once.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Active members	26
Retirees and spouses	<u>4</u>
Total	<u><u>30</u></u>

Cost Sharing Provisions/Contributions

Retirees are eligible for a State subsidy of 45% of the blended single premium for the retiree. The blended premium is determined by blending rates for active members and retired members, as determined by State law. The retiree contributes the remaining 55% of blended single premium and spouse must contribute 100% of the blended premium amount coverage elected.

Employee/Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Employee</u>	<u>Employee/ Spouse</u>	<u>Employee/ Child(ren)</u>	<u>Family</u>
Choice Plus	\$787	\$1,776	\$1,394	\$2,162
Standard \$200 Ded	\$851	\$1,918	\$1,506	\$2,334.
<u>Medicare</u>				
Medicare-Eligible Retirees	\$450	\$944	N/A	N/A

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the Town reported a liability of \$312,175 for its total OPEB liability for this Plan. The total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2020, the Town recognized OPEB expense of \$50,987. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MEABT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	16,603	10,628
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	13,174	-
Total	<u>\$ 29,777</u>	<u>\$ 10,628</u>

\$13,174 were reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

	<u>MEABT</u>	
Plan year ended June 30:		
2020	\$	642
2021		642
2022		642
2023		642
2024		639
Thereafter		2,768

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of June 30, 2019. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.50% per annum for June 30, 2019 was based upon a measurement date of June 27, 2019. The sensitivity of total OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.50%	3.50%	4.50%
Total OPEB liability	\$ 373,942	\$ 312,175	\$ 263,433
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 373,942</u>	<u>\$ 312,175</u>	<u>\$ 263,433</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of total OPEB liability to changes in healthcare cost trend rates are as follows:

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 257,452	\$ 312,175	\$ 382,486
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 257,452</u>	<u>\$ 312,175</u>	<u>\$ 382,486</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

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

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Assumptions

Significant actuarial assumptions employed by the actuary for economic purposes are based on GASB 75 paragraph 36. Assumptions other than the discount rate are based on historical and future projections of long-term health care rates:

Discount Rate - 3.50% per annum.

Trend Assumptions:

Pre-Medicare - Initial trend of 5.55% applied in FYE 2018 grading over 15 years to 3.73% per annum.

Medicare - Initial trend of 3.72% applied in FYE 2018 grading over 15 years to 2.81% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine Public Employees Retirement System State Employee and Teacher Retirement Program at June 30, 2018 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of June 30, 2018, they are as follows:

Retirement Rates - Rates vary for plans based on age and service

Rates of Turnover - Rates vary for plans based on service

Disability Incidence - Rates vary for plans based on age

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims

Family Enrollment Composition - It is assumed that 80% is married with an eligible spouse.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method

Salaries - Were not available from the client and were assumed using the Teachers/Age Service Salary scatter from the State Retirement Agency. Based on the dates of hire assumed above and the participant's actual age, pay was assigned using the salary age service scatter.

Dates of Hire - Were not available from the client and were available from the State Retirement Agency. Dates of hire were assumed to be the midpoint of each service group. Those under 1 year of service, the date was assumed to be January 1, 2018 and all other groups were assumed to be hired on July 1 of each service midpoint.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Rate of Mortality:

Healthy Annuitants - Based on 99% of the RP_2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP_2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

Healthy Employees - Based on 99% of the RP_2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP_2014 Total Dataset Healthy Annuitant Mortality Tables after the end of the Total Employee Mortality Table, both projected using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

Disabled Annuitants - Based on 108% and 105% of the RP_2014 Total Dataset Disabled Annuitant Mortality Table, respectively for males and females, projected from the 2006 base rates using the RPEC_2015 model with an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

Retiree Continuation Percentage:

Retirees currently in the Group Companion Plan (Medicare participants) are assumed to remain in the Group Companion Plan.

Retirees who are currently age 64 or over age 65 and enrolled in a Pre-Medicare plan are assumed to never be eligible for Medicare and are assumed to remain enrolled in the Pre-Medicare plan.

Retirees who are currently under age 64 and enrolled in a Pre-Medicare plan are assumed to be eligible for Medicare and are assumed to remain in the Pre-Medicare plan until age 64 and enroll in the Group Companion plan at age 65.

Spouses who are currently in the Pre-Medicare plan will follow the same assumptions as the retired member; if the member is never eligible for Medicare the spouse is not either.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Significant actuarial assumptions employed by the actuary for claims and expense purposes are the based on the actual community rated premiums of the entire group. As of June 30, 2019, they are as follows:

Monthly Per Capital Claims and Expense Cost - Claims are based on community rated premiums through June 30, 2018 and projects through 2019 and associate enrollment in the various options offered. Annual administrative and claims adjudication expenses are assumed to be included in the annual premiums.

Medical Plan Election - Employees are assumed to continue in their current medical plan for their entire career. 50% of retirees are assumed to switch from the Choice Plan to the Standard Plan.

Medicare Eligibility - Assumed to be age 65, with the exception of retirees over age 65 who are not in the Group Companion Plan, all retirees under age 64 and current actives with a date of hire before 3/31/1986.

Changes in Total OPEB Liability

Changes in total OPEB liability are recognized in OPEB expense for the year ended June 30, 2020 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. As of July 1, 2017, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2020, there were no differences between expected and actual experience.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense over the average expected remaining service life of all active and inactive Plan members. As of July 1, 2017, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for year ending June 30, 2019. For the fiscal year ended June 30, 2020, there were no changes in assumptions.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town Office at 2915 Sennebec Road, Appleton, Maine 04862.

