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Independent Auditor's Report

To the Selectmen
Town of Orrington, Maine

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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 Orrington, Maine as of June 30, 2019, and the respective changes in financial position, 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 a management’s discussion and analysis, budgetary comparison and schedule of changes in the Town’s health plan OPEB liability and related ratios on pages 3 – 7 and 36 - 37 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.

Management has omitted the Schedule of Funding Progress for the Retiree Healthcare Plan, the Schedule of Changes in the Town’s Net Pension Liability and Related Ratios, the Schedule of the Town’s Proportionate Share of the Net Pension Liability, and the Schedule of the Town’s Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Orrington’s basic financial statements. The other supplemental schedules as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

Certified Public Accountants
January 22, 2020
TOWN OF ORRINGTON, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Introduction

As management of the Town of Orrington, we offer readers of the Town of Orrington’s financial statements this narrative overview and analysis of the financial activities of the Town of Orrington for the fiscal year ended June 30, 2019.

Financial Highlights

The total assets and deferred outflows of resources of the Town of Orrington exceeded its deferred inflows of resources and liabilities as of June 30, 2019, by $21,814,848 (net position) or an increase of $205,144 in comparison to the previous year, despite a restatement of net position of ($1,133,707) due to a GASB accounting change (Note 11). The increase was primarily due to the net education expenditures being lower than budgeted, a net increase in reserve accounts, errors in budgeted revenue and balances carried forward from the prior year. Of the total net position, $3,649,225 (fund balances less restricted trust balances and committed fund balances) may be used to meet the government’s ongoing obligations to citizens and creditors. The total net position includes infrastructure (land, buildings & equipment).

As of June 30, 2019, the Town of Orrington’s governmental funds reported combined ending fund balances of $11,612,072, an increase of $680,669 in comparison with the prior year, all due to current year operations. Approximately 47% of this total or $5,413,334 is available for spending at the government’s discretion (cash and equivalents).

As of June 30, 2019, the available fund balance for the general fund was $5,882,195 or approximately 60% of total general fund expenditures. However, $2,232,970 of this available fund balance was appropriated to meet the subsequent year’s general fund expenditures. This reduces the unassigned fund balance for the general fund to $3,649,225 or approximately 37% of total general fund expenditures.

The Town of Orrington’s total debt decreased by 50% or $310,707 during 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Orrington’s basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Comparative data for the year 2018 and 2019 can be made as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2019</th>
<th>+/-(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and equivalents</td>
<td>$5,359,988</td>
<td>$5,413,334</td>
<td>$+ 53,346</td>
</tr>
<tr>
<td>Investments</td>
<td>$5,724,515</td>
<td>$6,391,628</td>
<td>$+ 667,113</td>
</tr>
<tr>
<td>Taxes Receivable</td>
<td>$181,699</td>
<td>$184,376</td>
<td>$+ 2,677</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$143,885</td>
<td>$168,808</td>
<td>$+ 24,923</td>
</tr>
<tr>
<td>Deferred Outflows (restated)</td>
<td>$301,063</td>
<td>$206,715</td>
<td>$- 94,348</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$80,506</td>
<td>$103,285</td>
<td>$+ 22,779</td>
</tr>
<tr>
<td>Accrued Payroll/Benefits</td>
<td>$205,923</td>
<td>$264,739</td>
<td>$+ 58,816</td>
</tr>
<tr>
<td>Bonds and Notes</td>
<td>$621,414</td>
<td>$310,707</td>
<td>$- 310,707</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>$310,873</td>
<td>$212,157</td>
<td>$- 98,716</td>
</tr>
<tr>
<td>OPEB liability (restated)</td>
<td>$1,172,295</td>
<td>$1,138,869</td>
<td>$- 33,426</td>
</tr>
<tr>
<td>Deferred Inflows</td>
<td>$132,819</td>
<td>$90,904</td>
<td>$- 41,915</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$8,400,186</td>
<td>$8,046,194</td>
<td>$- 353,992</td>
</tr>
</tbody>
</table>

-3-
Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Orrington's finances, in a manner similar to a private-sector business. The *Statement of Net Position* provides a picture of the difference between assets (including infrastructure) and deferred outflows of resources; and liabilities and deferred inflows of resources. This is called *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Orrington is improving or deteriorating. Other factors need to be considered, such as changes in the Town's property tax base and the condition of the roads, to assess the overall health of the Town.

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

Both of the government-wide financial statements distinguish functions of the Town of Orrington that are principally supported by taxes and intergovernmental revenues (governmental activities).

The governmental activities of the Town of Orrington include general government, education, public safety, highways, health and social services, library, parks and recreation, cemeteries, debt service, county taxes, and capital projects.

The government-wide statements of departmental operations can be found in pages 38 & 39 of the financial statements.

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 Orrington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town of Orrington maintains three individual governmental funds, the general fund (1), reserve fund (2) and trust fund (3).

*The General Fund* (1) is used to account for near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

*The Reserve Fund* (2) is used to account for reserves set aside to off set the impact of future major capital expenses.

*Other Governmental Funds:*
*The Trust Fund* (3) is used to account for those permanent funds with fixed principal balances whose interest income has been dedicated to specific municipal purposes.

*The School Food Service Fund* (3) is used to account for the school nutrition program and consists of cash, receivables and inventories.
The Special Revenue/School Grants Fund (3) is used to account for school grants and special revenue programs.

The Town also maintains Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the Town cannot use these funds to finance its operations. The Town uses an agency fund to account for resources held for student groups. The basic fiduciary fund financial statements can be found on pages 12-13 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-35 of these financial statements.

Other information: In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget. This schedule is located on page 36 of the accompanying financial statements. Other required supplemental information includes pension reporting schedules on pages 25-28 of this report in Note 5 of the Notes to Financial Statements and OPEB information on Schedule 2, page 37 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town of Orrington, assets exceeded liabilities by $21,814,848 at the close of 2019.

The general capital assets (e.g., land, buildings, machinery, and equipment) of the governmental activities of the Town of Orrington less outstanding debt equals $11,277,985.

The governmental funds have total net position of $21,814,848. Included within the total net position are fund balances totaling $10,536,863 for the year ending June 30, 2019, which is available (less $233,392 in trust balances and $10,378 in nonspendable inventory) for future spending. The unrestricted fund balance totaled $8,046,194 of which approximately 68% or $5,472,178 is attributable to funds committed to meet subsequent year’s expenditures. In comparison, fund balances as of June 30, 2018 totaled $8,400,186. The unrestricted fund balance totaled $8,400,186 of which approximately 62% or $5,249,492 was attributable to committed funds.

It should be noted that, even though these funds balances are available for future spending, the investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental activities: Governmental activities increased the Town of Orrington’s net assets by $928,563.

Public safety activities account for approximately 7%, public works 9%, administration 8% of the total expenditures within the governmental funds of the Town of Orrington. Education activities account for 66% and the county tax 5% of the total expenditures. Property taxes are the largest revenue source for governmental activities accounting for approximately 56% of total revenues. Other significant revenues are intergovernmental contributions 32%, and excise tax collections 8% of total revenues.
Financial Analysis of the Government's Funds

As noted earlier, the Town of Orrington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town of Orrington adopted the provisions of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments as of July 1, 2002.

Governmental funds: The focus of the Town of Orrington’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Orrington’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government’s resources available for spending at the end of the fiscal year.

As of June 30, 2019, the Town of Orrington’s governmental funds reported combined ending fund balances of $11,612,072 an increase of $680,668 in comparison with the prior year. Approximately 49% of this total or $5,413,334 is available for spending at the government’s discretion (cash and equivalents). The remainder, $6,198,738, represents investments, trust, reserve, food, and nonspendable inventory accounts.

The General Fund (1) is the chief operating fund of the Town of Orrington. As of June 30, 2019, the total fund balance of the general fund was $5,882,195 of which $2,232,970 or 38% of this fund balance was appropriated to meet subsequent year’s general fund expenditures. This reduces the available fund balance for the general fund to $3,649,225, or approximately 37% of total general fund expenditures.

The fund balance of the general fund increased by $411,151 in fiscal year 2019. Actual expenses were less than budgeted expenses by approximately 2% or $201,304. Actual revenues and other sources were more than budgeted revenues in the general fund by 3% or $340,317.

The Capital Reserve Fund (2) provides funding for capital projects of the Town of Orrington or other unique expenditures which are not normal operating or maintenance type expenditures reportable within the general fund or other governmental funds. The total fund balance as of June 30, 2019, is $5,398,399.

Other Governmental Funds:

The Trust Fund (3) is used to account for those permanent funds with fixed principal balances whose interest income has been dedicated to specific municipal purposes. The total fund balance as of June 30, 2019, is $331,478.

The Food Service Fund (3) is used to account for school food service cash, receivables and inventories. The total fund balance as of June 30, 2019 is $1,414.

The Special Revenue/School Grants Fund (3) is for school grants and special revenue programs. The total fund balance as of June 30, 2019 is $0.
TOWN OF ORRINGTON, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

General Fund Budgetary Discussion

A budget is adopted for the General Fund only at the annual town meeting. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Orrington faced several challenges throughout the year. The Town experienced three town manager changes from 2018 - 2019, and the Town changed the structure of its policing services from a Town department to County contracted services (effective July 1, 2019). After much controversy between 2018 - 2019, Orrington’s residents on July 15, 2019 unified in approving a proposal to construct a $2,850,000 public safety building at the corner of Tupper and Center Drives. The facility will house the fire department and the contracted police deputies and is expected to be completed by the summer of 2020. The building is not expected to impact the tax rate as it is anticipated the funds will come out of a municipal building reserve account and undesignated fund balance.

The audit of the fiscal year ended June 30, 2019 shows the Town is very well positioned and has a more than satisfactory level of funds to meet its obligations. Significant obligations for the Town include accrued payroll, net pension liability, net OPEB liability, a school bond payable (1 year remaining) and allocated monies for the school’s next fiscal year (balance forward). The mil rate remained unchanged between 2018 and 2019 at $13.90 per $1,000 of valuation.