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. As of June 30, 2019, there were 239 employers, including the State of Maine, participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Group Life Insurance Plan (the Plan) 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 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

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

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2020 was approximately \$2,387.

OPEB Liabilities and OPEB Expense

At June 30, 2020, the Town reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the Town. The total portion of the net OPEB liability that was associated with the Town were as follows:

Town's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Town		<u>25,601</u>
Total	\$	<u>25,601</u>

For the year ended June 30, 2020, the Town recognized net OPEB expense of \$2,448 and revenue of \$2,448 for support provided by the State of Maine.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 - 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 participates in a public entity risk pool sponsored by the Maine Municipal Association. The Maine Municipal Association Group Risk Pool is a state-chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2020.

The Town is a member of the Maine Municipal Association - Property and Casualty Pool and pays an annual premium for its coverage. Under the property portion of the policy, coverage is provided after a per occurrence deductible is met. The limit of coverage for liability claims brought under the Maine Tort Claims Act is \$400,000 per occurrence. A \$2,000,000 limit of liability is provided for liability claims outside the Maine Tort Claims Act. There is no aggregate liability limit. Coverage for Public Officials Liability, including Employment Practices, is a part of the program. Coverage is on an occurrence basis, rather than a "claims made" form. A \$2,000,000 limit of liability is provided for all claims for Wrongful Acts seeking monetary damages pursuant to federal or state law for which the Maine Tort Claims Act does not provide immunity or limitations. Each member has a \$4,000,000 annual aggregate limit. An annual sublimit of \$100,000 per member applies for all back wages and/or future salary awards for employment related claims, subject to a \$5,000 retention and a 10% contribution by the member.

The Town is also a member of the Maine Municipal Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker's compensation coverage. The Town's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies' reinsurance contracts, coverage for claims in excess of \$1,000,000.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2020. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 - CONTINGENCIES

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

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

NOTE 20 - COMMITMENTS

The Town of Appleton, Maine has an ambulance service contract with the Town of Union, Maine through the terms of a May 21, 1996 contract. The Town pays a base amount to the Town of Union that is adjusted annually based on the Consumer Price Index Indicator and cost of living adjustments. The contract renews automatically unless terminated by either party by providing thirty (30) days written notice.

The Town has an Independent Contractor Agreement for Services for Assessing Services with Curt E Lebel. The contract is for consulting assessing services beginning April 1, 2019 through March 31, 2022 for the amount of \$10,500 per year for base services, billed in quarterly installments. Any hours provided outside of the terms of the base services must be agreed upon by both parties and are billed to the Town at \$75/hour. The agreement may be terminated by either party by providing 30 days written notice.

The Town has entered into a contract for winter road maintenance with Jacob Boyington. The contract was effective beginning June 2019 through May 2022 with an option of re-negotiating for an additional year by the Selectboard. The contractor is required to provide a performance bond in the amounts of 50% of the yearly contract on or before October 1st of each contract year.

The Town is a member of the Tri-County Solid Waste Management Organization to provide solid waste management services to the residents of the Town. As a member Town of this organization, the Town entered into an Interlocal Cooperative Agreement on May 16, 1990, which was for an original term of 25 years, expiring on October 17, 2016. The Town extended this agreement for an additional 18-year period, which expires on October 17, 2034.

TOWN OF APPLETON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - COMMITMENTS (CONTINUED)

For the twelve months ended June 30, 2020, the Town paid a total of \$33,400 for the ambulance service contract, a total of \$10,500 for assessing services, a total of \$224,035 for winter road maintenance and a total of \$37,032 for solid waste management services. All future contract amounts are subject to annual appropriation by the Town of Appleton, Maine.

NOTE 21 - COMPARATIVE DATA/RECLASSIFICATIONS

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

NOTE 22 - RESTATEMENT

In 2020, the Town determined that certain transactions in prior years had been recorded incorrectly or omitted and that certain funds of the Town required reclassification, therefore, a restatement to the 2019 government-wide was required. The beginning net position was restated by \$104,912 to record capital asset corrections from prior years. The resulting restatement increased net position from \$4,996,197 to \$5,101,113.

Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of Changes in Net OPEB Liability - MMEHT
- Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT
- Schedule of Changes in Net OPEB Liability - MEABT
- Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT
- Schedule of Proportionate Share of Net OPEB Liability - SET Plan
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

TOWN OF APPLETON, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 908,114	\$ 908,114	\$ 908,114	\$ -
Resources (Inflows):				
Property taxes	2,744,789	2,744,789	2,767,245	22,456
Excise taxes	250,000	-	291,486	291,486
Intergovernmental:				
State revenue sharing	141,913	141,913	148,166	6,253
Homestead exemption	135,810	135,810	135,810	-
Snowmobile	450	463	463	-
Tree growth	6,600	-	8,488	8,488
Local road assistance	43,548	44,736	44,736	-
Veteran's reimbursement	1,300	-	2,025	2,025
General assistance	-	-	241	241
Charges for services	18,000	-	20,591	20,591
Interest on taxes	-	-	18,637	18,637
Interest income	-	-	17,475	17,475
Miscellaneous revenues:				
Other	-	-	988	988
Transfers from other funds	-	-	20,000	20,000
Amounts Available for Appropriation	<u>4,250,524</u>	<u>3,975,825</u>	<u>4,384,465</u>	<u>408,640</u>
Charges to Appropriations (Outflows):				
General government	236,987	240,502	219,652	20,850
Public safety	128,809	132,638	128,264	4,374
Health and sanitation	40,100	40,100	39,462	638
Public works	529,500	625,838	402,172	223,666
County tax	140,776	140,776	140,776	-
Education	2,172,631	538,738	538,738	-
Unclassified	38,209	77,658	87,949	(10,291)
Transfers to other funds	35,500	1,669,393	1,669,393	-
Total Charges to Appropriations	<u>3,322,512</u>	<u>3,465,643</u>	<u>3,226,406</u>	<u>239,237</u>
Budgetary Fund Balance, June 30	<u>\$ 928,012</u>	<u>\$ 510,182</u>	<u>\$ 1,158,059</u>	<u>\$ 647,877</u>
Utilization of assigned fund balance	\$ -	\$ 58,938	\$ -	\$ (58,938)
Utilization of unassigned fund balance	300,000	338,994	-	(338,994)
	<u>\$ 300,000</u>	<u>\$ 397,932</u>	<u>\$ -</u>	<u>\$ (397,932)</u>

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

TOWN OF APPLETON, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - EDUCATION FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 280,207	\$ 280,207	\$ 280,207	\$ -
Resources (Inflows):				
Intergovernmental revenues:				
State Subsidy	1,015,495	1,015,495	1,015,495	-
Local Debt Service Allocation Article	57,560	-	-	-
Other Revenue	-	-	5,236	5,236
Transfers From Other Funds	1,576,333	1,633,893	1,633,893	-
Amounts Available for Appropriation	<u>2,929,595</u>	<u>2,929,595</u>	<u>2,934,831</u>	<u>5,236</u>
Charges to Appropriations (Outflows):				
Regular Instruction	1,087,995	1,087,995	976,944	111,051
Special Education	606,104	606,104	513,184	92,920
Other Instruction	41,565	41,565	33,383	8,182
Student and Staff Support	290,375	290,375	257,399	32,976
System Administration	92,692	92,692	82,069	10,623
School Administration	181,230	181,230	173,368	7,862
Transportation and Buses	118,650	118,650	109,560	9,090
Facilities Maintenance	239,558	239,558	218,094	21,464
Transfers to Other Funds	121,264	123,659	123,659	-
Debt Service	57,560	57,560	57,559	1
Other	2,395	-	-	-
Total Charges to Appropriations	<u>2,839,388</u>	<u>2,839,388</u>	<u>2,545,219</u>	<u>294,169</u>
Budgetary Fund Balance, June 30	<u>\$ 90,207</u>	<u>\$ 90,207</u>	<u>\$ 389,612</u>	<u>\$ 299,405</u>
Utilization of Unassigned Fund Balance	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ (190,000)</u>

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

TOWN OF APPLETON, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SET Plan:</u>						
Town's proportion of the net pension liability	0.004%	0.005%	0.003%	0.005%	0.004%	0.005%
Town's proportionate share of the net pension liability	\$ 52,273	\$ 64,638	\$ 42,574	\$ 85,079	\$ 52,857	\$ 52,072
State's proportionate share of the net pension liability associated with the Town	<u>1,186,460</u>	<u>1,035,989</u>	<u>1,098,576</u>	<u>1,616,170</u>	<u>1,010,241</u>	<u>904,571</u>
Total	<u>\$ 1,238,733</u>	<u>\$ 1,100,627</u>	<u>\$ 1,141,150</u>	<u>\$ 1,701,249</u>	<u>\$ 1,063,098</u>	<u>\$ 956,643</u>
Town's covered payroll	\$ 1,133,270	\$ 1,001,930	\$ 949,996	\$ 931,173	\$ 898,010	\$ 982,350
Town's proportionate share of the net pension liability as a percentage of its covered payroll	4.61%	6.45%	4.48%	9.14%	5.89%	5.30%
Plan fiduciary net position as a percentage of the total pension liability	84.52%	85.17%	80.78%	80.80%	81.20%	83.91%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

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

TOWN OF APPLETON, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST TEN FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SET Plan:</u>						
Contractually required contribution	\$ 47,886	\$ 43,172	\$ 39,777	\$ 31,920	\$ 31,288	\$ 23,797
Contributions in relation to the contractually required contribution	<u>(47,886)</u>	<u>(43,172)</u>	<u>(39,777)</u>	<u>(31,920)</u>	<u>(31,288)</u>	<u>(23,797)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,151,017	\$ 1,133,270	\$ 1,001,930	\$ 949,996	\$ 931,173	\$ 898,010
Contributions as a percentage of covered payroll	4.16%	3.81%	3.97%	3.36%	3.36%	2.65%

* The amounts presented for each fiscal year are for those years for which information is available.