Conclusion to MD&A Report

The town audit continues to be solid as we continue to accomplish capital improvements and increase reserve accounts for future purchases. Thank you to the School Board, Board of Selectmen, Department Heads and Supervisors for their continuing efforts in reviewing and presenting a well thought out and practical budget at our town meeting again this year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Orrington’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Town Manager, Town of Orrington, One Municipal Way, Orrington, ME 04474
TOWN OF ORRINGTON, MAINE  
STATEMENT OF NET POSITION  
JUNE 30, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents - Note 3</td>
<td>$ 5,413,334</td>
</tr>
<tr>
<td>Investments - Note 3</td>
<td>6,391,628</td>
</tr>
<tr>
<td>Taxes Receivable &amp; Liens All Years - Net</td>
<td>184,376</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>168,808</td>
</tr>
<tr>
<td>Inventory</td>
<td>10,378</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>12,168,524</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non Current Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Capital Assets - Net - Note 1</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>3,340,400</td>
</tr>
<tr>
<td>Roads &amp; Infrastructure, net of depreciation</td>
<td>935,079</td>
</tr>
<tr>
<td>Buildings, net of depreciation</td>
<td>6,134,765</td>
</tr>
<tr>
<td>Vehicles &amp; Equipment, net of depreciation</td>
<td>1,178,448</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets:</strong></td>
<td><strong>11,588,692</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>23,757,216</strong></td>
</tr>
</tbody>
</table>

| DEFERRED OUTFLOWS                           |                         |
| Deferred Outflows of Resources related to Pensions - Note 5 | 166,746               |
| Deferred Outflows of Resources related to OPEB - Note 6    | 39,969                  |
| **Total Deferred Outflows**                  | **206,715**             |

| LIABILITIES                                 |                         |
| Current Liabilities:                        |                         |
| Accounts payable and other current liabilities | 103,285              |
| Accrued payroll and benefits                | 264,739                 |
| Taxes collected in advance                  | 12,922                  |
| Deferred Town Revenues                      | 15,500                  |
| Current portion of bonds payable - Note 9   | 310,707                 |
| **Total Current Liabilities**               | **707,153**             |
| Long-Term Liabilities:                      |                         |
| Net pension liability - Note 5              | 212,157                 |
| OPEB Liability - Note 6                     | 1,138,869               |
| **Total Non Current Liabilities:**          | **1,351,026**           |
| **Total Liabilities**                       | **2,058,179**           |

| DEFERRED INFLOWS                            |                         |
| Deferred Inflows of Resources related to Pensions - Note 5 | 54,059                |
| Deferred Inflows of Resources related to OPEB - Note 6     | 36,845                  |
| **Total Deferred Inflows**                    | **90,904**              |

| NET POSITION                                 |                         |
| Net Investment in Capital Assets             | 11,277,985              |
| Restricted for:                              |                         |
| School Nutrition                             | 1,414                   |
| Expendable for Trust Fund Designated Uses    | 96,672                  |
| Nonspendable Trust Funds                     | 233,392                 |
| Education                                    | 1,025,484               |
| Unrestricted                                 | 9,179,901               |
| **Total Net Position - Exhibit B**           | **$ 21,814,848**        |

The accompanying notes are an integral part of these financial statements.
TOWN OF ORRINGTON, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Program Revenues
<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>$ 784,606</td>
<td>$ 102,772</td>
<td>$ -</td>
<td>$ 681,834</td>
</tr>
<tr>
<td>Public works/ Roads</td>
<td>911,503</td>
<td>481</td>
<td>46,060</td>
<td>864,962</td>
</tr>
<tr>
<td>Health, Social Service, and Recreation</td>
<td>181,570</td>
<td>1,569</td>
<td>-</td>
<td>180,001</td>
</tr>
<tr>
<td>Public safety</td>
<td>738,431</td>
<td>-</td>
<td>-</td>
<td>738,431</td>
</tr>
<tr>
<td>Library</td>
<td>66,075</td>
<td>-</td>
<td>-</td>
<td>66,075</td>
</tr>
<tr>
<td>Education</td>
<td>6,734,272</td>
<td>-</td>
<td>3,033,754</td>
<td>3,700,518</td>
</tr>
<tr>
<td>Food Service</td>
<td>135,863</td>
<td>28,422</td>
<td>54,883</td>
<td>52,558</td>
</tr>
<tr>
<td>On behalf payments - State of Maine</td>
<td>153,204</td>
<td>-</td>
<td>153,204</td>
<td>-</td>
</tr>
<tr>
<td>Economic Development</td>
<td>1,272</td>
<td>-</td>
<td>-</td>
<td>1,272</td>
</tr>
<tr>
<td>Capital Purchases</td>
<td>101,719</td>
<td>-</td>
<td>-</td>
<td>101,719</td>
</tr>
<tr>
<td>Cemetery</td>
<td>1,084</td>
<td>-</td>
<td>600</td>
<td>484</td>
</tr>
<tr>
<td>Interest on Debt</td>
<td>27,535</td>
<td>-</td>
<td>27,535</td>
<td>-</td>
</tr>
<tr>
<td>County Tax</td>
<td>504,172</td>
<td>-</td>
<td>-</td>
<td>504,172</td>
</tr>
<tr>
<td>Total Governmental Activities</td>
<td>$ 10,341,306</td>
<td>$ 133,244</td>
<td>$ 3,316,036</td>
<td>6,892,026</td>
</tr>
</tbody>
</table>

General Revenues
- Property Taxes - Schedule 4 6,210,180
- Excise Taxes 859,452
- Grants and Contributions not restricted to specific programs 371,093
- Investment Income 212,040
- Other Income 167,824
- Total General Revenues 7,820,589

Change in Net Position - Exhibit D 928,563

Net Position - Beginning of Year 22,019,992

Restate Prior year for OPEB reporting - Note 11 $(1,133,707)

Net Position - Ending - Exhibit A $ 21,814,848

The accompanying notes are an integral part of these financial statements.
### TOWN OF OROLLINGTON, MAINE

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2019**

#### ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>GENERAL</th>
<th>RESERVES</th>
<th>GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents - Note 3</td>
<td>$5,409,421</td>
<td>$976</td>
<td>$3,913</td>
<td>$5,413,334</td>
</tr>
<tr>
<td>Investments - Note 3</td>
<td>6,122,788</td>
<td>-</td>
<td>268,840</td>
<td>6,391,628</td>
</tr>
<tr>
<td>Taxes Receivable &amp; Liens All Years - Net</td>
<td>184,376</td>
<td>-</td>
<td>-</td>
<td>184,376</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>94,553</td>
<td>-</td>
<td>74,255</td>
<td>168,808</td>
</tr>
<tr>
<td>Inventory</td>
<td>-</td>
<td>-</td>
<td>10,378</td>
<td>10,378</td>
</tr>
<tr>
<td>Interfund Receivable</td>
<td>87,132</td>
<td>5,398,399</td>
<td>61,224</td>
<td>5,546,755</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>11,898,270</td>
<td>5,398,399</td>
<td>418,610</td>
<td>17,715,279</td>
</tr>
</tbody>
</table>

#### LIABILITIES

<table>
<thead>
<tr>
<th>Item</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>103,285</td>
<td>-</td>
<td>-</td>
<td>103,285</td>
</tr>
<tr>
<td>Accrued Salaries and Benefits</td>
<td>264,739</td>
<td>-</td>
<td>-</td>
<td>264,739</td>
</tr>
<tr>
<td>Taxes Paid in Advance</td>
<td>12,922</td>
<td>-</td>
<td>-</td>
<td>12,922</td>
</tr>
<tr>
<td>Deferred Town Revenues</td>
<td>15,500</td>
<td>-</td>
<td>-</td>
<td>15,500</td>
</tr>
<tr>
<td>Interfund Payable</td>
<td>5,459,623</td>
<td>-</td>
<td>87,132</td>
<td>5,546,755</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>5,856,069</td>
<td>-</td>
<td>87,132</td>
<td>5,943,201</td>
</tr>
</tbody>
</table>

#### DEFERRED INFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th>Item</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unavailable revenues - property taxes - Note 1</td>
<td>160,006</td>
<td>-</td>
<td>-</td>
<td>160,006</td>
</tr>
<tr>
<td><strong>Total deferred inflows of resources</strong></td>
<td>160,006</td>
<td>-</td>
<td>-</td>
<td>160,006</td>
</tr>
</tbody>
</table>

#### FUND BALANCES

**Nonspendable:**

- Trust Funds - Exhibit G  
  - 233,392  
  - 233,392

**Restricted for:**

- Library  
  - 87,636  
  - 87,636
- General Assistance  
  - 771  
  - 771
- Cemetery  
  - 8,265  
  - 8,265
- Special Revenue Programs  
  -  
  -
- School Nutrition  
  - 1,414  
  - 1,414
- Education  
  - 2,159,191  
  - 2,159,191
- Committed for:
  - Subsequent Year's Expenditures  
    - 73,779  
    - 5,398,399  
    - 5,472,178
  - Unassigned  
    - 3,649,225  
    - 3,649,225