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

TOWN OF APPLETON, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MMEHT
FOR THE YEAR ENDED JUNE 30, 2020

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at 1/1/19 (Reporting December 31, 2019)	\$ 19,083	\$ -	\$ 19,083
Changes for the year:			
Service cost	379	-	379
Interest	795	-	795
Changes of benefits	(499)	-	(499)
Differences between expected and actual experience	335	-	335
Changes of assumptions	5,697	-	5,697
Contributions - employer	-	137	(137)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(137)	(137)	-
Administrative expense	-	-	-
Net changes	<u>6,570</u>	<u>-</u>	<u>6,570</u>
Balances at 1/1/20 (Reporting December 31, 2020)	<u>\$ 25,653</u>	<u>\$ -</u>	<u>\$ 25,653</u>

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

TOWN OF APPLETON, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - MMEHT
LAST 10 FISCAL YEARS*

	2020	2019	2018
<u>Total OPEB liability</u>			
Service cost (BOY)	379	437	415
Interest (includes interest on service cost)	795	695	725
Changes of benefit terms	(499)	-	-
Differences between expected and actual experience	335	-	376
Changes of assumptions	5,697	(1,748)	(399)
Benefit payments, including refunds of member contributions	(137)	(132)	(90)
Net change in total OPEB liability	\$ 6,570	\$ (748)	\$ 1,027
Total OPEB liability - beginning	\$ 19,083	\$ 19,831	\$ 18,804
Total OPEB liability - ending	\$ 25,653	\$ 19,083	\$ 19,831
<u>Plan fiduciary net position</u>			
Contributions - employer	137	132	90
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(137)	(132)	(90)
Administrative expense	-	-	-
Net change in fiduciary net position	-	-	-
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -	\$ -
Net OPEB liability - ending	<u>\$ 25,653</u>	<u>\$ 19,083</u>	<u>\$ 19,831</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-
Covered payroll	\$ 78,962	\$ 68,807	\$ 68,807
Net OPEB liability as a percentage of covered payroll	32.5%	27.7%	28.8%

* The amounts presented for each fiscal year are for those years for which information is available.

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

TOWN OF APPLETON, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MEABT
FOR THE YEAR ENDED JUNE 30, 2020

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/18 (Reporting June 30, 2019)	\$ 287,913	\$ -	\$ 287,913
Changes for the year:			
Service cost	3,633	-	3,633
Interest	11,094	-	11,094
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	19,370	-	19,370
Contributions - employer	-	9,835	(9,835)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(9,835)	(9,835)	-
Administrative expense	-	-	-
Net changes	<u>24,262</u>	<u>-</u>	<u>24,262</u>
Balances at 6/30/19 (Reporting June 30, 2020)	<u>\$ 312,175</u>	<u>\$ -</u>	<u>\$ 312,175</u>

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

TOWN OF APPLETON, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - MEABT
LAST 10 FISCAL YEARS*

	<u>2020</u>	<u>2019</u>
<u>Total OPEB liability</u>		
Service cost (BOY)	3,633	3,934
Interest (includes interest on service cost)	11,094	10,631
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	19,370	(14,878)
Benefit payments, including refunds of member contributions	(9,835)	(9,495)
Net change in total OPEB liability	<u>\$ 24,262</u>	<u>\$ (9,808)</u>
Total OPEB liability - beginning	\$ 287,913	\$ 297,721
Total OPEB liability - ending	\$ 312,175	\$ 287,913
<u>Plan fiduciary net position</u>		
Contributions - employer	9,835	9,495
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(9,835)	(9,495)
Administrative expense	-	-
Net change in fiduciary net position	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	\$ -	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 312,175</u>	<u>\$ 287,913</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-
Covered payroll	\$ 1,291,525	\$ 1,256,959
Net OPEB liability as a percentage of covered payroll	24.2%	22.9%

* The amounts presented for each fiscal year are for those years for which information is available.

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

TOWN OF APPLETON, MAINE

SCHEDULE OF NET OPEB LIABILITY - SET PLAN
LAST 10 FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>SET Life Insurance:</u>			
Proportion of the net OPEB liability School's proportionate share of the net OPEB liability	0.00%	0.00%	0.00%
	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School Total	<u>25,935</u> \$ 25,935	<u>25,601</u> \$ 25,601	<u>21,090</u> \$ 21,090
Covered payroll	\$ 1,133,270	\$ 1,001,930	\$ 949,996
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	49.51%	49.22%	48.04%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

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

TOWN OF APPLETON, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>MMEHT:</u>			
Employer contributions	\$ 137	\$ 132	\$ 90
Benefit payments	(137)	(132)	(90)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 78,962	\$ 68,807	\$ 68,807
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>SET Life Insurance:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,151,017	\$ 1,133,270	\$ 1,001,930
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%
	<u>2020</u>	<u>2019</u>	
<u>MEABT:</u>			
Employer contributions	\$ 9,835	\$ 9,495	
Benefit payments	(9,835)	(9,495)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 1,291,525	\$ 1,256,959	
Contributions as a percentage of covered payroll	0.00%	0.00%	

* The amounts presented for each fiscal year are for those years for which information is available.

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

TOWN OF APPLETON, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Changes of Assumptions

MMEHT OPEB Plan

There was a change in the discount rate from 4.10% to 2.74% per GASB 75 discount rate selection. The repeal of the "Cadillac Tax" was reflected in this valuation by removing the previously planned excise tax.

MEABT OPEB Plan:

There was a change in the discount rate from 3.87% to 3.50% per GASB 75 discount rate selection.