**Total Fund Balances - Exhibit D**  

- 5,882,195  
- 5,398,399  
- 331,478  
- 11,612,072

#### TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

<table>
<thead>
<tr>
<th></th>
<th>GENERAL</th>
<th>RESERVES</th>
<th>GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Fund Balances - Total Governmental Funds (from above)</strong></td>
<td>$11,898,270</td>
<td>$5,398,399</td>
<td>$418,610</td>
<td>$17,715,279</td>
</tr>
<tr>
<td><strong>Net Position of Governmental Activities - Exhibit A</strong></td>
<td>21,814,848</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
TOWN OF ORRINGTON, MAINE
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>GENERAL</th>
<th>RESERVES</th>
<th>OTHER GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes - Schedule 4</td>
<td>$6,219,022</td>
<td>$ -</td>
<td>$ -</td>
<td>$6,219,022</td>
</tr>
<tr>
<td>Excise Taxes</td>
<td>859,452</td>
<td>-</td>
<td>-</td>
<td>859,452</td>
</tr>
<tr>
<td>Tax Interest and Lien Costs</td>
<td>24,414</td>
<td>-</td>
<td>-</td>
<td>24,414</td>
</tr>
<tr>
<td>Licenses, Permits Fees</td>
<td>102,772</td>
<td>-</td>
<td>-</td>
<td>102,772</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>3,178,376</td>
<td>116,524</td>
<td>328,983</td>
<td>3,507,359</td>
</tr>
<tr>
<td>Investment Income</td>
<td>76,062</td>
<td>-</td>
<td>19,454</td>
<td>215,040</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>153,204</td>
<td>-</td>
<td>-</td>
<td>153,204</td>
</tr>
<tr>
<td>On behalf payments - State of Maine</td>
<td>139,674</td>
<td>-</td>
<td>4,336</td>
<td>144,010</td>
</tr>
<tr>
<td>Other</td>
<td>10,752,976</td>
<td>116,524</td>
<td>381,195</td>
<td>11,250,695</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>GENERAL</th>
<th>RESERVES</th>
<th>OTHER GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Administration</td>
<td>763,137</td>
<td>74,304</td>
<td>-</td>
<td>837,441</td>
</tr>
<tr>
<td>Roads</td>
<td>868,694</td>
<td>80,300</td>
<td>-</td>
<td>948,994</td>
</tr>
<tr>
<td>Health, Social Service, and Recreation Expenses</td>
<td>176,870</td>
<td>-</td>
<td>-</td>
<td>176,870</td>
</tr>
<tr>
<td>Protection of Persons and Property Expenses</td>
<td>654,056</td>
<td>97,003</td>
<td>-</td>
<td>751,059</td>
</tr>
<tr>
<td>Library</td>
<td>66,075</td>
<td>-</td>
<td>-</td>
<td>66,075</td>
</tr>
<tr>
<td>Economic Development</td>
<td>247</td>
<td>1,025</td>
<td>-</td>
<td>1,272</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>6,562,389</td>
<td>319,885</td>
<td>6,882,274</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
</tr>
<tr>
<td>Food Service</td>
<td>153,204</td>
<td>-</td>
<td>-</td>
<td>153,204</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1,084</td>
<td>-</td>
<td>-</td>
<td>1,084</td>
</tr>
<tr>
<td>On behalf payments - State of Maine</td>
<td>504,172</td>
<td>-</td>
<td>504,172</td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>9,759,928</td>
<td>354,351</td>
<td>455,748</td>
<td>10,570,027</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUND BALANCES - Beginning</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FUND BALANCES - Ending - Exhibit C</td>
<td>$5,882,195</td>
<td>$5,398,399</td>
<td>$331,478</td>
<td>$11,612,072</td>
</tr>
</tbody>
</table>

Net Change In Fund Balances - Total Governmental Funds (from above)

<table>
<thead>
<tr>
<th></th>
<th>GENERAL</th>
<th>RESERVES</th>
<th>OTHER GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Change In Fund Balances</td>
<td>$</td>
<td>$580,668</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.
- This is the amount by which capital outlay (154,593) exceeded depreciation expense (288,273) (133,680).
- 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.
- Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds: Bonds Payable (94,348).
- OPEB Liability - School Retiree Health Insurance 310,707.
- 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 the government funds: net pension liability (41,915).
- 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: (8,441).
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: Decrease in Deferred Property Tax $928,563.

The accompanying notes are an integral part of these financial statements.
## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash - Exhibit F</td>
<td>$90,206</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$90,206</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds held for Group Activities</td>
<td>$90,206</td>
</tr>
</tbody>
</table>

## NET POSITION

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET POSITION</strong></td>
<td>$-</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
TOWN OF ORRINGTON, MAINE
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th>Beginning Balance</th>
<th>Cash Receipts</th>
<th>Transfers In/ (Out)</th>
<th>Cash Disbursements</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orrington Recreation Commission</td>
<td>$17,587</td>
<td>$19,832</td>
<td>-</td>
<td>$25,572</td>
</tr>
<tr>
<td>Center Drive School Student Activity</td>
<td>77,936</td>
<td>85,770</td>
<td>-</td>
<td>94,653</td>
</tr>
<tr>
<td>Superintendents Account</td>
<td>5,963</td>
<td>21,605</td>
<td>-</td>
<td>21,315</td>
</tr>
<tr>
<td>Center Drive Parent Teacher Group</td>
<td>12,002</td>
<td>18,488</td>
<td>-</td>
<td>27,437</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$113,488</strong></td>
<td><strong>$145,695</strong></td>
<td>-</td>
<td><strong>$168,977</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements

-13-
## TOWN OF ORRINGTON, MAINE
### STATEMENT OF NET POSITION
### OTHER GOVERNMENTAL FUNDS
### FOR THE YEAR ENDED JUNE 30, 2019

**ASSETS**
- Cash and cash equivalents $3,913
- Investments 268,840
- Accounts Receivable 74,255
- Inventory 10,378
- Interfund Receivable 61,224

Total Assets $418,610

**LIABILITIES**
- Interfund Payable 87,132

Total Liabilities 87,132

**DEFERRED INFLOWS OF RESOURCES**

**FUND BALANCES**

- **Nonspendable:**
  - Trust Funds - Exhibit H 233,392
  - Inventory -

- **Restricted for:**
  - Library 87,636
  - General Assistance 771
  - Cemetery 8,265
  - Special Revenue Programs -
  - Food Program 1,414

Total Fund Balances - Exhibit H 331,478

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** $418,610

The accompanying notes are an integral part of these financial statements -14-
**TOWN OF ORRINGTON, MAINE**  
**STATEMENT OF ACTIVITY IN OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Exhibit H**

<table>
<thead>
<tr>
<th>Fund Additions Earnings Fund</th>
<th>Balance and Total Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRUST FUNDS: July 1, 2018 Transfers In Receipts Available Expenditures June 30, 2019</td>
<td></td>
</tr>
<tr>
<td>Eben Bassett</td>
<td>$181,204</td>
</tr>
<tr>
<td>Cemeteries</td>
<td>46,240</td>
</tr>
<tr>
<td>Burns Fund</td>
<td>3,000</td>
</tr>
<tr>
<td>Mildred Ryder Fund</td>
<td>1,295</td>
</tr>
<tr>
<td>Ministerial School Fund</td>
<td>1,053</td>
</tr>
<tr>
<td>Total Trust Funds - Exhibit C</td>
<td>232,792</td>
</tr>
</tbody>
</table>

| EXPENDABLE TRUST FUNDS RESTRICTED FOR: |
| Library - Eben Bassett | 69,995 | - | 17,641 | 87,636 | - | 87,636 |
| General Assistance - Burns and Ministerial | 628 | - | 143 | 771 | - | 771 |
| Cemetery - Cemetery and Ryder Funds | 6,601 | - | 1,664 | 8,265 | - | 8,265 |
| Expendable Trust Funds - Restricted | 77,224 | - | 19,448 | 96,672 | - | 96,672 |

**SCHOOL: SPECIAL REVENUE FUND: NUTRITION**

|  | (515) | 54,481 | 83,311 | 137,277 | 135,863 | 1,414 |

**SCHOOL: SPECIAL REVENUE FUND: GRANTS**

|  | 26,073 | 15,976 | 277,836 | 319,885 | 319,885 | - |

**COMBINED ACTIVITY: OTHER FUNDS**

|  | $335,574 | $71,057 | $380,595 | $787,226 | $455,748 | $331,478 |
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town conform to accounting principles generally accepted in the United States (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Financial Reporting Entity

The Town of Orrington, Maine was incorporated in 1788 under the laws of the State of Maine. The Town operates under a selectman-manager form of government. The Town’s major operations include public safety, public works, education, health and welfare, library and recreation and general government services.

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the components unit’s board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

It is the Town’s judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities that would be considered potential component units within the Town of Orrington that should be included as part of these financial statements.

Government-wide Financial Statements
The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position
The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities
The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for example, through user charges or intergovernmental grants).

Budgetary Comparison Schedules
Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments may revise their original budgets over the course of the year for a variety of reasons. Under GASB No. 34, governments continue to provide budgetary comparison information in their annual reports. GASB Statement No. 34 requires that the Town add the original budget to the current comparison of the final budget and actual results.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of the Town’s general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

Proprietary funds are established to account for activities for which a fee is charged to external or internal users for good and services. Their reporting focuses on the determination of operating income and changes in net position.

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the Town’s own programs.

C. Government-wide and Fund Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, if applicable, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

- The general fund is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and projects (other than those financed by proprietary funds, special assessment funds and trust funds).
- Other governmental funds include funds owned by the Town but restricted for various purposes as permanent trust funds or school nutrition funds.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following fiduciary funds:

- Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting and are used to account for assets that the Town holds for others in an agency capacity.

D. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers property tax revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when the fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources and Fund Balances

1. 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.

State statutes authorize the Town to invest in accounts or deposits of financial institutions provided the institutions are insured by Federal depository insurance or credit union insurance, U.S. Government obligations and in money market mutual funds, provided that the fund is limited to investing obligations of the U.S. Government.

2. Receivables and Payables

Revenues and expenses, for the most part are recorded when earned or expended, except that amounts which are susceptible to accrual. Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Certain grants received from other governments require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded for the period in which eligible expenditures are made.
3. Capital Assets

Capital assets, consisting of land, buildings and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>50</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>40</td>
</tr>
<tr>
<td>Equipment</td>
<td>7-20</td>
</tr>
<tr>
<td>Police Cruisers</td>
<td>5</td>
</tr>
</tbody>
</table>

In accordance with GASB Statement No. 34, the Town has reported all capital including infrastructure in the Government-Wide Statement of Net position. The Town elected to use the "modified approach" as defined by GASB Statement No. 34 for infrastructure reporting. As a result, no accumulated depreciation or depreciation expense has been recorded for these assets. A more detailed discussion of the "modified approach" is presented in the Required Supplementary Information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense has been recorded. The table below presents summary information on infrastructure assets for the year ended June 30, 2019.

<table>
<thead>
<tr>
<th>GOVERNMENTAL ACTIVITIES</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deletions</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and improvements</td>
<td>$3,340,400</td>
<td>$-</td>
<td>$-</td>
<td>$3,340,400</td>
</tr>
<tr>
<td>Total Capital Assets Not Being depreciated</td>
<td>3,340,400</td>
<td>-</td>
<td>-</td>
<td>3,340,400</td>
</tr>
<tr>
<td>Other Capital Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads and Infrastructure</td>
<td>935,079</td>
<td>-</td>
<td>-</td>
<td>935,079</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>10,016,326</td>
<td>-</td>
<td>-</td>
<td>10,016,326</td>
</tr>
<tr>
<td>Equipment</td>
<td>633,261</td>
<td>80,300</td>
<td>(66,985)</td>
<td>646,576</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,413,714</td>
<td>74,293</td>
<td>(22,000)</td>
<td>1,466,007</td>
</tr>
<tr>
<td>Total Capital Assets Being Depreciated</td>
<td>12,998,380</td>
<td>154,593</td>
<td>(88,985)</td>
<td>13,063,988</td>
</tr>
<tr>
<td>Total Capital Assets</td>
<td>16,338,780</td>
<td>154,593</td>
<td>(88,985)</td>
<td>16,404,388</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>4,616,408</td>
<td>288,273</td>
<td>88,985</td>
<td>4,815,696</td>
</tr>
</tbody>
</table>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation expense was charged to functions as follows:

<table>
<thead>
<tr>
<th>Governmental activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>$24,052</td>
</tr>
<tr>
<td>Public safety</td>
<td>61,665</td>
</tr>
<tr>
<td>Public works</td>
<td>42,328</td>
</tr>
<tr>
<td>Schools</td>
<td>155,528</td>
</tr>
<tr>
<td>Health &amp; Welfare</td>
<td>4,700</td>
</tr>
</tbody>
</table>

Total Governmental Activities Depreciation Expense $288,273

4. Compensated Absences

The Town policy regarding vacation and sick time permits employees to accumulate earned but unused vacation time. The liability for these compensated absences, if any, is recorded as current liabilities due within one year in the government-wide statements. In the fund financial statements, the expenditures are recorded when the vacation time is used.

5. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows related to the net pension liability, which include the Town’s contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between the Town’s contributions and proportionate share of contributions, which are deferred and amortized over the expected remaining service lives of active and inactive members of the plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows include amounts related to the net pension liability, which include the difference between expected and actual experience, and changes in the proportion and differences between the Town’s contributions and proportionate share of contributions. The deferred inflows related to pensions are deferred and amortized over the average expected remaining service lives of active and inactive members of the plan. They also include the net difference between the projected and actual investment earnings on pension plan investments, which is deferred and amortized over a five-year period.

6. Interfund Receivables and Payables

Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.
7. 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 Maine Public Employees Retirement System (Maine PERS) Consolidated Plan for Participating Local Districts (PLD Plan) and Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) has been determined on the same basis as is reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities financial statements. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

9. Fund Balances

In accordance with Government Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town of Orrington classifies governmental fund balances as follows:

**Non-spendable** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

**Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Fund balance may be committed by Board of Selectmen action.

**Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the manager and elected selectmen of the Town.

**Unassigned** – includes positive fund balances with the General fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The Town has no formal revenue spending policy for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

The Town's fund balance policy establishes that an amount equal to not less than two months of the prior year's average monthly expenditures will be used as a minimum undesignated fund balance.
10. Net Position

Net Position represents the difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

11. New Governmental Accounting Standards

During the year ended June 30, 2019, The Town of Orrington implemented the following new governmental accounting standards:

- GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement was issued by the GASB in June 2015 and became effective as of fiscal year-end June 30, 2018. This Statement requires employers participating in other post-employment benefits (OPEB) plans to record their OPEB liability within their annual financial statements as well as required note disclosures. This is the first year the data was available for the Retired Teachers' Medical Plan (see Note 6B).

- GASB Statement No. 84, *Fiduciary Activities*. This statement improves financial reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship (see Schedules E & F).

- GASB Statement Number 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*. This Statement was issued by the GASB in March 2018 and became effective as of fiscal year-end June 30, 2019. This Statement improves financial reporting by improving the consistency of information that is disclosed in notes to the financial statements. It also clarifies which liabilities governments should include when disclosing information related to debt (see Note 9).

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Town's governmental funds. The budget is adopted by the townspeople during the month of June. All annual appropriations lapse at fiscal year-end to the extent that they have not been designated or reserved for future year's expenditures.

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 unless designated as carry forwards by the town.
B. **Budget/GAAP Reconciliation**

The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Schedule 1) reconciles financial data on a budgetary basis for the government’s general fund to the data shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D). The differences are that designations are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP) and, as required by generally accepted accounting principles.

C. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash deposited in local institutions as well as certificates of deposit, which were purchased with a maturity date of thirty (30) days or less.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

A. **Deposits**

*Custodial credit risk* - In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of June 30, 2019, the Town had a bank balance of $5,412,434 and cash on hand of $900.

None of the Town’s bank balances were exposed to custodial credit risk as they were covered by FDIC or through a Master Repurchase Agreement (Maine Municipal HIC) that either exchanges the deposits for securities purchased in the Town’s name or are perfected by a lien on securities.

B. **Investments**

The Town’s policy authorizes it to invest its municipal revenues in obligations of the U.S. Treasury and U.S. agencies, insured or fully collateralized certificates of deposits of banks, repurchase agreements collateralized by U.S Treasury securities and money market mutual funds whose portfolios consist of U.S Government securities. The policy requires no more that 25 percent of the Town’s total portfolio to be invested in a single security type, with the exception of U.S. Treasury securities, in order to diversify its portfolio and eliminate the risk of loss resulting from over concentration in a specific investment.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- **Level 1**: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2**: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability – either directly or indirectly.
- **Level 3**: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.
NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments (continued)

The Town has the following fair value measurements as of June 30, 2019:

<table>
<thead>
<tr>
<th>Fair Value Measurement</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income Securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>5,117,589</td>
<td>5,117,589</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Agency notes</td>
<td>154,122</td>
<td>154,122</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>97,832</td>
<td>97,832</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real Estate Investment Trust</td>
<td>3,414</td>
<td>3,414</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Investments by Fair Value Level</td>
<td>$5,372,957</td>
<td>$5,372,957</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

- Investments not subject to measurement: 1,018,671
- Total Investments: $6,391,628

Equity securities and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using inputs other than quoted prices that are observable. Fixed income securities classified in Level 3 of the fair value hierarchy are the Town’s proportional investments held in an investment pool.

NOTE 4 – PROPERTY TAX

The Town’s property tax was levied July 26, 2018 on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. The assessed value for the list as of April 1, 2018 upon which the current levy was based was $446,322,800.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within 60 days after year-end. Any remaining receivables are then recorded as deferred revenues.

Taxes are billed annually and are due one half on September 15th and one half on March 15th with interest being charged on taxes unpaid after that date. Tax liens 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 remained unpaid.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for overlay. The amount budgeted of $168,637 for the year ended June 30, 2019 was within that limit.
NOTE 5 – RETIREMENT PLAN

A. Maine Public Employees Retirement System

Description of the Plan - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and to the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), cost sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employee Retirement System (MPERS). MPERS 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 Maine State legislature. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated and Teacher Plans. The report may be obtained by contacting Maine PERS at 46 State House Station, Augusta, ME 04333-0046, or (800) 451-9800, and is also available at their website: www.mainepers.org.

Benefits Provided – The PLD Plans provide defined retirement benefits based on members’ average final compensation and service credit year earned as of retirement. Vesting (i.e. eligibility for benefit upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD plan on or after July 1, 2014). MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions for the PLD plan.

The SET Plans provide defined retirement benefits based on members’ average final compensation and service credit year earned as of retirement. Vesting (i.e. eligibility for benefit upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For SET members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member has met certain creditable service requirements on specific dates, as required 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 his/her normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by statute.

Member and Employer Contributions – Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates 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.

Consolidated PLD Plan – Employees are required to contribute 8.0% (Regular Plan) and 9.5% (Special Plan) [Firefighters] of their annual pay. The Town’s contractually required contribution rate for the year ended June 30, 2019 was 7.3% of annual pay for the Regular Plan and 7.8% of annual pay for the Special Plan 3-N. Contributions to the pension plan from the Town were $43,478 to the regular and special plans for the year ended June 30, 2019.

SET Plan – Teachers and other qualified employees are required to contribute 7.65% of their compensation to the Teacher Plan. The Town’s contractually required contribution rate for the year ended June 30, 2019 was 15.05% of annual payroll of which 3.97% of payroll was required from the Town and 11.08% was required from the State. Grant funded positions require an employer contribution of 11.68% of grant funded compensation. Orrington School Department had covered payroll of $1,907,529 for the year ended June 30, 2019. Contributions to the pension plan from the Town were $75,729 for the year ended June 30, 2019.
Note 5 - Retirement Plan (continued)

Pension Expense and Revenue

For the year ended June 30, 2019, the Town recognized pension expense of ($30,287) related to the PLD plan, made up of the Town’s proportionate share of plan pension expense of ($39,696), and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions $9,409.

For the year ended June 30, 2019, the Town recognized pension expense of $70,864 related to the SET plan, made up of the Town’s proportionate share of plan pension expense of $71,563 and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions ($699) and recognized revenue of $147,289 for support provided by the State.

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

The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The Town’s proportionate of the net pension liabilities for the consolidated PLD and SET plans were based on projections of the Town’s long-term share of contributions to the pension plans relative to projected contributions of all participating local districts (PLD plan) and all of participating School Administrative Units and the State (SET Plan), actuarially determined.

Consolidated PLD Plan – At June 30, 2019, the Town reported a liability of $212,157 for its proportionate share of the net pension liability. At June 30, 2018, the Town’s proportionate share of the PLD plan was .077522%.

SET Plan – The State of Maine participates in the State Employee and Teacher Plan as a non-employer contributing entity in that the state pays the unfunded liability associated with the teachers. The Town, as employer, pays the normal cost contributions as determined by the actuary.

At June 30, 2019, 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 School. 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 School were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town’s proportionate share of the net pension liability</td>
<td>$1,979,503</td>
</tr>
<tr>
<td>State’s proportionate share of the net pension liability associated with the School</td>
<td>$1,979,503</td>
</tr>
</tbody>
</table>

At June 30, 2018, the Town’s proportion of the SET plan was .0000000%. 
At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

<table>
<thead>
<tr>
<th></th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference between expected and actual experience</td>
<td>$664</td>
<td>$2,330</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>33,862</td>
<td>-</td>
</tr>
<tr>
<td>Difference between expected and actual earnings on pension plan investments</td>
<td>-</td>
<td>51,228</td>
</tr>
<tr>
<td>Changes in proportion and differences between Town contributions and proportionate share of contributions</td>
<td>13,013</td>
<td>501</td>
</tr>
<tr>
<td>Contributions subsequent to the measurement date</td>
<td>119,207</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$166,746</td>
<td>$54,059</td>
</tr>
</tbody>
</table>

$119,207 reported as deferred outflows 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, 2019. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$38,193</td>
</tr>
<tr>
<td>2020</td>
<td>3,377</td>
</tr>
<tr>
<td>2021</td>
<td>(34,850)</td>
</tr>
<tr>
<td>2022</td>
<td>(13,240)</td>
</tr>
<tr>
<td></td>
<td>$(6,520)</td>
</tr>
</tbody>
</table>

**Discount Rate** – The discount rate used to measure the total pension liability was 6.75% for the PLD Plan and the SET Plan.

The projection of cash flows used to determine the discount rates assumed that employee 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 of current active and inactive employees. 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 liabilities.