Other Supplementary Information

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

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

TOWN OF APPLETON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General government:					
Town officials	\$ 109,652	\$ -	\$ 109,652	\$ 106,246	\$ 3,406
Assessing	11,250	-	11,250	10,500	750
Computer	13,000	-	13,000	9,756	3,244
Municipal buildings/utilities	17,750	-	17,750	15,669	2,081
Office expenses	8,600	-	8,600	9,639	(1,039)
Town meeting	7,085	-	7,085	5,820	1,265
Professional development	13,350	-	13,350	11,144	2,206
Insurance	12,750	-	12,750	11,505	1,245
Employee benefits	35,850	8	35,858	33,898	1,960
Planning Board	500	1,736	2,236	248	1,988
Town maps	5,000	1,596	6,596	3,820	2,776
Town website	700	175	875	750	125
Comprehensive Plan	1,500	-	1,500	657	843
	<u>236,987</u>	<u>3,515</u>	<u>240,502</u>	<u>219,652</u>	<u>20,850</u>
Health and sanitation:					
Tri-county	37,800	-	37,800	37,032	768
Landfill	-	-	-	130	(130)
Septage disposal	2,300	-	2,300	2,300	-
	<u>40,100</u>	<u>-</u>	<u>40,100</u>	<u>39,462</u>	<u>638</u>
Public works:					
Road commissioner	3,000	-	3,000	3,000	-
Road maintenance	125,000	-	125,000	99,221	25,779
Road improvements	40,000	51,602	91,602	27,554	64,048
Winter roads	264,500	-	264,500	224,035	40,465
Paving	82,000	44,736	126,736	33,564	93,172
Barker Flat	15,000	-	15,000	14,798	202
	<u>529,500</u>	<u>96,338</u>	<u>625,838</u>	<u>402,172</u>	<u>223,666</u>
County tax	<u>140,776</u>	<u>-</u>	<u>140,776</u>	<u>140,776</u>	<u>-</u>

TOWN OF APPLETON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public safety:					
Fire department	42,290	-	42,290	42,361	(71)
Ambulance	33,400	-	33,400	33,400	-
Animal control	5,700	-	5,700	5,599	101
Street lights	3,400	-	3,400	2,859	541
EMA	2,500	3,829	6,329	2,526	3,803
911 fees	41,319	-	41,319	41,319	-
Health officer	200	-	200	200	-
	<u>128,809</u>	<u>3,829</u>	<u>132,638</u>	<u>128,264</u>	<u>4,374</u>
Education	<u>2,172,631</u>	<u>(1,633,893)</u>	<u>538,738</u>	<u>538,738</u>	<u>-</u>
Unclassified:					
Cemeteries	13,500	-	13,500	19,324	(5,824)
Mildred Stevens	10,000	-	10,000	10,000	-
Snowmobile	-	463	463	463	-
Provider agencies	7,668	-	7,668	7,668	-
Town Park	100	-	100	22	78
General assistance	-	588	588	588	-
Capital improvements	-	-	-	806	(806)
Discount on taxes	-	38,398	38,398	38,398	-
Overlay	6,941	-	6,941	10,680	(3,739)
	<u>38,209</u>	<u>39,449</u>	<u>77,658</u>	<u>87,949</u>	<u>(10,291)</u>
Transfers to other funds:					
Education fund	-	1,633,893	1,633,893	1,633,893	-
Capital projects funds	35,500	-	35,500	35,500	-
	<u>35,500</u>	<u>1,633,893</u>	<u>1,669,393</u>	<u>1,669,393</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 3,322,512</u>	<u>\$ 143,131</u>	<u>\$ 3,465,643</u>	<u>\$ 3,226,406</u>	<u>\$ 239,237</u>

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

SCHEDULE B

TOWN OF APPLETON, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 2,424	\$ 2,424
Investments	50,292	250,145	183,543	483,980
Due from other governments	23,479	-	-	23,479
Inventory	624	-	-	624
Due from other funds	17,657	9,367	4,898	31,922
TOTAL ASSETS	\$ 92,052	\$ 259,512	\$ 190,865	\$ 542,429
LIABILITIES				
Due to other funds	\$ 74,242	\$ 3,778	\$ 129	\$ 78,149
TOTAL LIABILITIES	74,242	3,778	129	78,149
FUND BALANCES				
Nonspendable	624	-	-	624
Restricted	-	-	5,185	5,185
Committed	-	257,234	-	257,234
Assigned	67,949	-	185,551	253,500
Unassigned	(50,763)	(1,500)	-	(52,263)
TOTAL FUND BALANCES	17,810	257,234	190,736	464,280
TOTAL LIABILITIES AND FUND BALANCES	\$ 92,052	\$ 261,012	\$ 190,865	\$ 542,429

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

SCHEDULE C

TOWN OF APPLETON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 118,187	\$ -	\$ -	\$ 118,187
Charges for services	14,232	-	-	14,232
Interest income	751	6,255	521	7,527
Other	10,273	5,368	6,647	22,288
TOTAL REVENUES	<u>143,443</u>	<u>11,623</u>	<u>7,467</u>	<u>162,533</u>
EXPENDITURES				
Capital outlay	306,561	50,000	-	356,561
Other	232,800	6,379	4,566	243,745
EXPENDITURES	<u>539,361</u>	<u>56,379</u>	<u>4,566</u>	<u>600,306</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(395,918)</u>	<u>(44,756)</u>	<u>2,901</u>	<u>(437,773)</u>
OTHER FINANCING SOURCES (USES)				
Note proceeds	306,561	-	-	306,561
Transfers in	33,659	125,500	-	159,159
Transfers (out)	-	(20,000)	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>340,220</u>	<u>105,500</u>	<u>-</u>	<u>445,720</u>
NET CHANGE IN FUND BALANCES	(55,698)	60,744	2,901	7,947
FUND BALANCES - JULY 1	<u>73,508</u>	<u>194,990</u>	<u>187,835</u>	<u>456,333</u>
FUND BALANCES - JUNE 30	<u>\$ 17,810</u>	<u>\$ 255,734</u>	<u>\$ 190,736</u>	<u>\$ 464,280</u>