The following table shows how the collective net pension liability/(asset) as of June 30, 2018 would change if the discount rate was one percentage point lower or one percentage point higher than the current rate:

<table>
<thead>
<tr>
<th>Consolidated PLD Plan</th>
<th>1% Decrease (5.75%)</th>
<th>Current Discount Rate (6.75%)</th>
<th>1% Increase (7.75%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town’s proportionate share of the net pension liability</td>
<td>500,027</td>
<td>212,157</td>
<td>(56,922)</td>
</tr>
<tr>
<td>SET Plan</td>
<td>1% Decrease (5.75%)</td>
<td>Current Discount Rate (6.75%)</td>
<td>1% Increase (7.75%)</td>
</tr>
<tr>
<td>Town’s proportionate share of the net pension liability</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE 5 – RETIREMENT PLAN (continued)

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

<table>
<thead>
<tr>
<th>Inflation</th>
<th>Consolidated PLD Plan</th>
<th>SET Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, per year</td>
<td>2.75% to 9.0%</td>
<td>2.75% to 14.5%</td>
</tr>
<tr>
<td>Investment return, per annum, compounded annually</td>
<td>6.75%</td>
<td>6.75%</td>
</tr>
<tr>
<td>Cost of living benefit increases, per annum</td>
<td>1.91%</td>
<td>2.20%</td>
</tr>
</tbody>
</table>

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.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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 of June 30, 2018 and are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Long-Term Expected Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equities</td>
<td>30%</td>
<td>6.0%</td>
</tr>
<tr>
<td>US Government</td>
<td>7.5%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Private equity</td>
<td>15%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Real Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>10%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>10%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Traditional Credit</td>
<td>7.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Alternative Credit</td>
<td>5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Diversifiers</td>
<td>10%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Additional financial and actuarial information with respect to the Plans can be found in the MPERS System’s 2018 Comprehensive Annual Financial Report available online at www.mainepers.org or by contacting the MPERS System at (207) 512-3100.

B. Social Security/Other:

Town: Non participating PLD participants of the Town are covered under Social Security.

School: Non teaching-certified employees of the School are covered under Social Security.

In addition, those covered by Social Security can also elect to participate in the in the Non-Consolidated Plan for Participating Local Districts (PLD) administered by the Maine Public Employees Retirement System. Member contribution rates were 8% for the year ended June 30, 2019. The School’s contractually required contribution rate for the year ended June 30, 2019 was 7.3% of covered payroll. Contributions to the pension plan from the School were $4,761 for the year ended June 30, 2019.
NOTE 6 – Other Post-Employment Benefits (OPEB)

A. Group Life Insurance Plan for Retired State Employees and Teachers

Plan Description

The Group Life Insurance Plan for Retired State Employees and Teachers (the SET Plan) is a multiple-employer cost sharing plan with a special funding situation. The State of Maine is a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan.

The Plan is administered by the Maine Public Employees Retirement System (the System).

Other Post-Employment Benefits (OPEB)

The Group Life Insurance 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 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.

Funding Policy

Premium rates are those determined by the System’s Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance for retired teachers are paid by the State as the total dollar amount of each year’s annual retired contribution.

For the year ended June 30, 2019, Orrington School Department recognized revenue of $5,915 for benefits expense paid by the State.

Orrington School Department reports no liability for the OPEB Group Life Insurance Plan since the liability for retirees is 100% paid by the State of Maine.

B. Retired Teachers’ Medical Plan

Plan Description

The Retired Teachers’ Medical Plan (hereafter referred to as the Medical Plan) offers retiree medical coverage on a blended premium rate basis for active employees and retirees resulting in a more stable, pooled cost of health coverage. The Plan is administered by the Maine Education Association Benefits Trust (MEABT).

This is the first year of applying GASB No. 75 for the Orrington School Department – Maine Education Association Benefits Trust. The Orrington School Department is a single employer OPEB plan with a measurement date of June 30, 2018, and an employer reporting date of June 30, 2019 for the 2019 year.

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.

Other Post-Employment Benefits (OPEB)

If eligible, a retired teacher can choose from the same plans offered while teaching.
NOTE 6 – Other Post-Employment Benefits (OPEB) (continued)

Retiree eligibility requirements are as follows:

- Under age 50 – 10 years of continuous active service and enrollment in the MEABT health plan for 12 months prior to retirement
- Age 50 or older – 5 years of continuous active service and enrollment in the MEABT health plan for 12 months prior to retirement

Funding Policy

The Plan has three parts: 45% of the blended premium subsidy is paid by the State of Maine, and 55% of the blended premium is paid by the eligible retiree; additionally, there is an implicit component due to the extra value of the blended group rates. The School/payer of the blended premium has the GASB 75 responsibility of the implicit subsidy and recognizes both the obligation and the expense in the Statement of Net Position and in the school’s expenditures.

Employees Covered by Benefit Terms – At July 1, 2018, the following employees were covered by the Health Plan benefit terms:

| Inactive employees or beneficiaries currently receiving benefits | 23 |
| Active employees | 50 |
| Total | 73 |

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

| OPEB- Medical Plan | Inflation | 2.75% |
| Salary increases, per year | 2.75% to 14.5% |
| Investment return, per annum, compounded annually | N/A |
| Cost of living benefit increases, per annum | N/A |

The RP2014 Total Dataset Healthy Annuitant Mortality Table is used.

The table below provides a summary of the key results during this reporting period.

| Reporting Date | 06/30/2019 | 06/30/2018 |
| Measurement Date | 06/30/2018 | 06/30/2017 |
| Valuation Date | 06/30/2018 | 06/30/2017 |
| Total OPEB Liability | $1,138,869 | $1,172,295 |
| Plan Fiduciary Net Position | - | - |
| Net OPEB Liability | $1,138,869 | $1,172,295 |
| Deferred Inflows | 36,845 | - |
| Deferred Outflows | - | - |
| Net Impact on Statement of Net Position | $1,175,714 | $1,172,295 |
| Contributions Subsequent to Measurement Date | 39,969 | 38,588 |
| Net Impact on Statement of Net Position | $1,135,745 | $1,133,707 |
| OPEB Expense ($ Amount) | $42,007 | $ - |
| OPEB Expense (% of Payroll) | 1.9% | N/A |
NOTE 6 – Other Post-Employment Benefits (OPEB) (continued)

As of the end of the reporting year, on the government wide financial statements of the Town, Orrington reports a total Net OPEB Liability of $1,138,869, Deferred Inflows of $36,845 and Deferred Outflows of $0. Consequently, the net impact on the Orrington’s Statement of Net Position due to the Plan is $1,175,714 at the end of the reporting year. In addition, contributions between the measurement date and the reporting date by Orrington would be reported as deferred outflows to match the cash outflow reported.

For the reporting year ending June 30, 2019, the annual OPEB expense is $42,007 or 1.9% of payroll. This amount is not expected to be the same as the Orrington’s contribution to the Plan of $38,588, but instead represents the change in the net impact on the employers’ Statement of Net Position plus employer contributions ($1,175,714 - $1,172,295 + $38,588).

This valuation reflects the Town of Orrington applying an initial measurement date of June 30, 2017 (using the look back provisions under GASB No. 75), with any Net OPEB Obligation under GASB No. 45 eliminated and a Net OPEB Liability of $1,172,295 would be recognized as of the beginning of the reporting year. The NOL and Deferred Inflows and Outflows at the end of the reporting year and the annual OPEB expense would be determined by the measurements as of June 30, 2018.

The table below shows changes in the Change in Net OPEB liability during the 2017 measurement year.

<table>
<thead>
<tr>
<th>Change in Net OPEB Liability – Medical Plan</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net OPEB Liability</td>
</tr>
<tr>
<td></td>
<td>Fiduciary Net Position</td>
</tr>
<tr>
<td>(a)</td>
<td>(b)</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Balances at 6/30/2017</td>
<td>$1,172,295</td>
</tr>
<tr>
<td>(reporting 6/30/2018)</td>
<td></td>
</tr>
<tr>
<td>Changes for the year:</td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>7,813</td>
</tr>
<tr>
<td>Interest</td>
<td>41,563</td>
</tr>
<tr>
<td>Changes of Benefits</td>
<td>-</td>
</tr>
<tr>
<td>and actual Experience</td>
<td>-</td>
</tr>
<tr>
<td>Changes of Assumptions</td>
<td>(44,214)</td>
</tr>
<tr>
<td>Contributions – Employer</td>
<td>-</td>
</tr>
<tr>
<td>Contributions – Member</td>
<td>-</td>
</tr>
<tr>
<td>Net investment income</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(38,588)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>-</td>
</tr>
<tr>
<td>Net Changes</td>
<td>(33,426)</td>
</tr>
<tr>
<td>Balances at 6/30/2018</td>
<td>$1,138,869</td>
</tr>
<tr>
<td>(Reporting 6/30/2019)</td>
<td></td>
</tr>
</tbody>
</table>
NOTE 6 – Other Post-Employment Benefits (OPEB) (continued)

Determination of Discount Rate

Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year, tax-exempt general obligation municipal bond index. Using the Bond Buyer 20-Bond GO Index, the discount rate as of June 30, 2017 is 3.58% per annum. The discount rate as of June 30, 2018 is 3.87% per annum. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

Changes in the discount rate affect the measurement of the Total OPEB Liability (TOL). Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table next shows the sensitivity of the TOL to the discount rate.

<table>
<thead>
<tr>
<th>Sensitivity of Net OPEB Liability</th>
<th>To Changes in Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Decrease</td>
<td>Discount Rate</td>
</tr>
<tr>
<td>Total OPEB Liability</td>
<td>$1,303,096</td>
</tr>
<tr>
<td>Plan Fiduciary Net Position</td>
<td>-</td>
</tr>
<tr>
<td>Net OPEB Liability</td>
<td>$1,303,096</td>
</tr>
</tbody>
</table>

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 14.4%. A one percent increase in the discount rate decreases the NOL by approximately 11.8%.

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

<table>
<thead>
<tr>
<th>Sensitivity of Net OPEB Liability</th>
<th>To Changes in Healthcare Cost Trend Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Decrease</td>
<td>Healthcare Cost Trend Rates</td>
</tr>
<tr>
<td>Total OPEB Liability</td>
<td>$997,153</td>
</tr>
<tr>
<td>Plan Fiduciary Net Position</td>
<td>-</td>
</tr>
<tr>
<td>Net OPEB Liability</td>
<td>$997,153</td>
</tr>
</tbody>
</table>

A one percent decrease in the healthcare trend rate decreases the Net OPEB Liability (NOL) by approximately 5.9%. A one percent increase in the healthcare trend rate increases the NOL by approximately 6.3%.
NOTE 6 – Other Post-Employment Benefits (OPEB) (continued)

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 12.4%. A one percent increase in the healthcare trend rate increases the NOL by approximately 15.2%.