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

Special Revenue Funds

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

TOWN OF APPLETON, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2020

	School Nutrition Program	School Special Rev Funds	Barker Flats	School Special Ed Reserve	Fire Truck Bond	Fire Department	Stephen King Grant Fire Department	Total
ASSETS								
Investments	\$ -	\$ -	-	\$ 50,292	\$ -	\$ -	\$ -	\$ 50,292
Due from other governments	-	23,479	-	-	-	-	-	23,479
Inventory	624	-	-	-	-	-	-	624
Due from other funds	-	-	-	-	-	13,722	3,935	17,657
TOTAL ASSETS	<u>\$ 624</u>	<u>\$ 23,479</u>	<u>\$ -</u>	<u>\$ 50,292</u>	<u>\$ -</u>	<u>\$ 13,722</u>	<u>\$ 3,935</u>	<u>\$ 92,052</u>
LIABILITIES								
Due to other funds	\$ 2,737	\$ 47,617	23,888	\$ -	\$ -	\$ -	\$ -	\$ 74,242
TOTAL LIABILITIES	<u>2,737</u>	<u>47,617</u>	<u>23,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,242</u>
FUND BALANCES (DEFICITS)								
Nonspendable	624	-	-	-	-	-	-	624
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	50,292	-	13,722	3,935	67,949
Unassigned	(2,737)	(24,138)	(23,888)	-	-	-	-	(50,763)
TOTAL FUND BALANCES (DEFICITS)	<u>(2,113)</u>	<u>(24,138)</u>	<u>(23,888)</u>	<u>50,292</u>	<u>-</u>	<u>13,722</u>	<u>3,935</u>	<u>17,810</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)								
	<u>\$ 624</u>	<u>\$ 23,479</u>	<u>\$ -</u>	<u>\$ 50,292</u>	<u>\$ -</u>	<u>\$ 13,722</u>	<u>\$ 3,935</u>	<u>\$ 92,052</u>

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

TOWN OF APPLETON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	School Nutrition Program	School Special Rev Funds	Barker Flats	School Special Ed Reserve	Fire Truck Bond	Fire Department	Stephen King Grant Fire Department	Total
REVENUES								
Intergovernmental	\$ 24,466	\$ 81,777	\$ 11,944	\$ -	\$ -	\$ -	\$ -	\$ 118,187
Charges for services	14,232	-	-	-	-	-	-	14,232
Interest income	-	-	-	751	-	-	-	751
Other	500	8,731	-	-	-	1,042	-	10,273
TOTAL REVENUES	<u>39,198</u>	<u>90,508</u>	<u>11,944</u>	<u>751</u>	<u>-</u>	<u>1,042</u>	<u>-</u>	<u>143,443</u>
EXPENDITURES								
Capital outlay	-	-	-	-	306,561	-	-	306,561
Other	87,912	101,076	35,832	-	-	328	7,652	232,800
TOTAL EXPENDITURES	<u>87,912</u>	<u>101,076</u>	<u>35,832</u>	<u>-</u>	<u>306,561</u>	<u>328</u>	<u>7,652</u>	<u>539,361</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(48,714)</u>	<u>(10,568)</u>	<u>(23,888)</u>	<u>751</u>	<u>(306,561)</u>	<u>714</u>	<u>(7,652)</u>	<u>(395,918)</u>
OTHER FINANCING SOURCES (USES)								
Note proceeds	-	-	-	-	306,561	-	-	306,561
Transfers in	33,659	-	-	-	-	-	-	33,659
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>33,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,561</u>	<u>-</u>	<u>-</u>	<u>340,220</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(15,055)	(10,568)	(23,888)	751	-	714	(7,652)	(55,698)
FUND BALANCES (DEFICITS) - JULY 1	<u>12,942</u>	<u>(13,570)</u>	<u>-</u>	<u>49,541</u>	<u>-</u>	<u>13,008</u>	<u>11,587</u>	<u>73,508</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (2,113)</u>	<u>\$ (24,138)</u>	<u>\$ (23,888)</u>	<u>\$ 50,292</u>	<u>\$ -</u>	<u>\$ 13,722</u>	<u>\$ 3,935</u>	<u>\$ 17,810</u>

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

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF APPLETON, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2020