The Orrington School Department implemented GASB No. 75 with its reporting for the 2019 year. The schedules in this section are determined under GASB No. 75 for its 2019 reporting and use the 2018 applicable measurement dates.

The impact of experience gains or losses and assumption changes on the TOL are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the Plan. As of the beginning of the measurement period, this average was 5 years.

The table next summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next five years, and thereafter.

**Schedule of Deferred Inflows and Outflows**

| Differences between expected and actual experience | $ - | $ - |
| Changes in assumptions | - | 36,845 |
| Net difference between projected and actual earnings on OPEB plan investments | - | - |
| Employer’s contribution to plan subsequent to measurement of OPEB | 39,969 | - |
| Total | $39,969 | $36,845 |

**Year ended June 30**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ (7,369)</td>
</tr>
<tr>
<td>2020</td>
<td>(7,369)</td>
</tr>
<tr>
<td>2021</td>
<td>(7,369)</td>
</tr>
<tr>
<td>2022</td>
<td>(7,369)</td>
</tr>
<tr>
<td>2023</td>
<td>(7,369)</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
</tr>
</tbody>
</table>

Payables to the OPEB Plan – None as of June 30, 2019

**Additional Financial and Actuarial Information**

Additional financial and actuarial information with respect to the Group Life insurance plan is available online at www.mainepers.org or by contacting the System at (207) 512-3100 and with respect to the Retired Teachers’ Medical plan by contacting the Maine Education Association Benefits Trust online at www.meabt.org or by contacting the Trust at (207) 622-4418.
NOTE 7– GENERAL FUND BALANCES CARRIED

Historically, the Town carries certain departmental unexpended balances to the following year for expenditure. This is usually in lieu of additional appropriations in any particular account.

At June 30, 2019, municipal officers carried the following general fund accounts forward for future expenditure or to offset future taxation.

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$2,159,191</td>
</tr>
<tr>
<td>Salt Expense</td>
<td>13,705</td>
</tr>
<tr>
<td>Sand Expense</td>
<td>7,424</td>
</tr>
<tr>
<td>Technology</td>
<td>450</td>
</tr>
<tr>
<td>Paving Expense</td>
<td>52,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,232,970</strong></td>
</tr>
</tbody>
</table>

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, or participates in a public entity risk pool. Currently, the Town participates in a public risk pool for its workers compensation insurance sponsored by the Maine Municipal Association. Based on the coverage provided by the pool, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2019. There were no significant reductions in insurance coverage from that of the prior year. Settled claims have not exceeded insurance coverage for any of the past three fiscal years. The amount of unpaid claims was $0 at June 30, 2019.

NOTE 9 – LONG-TERM DEBT

The following is a summary of the changes in noncurrent liabilities reported in the Statement of Net Position for the year ended June 30, 2019:

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Restated Balance 7/1/18</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance 6/30/19</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds Payable</td>
<td>621,414</td>
<td>-</td>
<td>(310,707)</td>
<td>310,707</td>
<td>310,707</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>310,873</td>
<td>-</td>
<td>(98,716)</td>
<td>212,157</td>
<td>-</td>
</tr>
<tr>
<td>Other post employment benefits</td>
<td>1,172,295</td>
<td>-</td>
<td>(33,426)</td>
<td>1,138,869</td>
<td>-</td>
</tr>
<tr>
<td>Retiree Health Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td><strong>2,104,582</strong></td>
<td>-</td>
<td>(442,849)</td>
<td><strong>1,661,733</strong></td>
<td><strong>310,707</strong></td>
</tr>
</tbody>
</table>

The annual requirements to amortize bonds payable, including interest are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>310,707</td>
<td>$</td>
<td>$310,707</td>
</tr>
<tr>
<td></td>
<td>$310,707</td>
<td>$</td>
<td>$310,707</td>
</tr>
</tbody>
</table>

The Town is subject to the laws of the State of Maine, which limit the amount of long-term debt to a percentage (depending on how funds will be used) of its last full state valuation. As of June 30, 2019, the Town was well within these limitations.
NOTE 10 – TAX INCREMENT FINANCING DISTRICT

Chapter 207 of Title 30-A of the Maine Revised Statutes as amended allows for the legislative body of a municipality in the State of Maine to establish Municipal Development and Tax Increment Districts and to adopt a Development Program that is approved by the Office of Economic and Community Development which funds economic development opportunities for the community.

In 2008, the Town established a Tax Increment Financing District (TIF) to finance Public Improvements within the Town of Orrington. The District specifically encompasses approximately 58 acres of land located on Tax Map 9, Lot 5 together with approximately 5.6 miles (40.73 acres) of public roads and ways, including portions of Brewer Lake Road, Fields Pond Road, Snows Corner Road and Route 15/River Road as a municipal development and tax increment financing district (Bangor Hydro Transformer Project). Estimated costs for the Project approximate $14,000,000.

The District’s objective is to capture and retain up to $10,000,000 of the increased assessed value in the District as captured assessed value to help finance Public Improvements including installation, design and construction of sewer and water improvements; public roads, sidewalks and traffic safety enhancements; and costs related to economic development and environmental improvements. Although the Town expects to expend all tax revenues allocated to and retained by the Town on the Public Improvements, to the extent the Town elects not to expend such tax revenues on public improvements, then such monies will be deposited into the Town’s general fund. Ownership of the District will remain at all times with Bangor Hydro/Emera.

The Development Program shall continue in effect for 30 years, commencing with the Town’s 2008-2009 fiscal year and continuing through the Town’s 2037-2038 fiscal year.

NOTE 11 – RESTATEMENT OF BEGINNING NET POSITION

During the year ended June 30, 2019, the Town implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions for its Retired Teachers’ Medical Plan. This statement improves accounting and financial reporting by state and local governments for other postemployment benefits (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. As a result of implementing this new principle, the Town has restated its beginning net position on the government-wide statements by ($1,133,707), to record net pension liability of ($1,172,295) and deferred outflows of $38,588.

NOTE 12 – SUBSEQUENT EVENTS

On July 1, 2019, the Town entered into a supplemental law enforcement services contract with the Penobscot County Sheriff’s Office for a three year period. The contract provides the Town with three full time Deputy Sheriffs at a cost of $359,000, $365,840 and $372,800 per year, respectively. The Town transferred all law enforcement capital equipment to the County for a reduction of $20,000 per year for the three year contract period.

On July 15, 2019, Orrington residents approved by vote a proposal to construct a $2.85 million public safety building at the corner of Tupper and Center Drives. The facility will house the fire department and police staff and is expected to be completed by the summer of 2020.

The Town has considered all subsequent events occurring through January 22, 2020, the date the financial statements were available to be issued.
# TOWN OF ORRINGTON, MAINE

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

### FOR THE YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>ORIGINAL &amp; FINAL BUDGET</th>
<th>ACTUAL - BUDGETARY BASIS</th>
<th>VARIANCE (UNFAVORABLE)</th>
<th>BUDGET TO ACTUAL DIFFERENCES *</th>
<th>ACTUAL AMOUNTS - GAAP BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Property</td>
<td>$6,217,887</td>
<td>$6,219,022</td>
<td>$1,135</td>
<td>$6,219,022</td>
<td></td>
</tr>
<tr>
<td>Excise</td>
<td>777,075</td>
<td>859,452</td>
<td>82,377</td>
<td>859,452</td>
<td></td>
</tr>
<tr>
<td>Tax Interest and Lien Costs</td>
<td>26,000</td>
<td>24,414</td>
<td>(1,586)</td>
<td>24,414</td>
<td></td>
</tr>
<tr>
<td><strong>Total Taxes</strong></td>
<td>7,020,962</td>
<td>7,102,888</td>
<td>81,926</td>
<td>7,102,888</td>
<td></td>
</tr>
<tr>
<td>Licenses, Permits and Fees</td>
<td>79,000</td>
<td>102,772</td>
<td>23,772</td>
<td>102,772</td>
<td></td>
</tr>
<tr>
<td><strong>Intergovernmental Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State of Maine:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>2,726,845</td>
<td>2,755,918</td>
<td>29,073</td>
<td>-</td>
<td>2,755,918</td>
</tr>
<tr>
<td>State Revenue Sharing</td>
<td>145,000</td>
<td>178,220</td>
<td>33,220</td>
<td>-</td>
<td>178,220</td>
</tr>
<tr>
<td>Homestead/BETE Exemption</td>
<td>205,185</td>
<td>205,233</td>
<td>48</td>
<td>-</td>
<td>205,233</td>
</tr>
<tr>
<td>Veteran's Exemption</td>
<td>3,000</td>
<td>3,204</td>
<td>204</td>
<td>-</td>
<td>3,204</td>
</tr>
<tr>
<td>Highway Block Grant</td>
<td>46,000</td>
<td>46,060</td>
<td>60</td>
<td>-</td>
<td>46,060</td>
</tr>
<tr>
<td>Tree Growth</td>
<td>5,000</td>
<td>6,037</td>
<td>1,037</td>
<td>-</td>
<td>6,037</td>
</tr>
<tr>
<td>Snowmobile and Park Fees</td>
<td>1,400</td>
<td>1,569</td>
<td>169</td>
<td>-</td>
<td>1,569</td>
</tr>
<tr>
<td><strong>Total Intergovernmental Revenue</strong></td>
<td>3,132,430</td>
<td>3,196,241</td>
<td>63,811</td>
<td>-</td>
<td>3,196,241</td>
</tr>
<tr>
<td><strong>Other Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>10,000</td>
<td>76,062</td>
<td>66,062</td>
<td>-</td>
<td>76,062</td>
</tr>
<tr>
<td>Sewer</td>
<td>10,000</td>
<td>10,789</td>
<td>789</td>
<td>-</td>
<td>10,789</td>
</tr>
<tr>
<td>Disc Golf Course Lease</td>
<td>4,200</td>
<td>4,200</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PERC Public Safety Fees</td>
<td>15,500</td>
<td>15,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cable Franchise Fees &amp; Cell Tower Fees</td>
<td>51,800</td>
<td>43,980</td>
<td>(7,820)</td>
<td>-</td>
<td>43,980</td>
</tr>
<tr>
<td>Emera TIF Income</td>
<td>77,000</td>
<td>77,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Librarian Reimbursement</td>
<td>22,160</td>
<td>22,000</td>
<td>(160)</td>
<td>-</td>
<td>22,000</td>
</tr>
<tr>
<td>On-behalf payments - State of Maine</td>
<td>-</td>
<td>153,204</td>
<td>153,204</td>
<td>-</td>
<td>153,204</td>
</tr>
<tr>
<td><strong>Total Other Revenue</strong></td>
<td>104,063</td>
<td>274,871</td>
<td>170,808</td>
<td>-</td>
<td>428,075</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>10,336,455</td>
<td>10,676,772</td>
<td>340,317</td>
<td>-</td>
<td>10,829,976</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>ORIGINAL &amp; FINAL BUDGET</th>
<th>ACTUAL - BUDGETARY BASIS</th>
<th>VARIANCE (UNFAVORABLE)</th>
<th>BUDGET TO ACTUAL DIFFERENCES *</th>
<th>ACTUAL AMOUNTS - GAAP BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Administration</td>
<td>733,424</td>
<td>763,137</td>
<td>(29,713)</td>
<td>-</td>
<td>763,137</td>
</tr>
<tr>
<td>Roads</td>
<td>825,488</td>
<td>868,694</td>
<td>(43,206)</td>
<td>-</td>
<td>868,694</td>
</tr>
<tr>
<td>Health, Social Service &amp; Recreation Expenses</td>
<td>175,850</td>
<td>176,870</td>
<td>(1,020)</td>
<td>-</td>
<td>176,870</td>
</tr>
<tr>
<td>Protection of Persons &amp; Property Expenses</td>
<td>604,632</td>
<td>654,056</td>
<td>(49,424)</td>
<td>-</td>
<td>654,056</td>
</tr>
<tr>
<td>Library</td>
<td>65,832</td>
<td>66,075</td>
<td>(243)</td>
<td>-</td>
<td>66,075</td>
</tr>
<tr>
<td>Economic Development</td>
<td>3,300</td>
<td>247</td>
<td>3,053</td>
<td>-</td>
<td>247</td>
</tr>
<tr>
<td>Education</td>
<td>6,878,830</td>
<td>6,562,389</td>
<td>316,441</td>
<td>-</td>
<td>6,562,389</td>
</tr>
<tr>
<td>On-behalf payments - State of Maine</td>
<td>-</td>
<td>-</td>
<td>153,204</td>
<td>-</td>
<td>153,204</td>
</tr>
<tr>
<td>Debt Service</td>
<td>11,500</td>
<td>10,000</td>
<td>1,500</td>
<td>-</td>
<td>10,000</td>
</tr>
<tr>
<td>Cemetery</td>
<td>5,000</td>
<td>1,084</td>
<td>3,916</td>
<td>-</td>
<td>1,084</td>
</tr>
<tr>
<td>County Tax</td>
<td>504,172</td>
<td>504,172</td>
<td>-</td>
<td>-</td>
<td>504,172</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>9,808,028</td>
<td>9,606,724</td>
<td>201,304</td>
<td>-</td>
<td>9,759,928</td>
</tr>
</tbody>
</table>

### EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES

<table>
<thead>
<tr>
<th>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</th>
<th>ORIGINAL &amp; FINAL BUDGET</th>
<th>ACTUAL - BUDGETARY BASIS</th>
<th>VARIANCE (UNFAVORABLE)</th>
<th>BUDGET TO ACTUAL DIFFERENCES *</th>
<th>ACTUAL AMOUNTS - GAAP BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Balance Forward</td>
<td>228,650</td>
<td>228,650</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers In/(Out)</td>
<td>(588,440)</td>
<td>(658,897)</td>
<td>(70,457)</td>
<td>-</td>
<td>(658,897)</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources</strong></td>
<td>(359,790)</td>
<td>(658,897)</td>
<td>158,193</td>
<td>-</td>
<td>(658,897)</td>
</tr>
</tbody>
</table>

### EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES

<table>
<thead>
<tr>
<th>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</th>
<th>ORIGINAL &amp; FINAL BUDGET</th>
<th>ACTUAL - BUDGETARY BASIS</th>
<th>VARIANCE (UNFAVORABLE)</th>
<th>BUDGET TO ACTUAL DIFFERENCES *</th>
<th>ACTUAL AMOUNTS - GAAP BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overlay - Schedule 4</td>
<td>$168,637</td>
<td>411,151</td>
<td>$242,514</td>
<td>-</td>
<td>411,151</td>
</tr>
</tbody>
</table>

### FUND BALANCE - July 1, 2018

<table>
<thead>
<tr>
<th>FUND BALANCE - July 1, 2018</th>
<th>ORIGINAL &amp; FINAL BUDGET</th>
<th>ACTUAL - BUDGETARY BASIS</th>
<th>VARIANCE (UNFAVORABLE)</th>
<th>BUDGET TO ACTUAL DIFFERENCES *</th>
<th>ACTUAL AMOUNTS - GAAP BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,471,044</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### FUND BALANCE - June 30, 2019 - Exhibit C

<table>
<thead>
<tr>
<th>FUND BALANCE - June 30, 2019 - Exhibit C</th>
<th>ORIGINAL &amp; FINAL BUDGET</th>
<th>ACTUAL - BUDGETARY BASIS</th>
<th>VARIANCE (UNFAVORABLE)</th>
<th>BUDGET TO ACTUAL DIFFERENCES *</th>
<th>ACTUAL AMOUNTS - GAAP BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,882,195</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* The Town of Orrington does not budget for on-behalf payments from the State of Maine.

The accompanying notes are an integral part of these financial statements.
Schedules of Required Supplementary Information start with one year of information as of the implementation of GASB No. 75, but eventually will build up to ten years of information. The Schedule below shows changes in total OPEB liability and related ratios required by GASB No. 75.

**Last Ten Fiscal Years**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Cost (Beginning of Year)</td>
<td>$7,813</td>
</tr>
<tr>
<td>Interest (includes interest on service cost)</td>
<td>$41,563</td>
</tr>
<tr>
<td>Changes in benefit items</td>
<td>-</td>
</tr>
<tr>
<td>Differences between expected and actual experience</td>
<td>-</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>$(44,214)</td>
</tr>
<tr>
<td>Benefit payments, including refunds of member contributions</td>
<td>$(38,588)</td>
</tr>
<tr>
<td>Net change in total OPEB Liability</td>
<td>$(33,426)</td>
</tr>
</tbody>
</table>

| Total OPEB liability - beginning                              | $1,172,295|
| Total OPEB liability - ending                                  | $1,138,869|

| Covered employee payroll                                      | $2,191,883|
| Net OPEB liability as percentage of covered employee payroll  | 52.00%    |

**Net OPEB Liability - Medical Plan**

Changes in Benefit Terms - None

Changes of assumptions - Under the Medical Plan, changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3.87%</td>
</tr>
<tr>
<td>2018</td>
<td>3.58%</td>
</tr>
</tbody>
</table>

* This schedule is intended to show information for ten years, but only the years in which changes occurred have been displayed. Additional years' information will be displayed as it becomes available.

The accompanying notes are an integral part of these financial statements
<table>
<thead>
<tr>
<th>Department</th>
<th>Balance Forward</th>
<th>Appropriations</th>
<th>Receipts/Credits</th>
<th>Total Available</th>
<th>Expenditures</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Municipal Administration:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selectmen</td>
<td>-</td>
<td>1,350</td>
<td>-</td>
<td>1,350</td>
<td>1,628</td>
<td>(278)</td>
</tr>
<tr>
<td>Manager's Office</td>
<td>-</td>
<td>318,924</td>
<td>-</td>
<td>318,924</td>
<td>353,373</td>
<td>(34,449)</td>
</tr>
<tr>
<td>Insurance &amp; Benefits</td>
<td>-</td>
<td>310,400</td>
<td>-</td>
<td>310,400</td>
<td>304,245</td>
<td>6,155</td>
</tr>
<tr>
<td>Town Hall</td>
<td>-</td>
<td>23,500</td>
<td>-</td>
<td>23,500</td>
<td>21,612</td>
<td>1,888</td>
</tr>
<tr>
<td>Assessing/Code Enforcement</td>
<td>-</td>
<td>79,250</td>
<td>-</td>
<td>79,250</td>
<td>82,279</td>
<td>(3,029)</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>733,425</td>
<td>-</td>
<td>733,425</td>
<td>763,137</td>
<td>(29,713)</td>
</tr>
<tr>
<td><strong>Roads:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works</td>
<td>45,249</td>
<td>372,213</td>
<td>481</td>
<td>417,943</td>
<td>377,783</td>
<td>40,160</td>
</tr>
<tr>
<td>Paving Projects</td>
<td>79,457</td>
<td>400,000</td>
<td>-</td>
<td>479,457</td>
<td>424,878</td>
<td>54,579</td>
</tr>
<tr>
<td>Public Works Equipment</td>
<td>-</td>
<td>45,175</td>
<td>2,056</td>
<td>47,231</td>
<td>56,801</td>
<td>(9,570)</td>
</tr>
<tr>
<td>Garage</td>
<td>-</td>
<td>8,100</td>
<td>-</td>
<td>8,100</td>
<td>11,769</td>
<td>(3,669)</td>
</tr>
<tr>
<td>Total</td>
<td>124,706</td>
<td>825,488</td>
<td>2,537</td>
<td>952,731</td>
<td>871,231</td>
<td>81,500</td>
</tr>
<tr>
<td><strong>Health, Social Service, and Recreation Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid Waste</td>
<td>-</td>
<td>137,950</td>
<td>-</td>
<td>137,950</td>
<td>141,790</td>
<td>(3,840)</td>
</tr>
<tr>
<td>General Assistance</td>
<td>-</td>
<td>3,000</td>
<td>-</td>
<td>3,000</td>
<td>458</td>
<td>2,542</td>
</tr>
<tr>
<td>Recreation</td>
<td>-</td>
<td>18,300</td>
<td>5,000</td>
<td>23,300</td>
<td>24,050</td>
<td>(750)</td>
</tr>
<tr>
<td>Conservation</td>
<td>-</td>
<td>1,200</td>
<td>-</td>
<td>1,200</td>
<td>400</td>
<td>800</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>15,400</td>
<td>-</td>
<td>15,400</td>
<td>15,172</td>
<td>228</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>175,850</td>
<td>5,000</td>
<td>180,850</td>
<td>181,870</td>
<td>(1,020)</td>
</tr>
<tr>
<td><strong>Protection of Persons and Property Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire/Rescue</td>
<td>-</td>
<td>351,127</td>
<td>2,862</td>
<td>353,989</td>
<td>374,732</td>
<td>(20,743)</td>
</tr>
<tr>
<td>Police</td>
<td>-</td>
<td>243,880</td>
<td>-</td>
<td>243,880</td>
<td>275,694</td>
<td>(31,814)</td>
</tr>
<tr>
<td>Animal Control</td>
<td>-</td>
<td>9,625</td>
<td>-</td>
<td>9,625</td>
<td>6,492</td>
<td>3,133</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>604,632</td>
<td>2,862</td>
<td>607,494</td>
<td>656,918</td>
<td>(49,424)</td>
</tr>
</tbody>
</table>