	Fire Truck Replacement Reserve	Cemetery Reserve	Capital Reserve	Town Land Conservation Fund	Municipal Building Reserve	School Facilities	AVE Renovation Bond Fund	Total
ASSETS								
Investments	\$ 3,225	\$ -	\$ 112,969	\$ 11,529	\$ -	\$ 122,422	\$ -	\$ 250,145
Due from other funds	-	-	-	-	9,367	-	-	9,367
TOTAL ASSETS	<u>\$ 3,225</u>	<u>\$ -</u>	<u>\$ 112,969</u>	<u>\$ 11,529</u>	<u>\$ 9,367</u>	<u>\$ 122,422</u>	<u>\$ -</u>	<u>\$ 259,512</u>
LIABILITIES								
Due to other funds	\$ 730	\$ 1,500	\$ -	\$ 1,548	\$ -	\$ -	\$ -	\$ 3,778
TOTAL LIABILITIES	<u>730</u>	<u>1,500</u>	<u>-</u>	<u>1,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,778</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	2,495	-	112,969	9,981	9,367	122,422	-	257,234
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	(1,500)	-	-	-	-	-	(1,500)
TOTAL FUND BALANCES	<u>2,495</u>	<u>(1,500)</u>	<u>112,969</u>	<u>9,981</u>	<u>9,367</u>	<u>122,422</u>	<u>-</u>	<u>255,734</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,225</u>	<u>\$ -</u>	<u>\$ 112,969</u>	<u>\$ 11,529</u>	<u>\$ 9,367</u>	<u>\$ 122,422</u>	<u>\$ -</u>	<u>\$ 259,512</u>

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

TOWN OF APPLETON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Fire Truck Replacement Reserve	Cemetery Reserve	Capital Reserve	Town Land Conservation Fund	Municipal Building Reserve	School Facilities	School-AVE Renovation Bond Fund	Total
REVENUES								
Interest income	\$ -	\$ -	\$ 3,777	\$ 1,041	\$ -	\$ 1,437	\$ -	\$ 6,255
Other	-	1,750	-	3,618	-	-	-	5,368
TOTAL REVENUES	<u>-</u>	<u>1,750</u>	<u>3,777</u>	<u>4,659</u>	<u>-</u>	<u>1,437</u>	<u>-</u>	<u>11,623</u>
EXPENDITURES								
Capital outlay	50,000	-	-	-	-	-	-	50,000
Other	-	3,250	-	3,128	-	-	1	6,379
TOTAL EXPENDITURES	<u>50,000</u>	<u>3,250</u>	<u>-</u>	<u>3,128</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>56,379</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(50,000)</u>	<u>(1,500)</u>	<u>3,777</u>	<u>1,531</u>	<u>-</u>	<u>1,437</u>	<u>(1)</u>	<u>(44,756)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	35,500	-	-	-	-	90,000	-	125,500
Transfers (out)	-	-	(20,000)	-	-	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,500</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>105,500</u>
NET CHANGE IN FUND BALANCES	(14,500)	(1,500)	(16,223)	1,531	-	91,437	(1)	60,744
FUND BALANCES - JULY 1	<u>16,995</u>	<u>-</u>	<u>129,192</u>	<u>8,450</u>	<u>9,367</u>	<u>30,985</u>	<u>1</u>	<u>194,990</u>
FUND BALANCES - JUNE 30	<u>\$ 2,495</u>	<u>\$ (1,500)</u>	<u>\$ 112,969</u>	<u>\$ 9,981</u>	<u>\$ 9,367</u>	<u>\$ 122,422</u>	<u>\$ -</u>	<u>\$ 255,734</u>

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

Permanent Funds

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

TOWN OF APPLETON, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS

JUNE 30, 2020

	Clark Cemetery	Clark Scholarship	Wentworth	Gushee Fund	CF Wentworth Savings	CF Wentworth Charity
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 2,106	\$ -
Investments	4,559	25,990	1,185	-	-	44,408
Due from other funds	-	-	-	4,000	898	-
TOTAL ASSETS	\$ 4,559	\$ 25,990	\$ 1,185	\$ 4,000	\$ 3,004	\$ 44,408
LIABILITIES						
Due to other funds	\$ -	\$ 129	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	129	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	1,185	4,000	-	-
Committed	-	-	-	-	-	-
Assigned	4,559	25,861	-	-	3,004	44,408
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	4,559	25,861	1,185	4,000	3,004	44,408
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,559	\$ 25,990	\$ 1,185	\$ 4,000	\$ 3,004	\$ 44,408

TOWN OF APPLETON, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2020

	Weymouth Cemetery	Miller Cemetery	Pine Grove	Pine Grove/ William Summer	Mildred Stevens Williams Memorial Library	Total
ASSETS						
Cash and cash equivalents	\$ 318	\$ -	\$ -	\$ -	\$ -	\$ 2,424
Investments	-	10,663	57,176	25,081	14,481	183,543
Due from other funds	-	-	-	-	-	4,898
TOTAL ASSETS	<u>\$ 318</u>	<u>\$ 10,663</u>	<u>\$ 57,176</u>	<u>\$ 25,081</u>	<u>\$ 14,481</u>	<u>\$ 190,865</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	5,185
Committed	-	-	-	-	-	-
Assigned	318	10,663	57,176	25,081	14,481	185,551
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>318</u>	<u>10,663</u>	<u>57,176</u>	<u>25,081</u>	<u>14,481</u>	<u>190,736</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 318</u>	<u>\$ 10,663</u>	<u>\$ 57,176</u>	<u>\$ 25,081</u>	<u>\$ 14,481</u>	<u>\$ 190,865</u>

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

TOWN OF APPLETON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Clark Cemetery	Clark Scholarship	Wentworth	Gushee Fund	CF Wentworth Savings	CF Wentworth Charity
REVENUES						
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	484	35	-	-	-
Other	-	500	-	1,000	2,259	-
TOTAL REVENUES	-	984	35	1,000	2,259	-
EXPENDITURES						
Other	-	1,129	-	-	1,448	1
TOTAL EXPENDITURES	-	1,129	-	-	1,448	1
NET CHANGE IN FUND BALANCES	-	(145)	35	1,000	811	(1)
FUND BALANCES - JULY 1	4,559	26,006	1,150	3,000	2,193	44,409
FUND BALANCES - JUNE 30	\$ 4,559	\$ 25,861	\$ 1,185	\$ 4,000	\$ 3,004	\$ 44,408

TOWN OF APPLETON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Weymouth Cemetery	Miller Cemetery	Pine Grove	Pine Grove/ William Summer	Mildred Stevens Williams Memorial Library	Total
REVENUES						
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ -	\$ -	\$ 299	\$ 299
Interest income	-	-	1	1	-	521
Other	-	-	2,100	-	788	6,647
TOTAL REVENUES	-	-	2,101	1	1,087	7,467
EXPENDITURES						
Other	-	-	1,200	-	788	4,566
TOTAL EXPENDITURES	-	-	1,200	-	788	4,566
NET CHANGE IN FUND BALANCES	-	-	901	1	299	2,901
FUND BALANCES - JULY 1	318	10,663	56,275	25,080	14,182	187,835
FUND BALANCES - JUNE 30	\$ 318	\$ 10,663	\$ 57,176	\$ 25,081	\$ 14,481	\$ 190,736

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

General Capital Assets

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

TOWN OF APPLETON, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2020

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General government	\$ 86,450	\$ 668,030	\$ 17,904	\$ 39,352	\$ 811,736
Public safety	-	147,182	412,064	894,579	1,453,825
Public works	-	1,308,313	493,370	8,224,323	10,026,006
Recreation	-	120,316	45,372	731,288	896,976
Total General Capital Assets	86,450	2,243,841	968,710	9,889,542	13,188,543
Less: Accumulated Depreciation	-	(933,732)	(410,594)	(7,564,853)	(8,909,179)
Net General Capital Assets	<u>\$ 86,450</u>	<u>\$ 1,310,109</u>	<u>\$ 558,116</u>	<u>\$ 2,324,689</u>	<u>\$ 4,279,364</u>

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

TOWN OF APPLETON, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2020

	General Capital Assets 7/1/19 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	General Capital Assets 6/30/20 <u></u>
General government	\$ 791,175	\$ 20,561	\$ -	\$ 811,736
Public safety	1,097,264	356,561	-	1,453,825
Public works	9,883,866	142,140	-	10,026,006
Recreation	896,976	-	-	896,976
	<u>12,669,281</u>	<u>519,262</u>	<u>-</u>	<u>13,188,543</u>
Total General Capital Assets	12,669,281	519,262	-	13,188,543
Less: Accumulated Depreciation	<u>(8,560,345)</u>	<u>(348,834)</u>	<u>-</u>	<u>(8,909,179)</u>
Net General Capital Assets	<u>\$ 4,108,936</u>	<u>\$ 170,428</u>	<u>\$ -</u>	<u>\$ 4,279,364</u>

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



Proven Expertise & Integrity

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Selectboard
Town of Appleton
Appleton, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Appleton, Maine as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Town of Appleton, Maine's basic financial statements and have issued our report thereon dated June 16, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Appleton, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Appleton, Maine in a separate letter dated May 27, 2021.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
June 16, 2021

TOWN OF APPLETON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture Passed through State of Maine - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	013.3024.05	\$ 29,455	\$ -
Subtotal Child Nutrition Cluster			<u>29,455</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>29,455</u>	<u>-</u>
U.S. Department of Education Passed through State of Maine - Department of Education and Cultural Services:				
Title I Grants to Local Educational Agencies	84.010	013.3107.13	<u>31,810</u>	<u>-</u>
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	013.3046.12	<u>48,455</u>	<u>-</u>
Subtotal Special Education Cluster (IDEA)			<u>48,455</u>	<u>-</u>
Supporting Effective Instruction State Grants	84.367	013.3042.11	<u>8,353</u>	<u>-</u>
Total U.S. Department of Education			<u>88,618</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 118,073</u>	<u>\$ -</u>

DISCLOSURES:

This Town is not required to have a federal 2 C.F.R. Part 200 Uniform Guidance Audit.



Proven Expertise & Integrity

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Selectboard
Town of Appleton
Appleton, Maine

We have audited the financial statements of Town of Appleton, Maine for the year ended June 30, 2020 and have issued our report thereon dated June 16, 2021. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the Town of Appleton, Maine's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Town of Appleton, Maine complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Appleton, Maine was in noncompliance with or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Town of Appleton, Maine and have attached the following schedule as it relates to the reconciliation of audit adjustments to the initial annual financial data submitted to the Maine Education Financial System maintained at the Maine Department of Education.

This report is intended solely for the information of the Selectboard, School Board, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
June 16, 2021

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APPLETON SCHOOL DEPARTMENT

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
 SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM
 FOR YEAR ENDED JUNE 30, 2020

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Funds (3000)	Total
June 30, 2020 Balance Per MEFS	\$ -	\$ -	\$ -	\$ -
Fund balances	389,612	24,041	122,422	536,075
Audited GAAP Basis Fund Balance June 30, 2020	<u>\$ 389,612</u>	<u>\$ 24,041</u>	<u>\$ 122,422</u>	<u>\$ 536,075</u>