-38-
TOWN OF ORRINGTON, MAINE
STATEMENT OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>BALANCE FORWARD</th>
<th>APPROPRIATIONS</th>
<th>RECEIPTS/ CREDITS</th>
<th>TOTAL AVAILABLE</th>
<th>EXPENDITURES</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library</td>
<td>-</td>
<td>65,832</td>
<td>752</td>
<td>66,584</td>
<td>66,827</td>
<td>(243)</td>
</tr>
<tr>
<td>Economic Development</td>
<td>-</td>
<td>3,300</td>
<td>-</td>
<td>3,300</td>
<td>247</td>
<td>3,053</td>
</tr>
<tr>
<td>Capital Projects:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle Reserve</td>
<td>-</td>
<td>175,000</td>
<td>-</td>
<td>175,000</td>
<td>175,000</td>
<td>-</td>
</tr>
<tr>
<td>Municipal Building</td>
<td>-</td>
<td>50,000</td>
<td>-</td>
<td>50,000</td>
<td>50,000</td>
<td>-</td>
</tr>
<tr>
<td>Fire Equipment</td>
<td>-</td>
<td>10,000</td>
<td>-</td>
<td>10,000</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>Hydro/Emera TIF 1 Reserve</td>
<td>-</td>
<td>194,600</td>
<td>-</td>
<td>194,600</td>
<td>194,600</td>
<td>-</td>
</tr>
<tr>
<td>Hydro/Emera TIF 2 Reserve</td>
<td>-</td>
<td>152,900</td>
<td>-</td>
<td>152,900</td>
<td>152,900</td>
<td>-</td>
</tr>
<tr>
<td>Snow's Plaza TIF Reserve</td>
<td>-</td>
<td>5,940</td>
<td>-</td>
<td>5,940</td>
<td>5,940</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>588,440</td>
<td>-</td>
<td>588,440</td>
<td>588,440</td>
<td>-</td>
</tr>
<tr>
<td>Education</td>
<td>-</td>
<td>6,878,830</td>
<td>-</td>
<td>6,878,830</td>
<td>6,562,389</td>
<td>316,441</td>
</tr>
<tr>
<td>Debt Service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Construction Debt Service</td>
<td>-</td>
<td>11,500</td>
<td>-</td>
<td>11,500</td>
<td>10,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>11,500</td>
<td>-</td>
<td>11,500</td>
<td>10,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Cemetery</td>
<td>-</td>
<td>5,000</td>
<td>-</td>
<td>5,000</td>
<td>1,084</td>
<td>3,916</td>
</tr>
<tr>
<td>County Tax</td>
<td>-</td>
<td>504,172</td>
<td>-</td>
<td>504,172</td>
<td>504,172</td>
<td>-</td>
</tr>
<tr>
<td>DEPARTMENTAL TOTALS</td>
<td>$124,706</td>
<td>$10,396,468</td>
<td>$11,151</td>
<td>$10,532,325</td>
<td>$10,206,315</td>
<td>$326,010</td>
</tr>
</tbody>
</table>
### Valuation & Assessment

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation</td>
<td>$446,322,800</td>
</tr>
<tr>
<td>Tax Rate per thousand</td>
<td>0.01390</td>
</tr>
<tr>
<td>Property Tax Levy</td>
<td>6,203,887</td>
</tr>
<tr>
<td>Tax Commitment</td>
<td>6,203,887</td>
</tr>
<tr>
<td>Add: Supplemental Taxes</td>
<td>13,454</td>
</tr>
<tr>
<td>Total Taxes Committed to Tax Collector</td>
<td>6,217,341</td>
</tr>
<tr>
<td>Less Abatements</td>
<td>(7,161)</td>
</tr>
<tr>
<td>Property Tax Revenue - Actual Exhibit B</td>
<td>6,210,180</td>
</tr>
<tr>
<td>Add: Deferred Property Taxes - Prior Year</td>
<td>168,848</td>
</tr>
<tr>
<td>Less: Deferred Property Tax Revenue - End of Year</td>
<td>(160,006)</td>
</tr>
<tr>
<td>Property Tax Revenue Recognized - Exhibit D</td>
<td>$6,219,022</td>
</tr>
</tbody>
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### Requirements

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Tax</td>
<td>$504,172</td>
</tr>
<tr>
<td>Education</td>
<td>6,878,830</td>
</tr>
<tr>
<td>TIF Financing</td>
<td>353,440</td>
</tr>
<tr>
<td>Town Appropriations</td>
<td>2,660,026</td>
</tr>
<tr>
<td></td>
<td>$10,396,468</td>
</tr>
</tbody>
</table>

### Available

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Commitment</td>
<td>6,203,887</td>
</tr>
<tr>
<td>Homestead Reimbursement</td>
<td>186,374</td>
</tr>
<tr>
<td>BETE Reimbursement</td>
<td>18,811</td>
</tr>
<tr>
<td>State of Revenue Sharing</td>
<td>145,000</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>4,011,033</td>
</tr>
<tr>
<td></td>
<td>$10,565,105</td>
</tr>
</tbody>
</table>

### Overlay - Schedule 1

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$168,637</td>
</tr>
<tr>
<td>Fund</td>
<td>Appropriations from General Fund</td>
</tr>
<tr>
<td>------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Fire Equipment</td>
<td>$53,491</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$519,243</td>
</tr>
<tr>
<td>Municipal Building</td>
<td>$525,166</td>
</tr>
<tr>
<td>Economic Development</td>
<td>$493,996</td>
</tr>
<tr>
<td>Dams Maintenance</td>
<td>$310,646</td>
</tr>
<tr>
<td>Snows Corner Plaza TIF</td>
<td>$36,732</td>
</tr>
<tr>
<td>Emera/Bangor Hydro TIF 1</td>
<td>$605,078</td>
</tr>
<tr>
<td>Emera/Bangor Hydro TIF 2</td>
<td>$620,180</td>
</tr>
<tr>
<td>Septic Grant</td>
<td>$3,373</td>
</tr>
<tr>
<td>Maine PERS Reserve</td>
<td>$243,961</td>
</tr>
<tr>
<td>Rte 15 Industrial Park</td>
<td>$1,708,877</td>
</tr>
<tr>
<td>1st Settlers Cemetery</td>
<td>$4,043</td>
</tr>
<tr>
<td>Total Reserve Funds - Exhibit C</td>
<td>$5,124,786</td>
</tr>
</tbody>
</table>
## TOWN OF ORRINGTON, MAINE
### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
#### FOR THE YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor Program</th>
<th>Pass through Number</th>
<th>CFDA Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Education</strong></td>
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<td>Title II-A Teacher Quality</td>
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<td>REAP</td>
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<td>Student Support Grant</td>
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<td><strong>U.S. Department of Agriculture</strong></td>
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<td>National School Breakfast Program</td>
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<td>National School Lunch Program</td>
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<td><strong>Total</strong></td>
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED

To the Board of Directors
Town of Orrington

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of Town of Orrington, which comprise the statement of net position as of June 30, 2019, and the related statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Orrington'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Orrington's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Orrington'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 identify 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 that the Town of Orrington'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 the following instances of noncompliance or other matters that we believe are required to be reported.
FY 19 - 01 ASSESSOR’S CERTIFICATE OF ASSESSMENT

Condition: Tax Assessor’s Certificate of Assessment as originally presented to the State of Maine was not correct.

Effect: The only correct number on the original assessment form was the property taxes to be raised. All other amounts were from the 2017 amended assessment. The 2018 Certificate of Assessment required an amendment to correct the appropriations voted by the taxpayers at the annual town meeting.

Cause: The Assessor did not use the correct expenses or revenues when preparing the Certificate of Assessment for the 2018 – 2019 year.

Criteria: Maine law requires that the municipal appropriations agree to the taxpayer vote at town meeting.

Recommendation 1: The Assessor’s Certificate of Assessment should agree to the current year budget as voted by the citizens and estimated revenue amounts provided by the Town’s management.

Recommendation 2: Ensure the Assessor is provided with accurate dollar amounts for municipal appropriations, education appropriations, TIF and County Tax to complete the Assessments section of the form. The Assessor should calculate the BETE assessment and should use that amount when completing the Deductions section of the form. The Town should provide the Assessor with the detailed calculation of the “Other Revenue” for the Deductions section of that form.

FY 19 – 02 INCORRECT BUDGET

Condition: The budgeted expenditures and estimated revenues entered into the Town’s record keeping system for the 2018–19 year were incorrect.

Effect: The accounting records prepared throughout the year used incorrect budget material for comparison to the actual expenses. Additional audit procedures were required.

Cause: An incorrect estimated budget was entered into the TRIO accounting software.

Criteria: The Assessor’s Certificate of Assessment and vote of taxpayers at town meeting should be agreed before amounts are entered into the Town’s ledger system.

Recommendation: Town Manager should review the Certificate of Assessment and actual approved expenses and revenues before the Treasurer enters those amounts into the Town’s recordkeeping system.

FY 19 – 03 CASH RECONCILIATION NOT DONE MONTHLY

Condition: The ledger accounts for all cash accounts were not reconciled after September 2018.

Effect: Cash ledger balances did not agree to bank actual balances. The June 30, 2019 reconciliation was not completed until almost six months after the year ended and caused a major delay in completion of the Town’s audit.

Cause: Staff turnover and staffing shortages did not allow time for this crucial accounting function.

Criteria: While audit did not disclose any irregularities or losses, the potential for fraud and loss increases when this procedure is not completed in a timely manner.

Recommendation: Ensure bank reconciliations are done at the end of each month throughout the entire year and adjustments are made to the general ledger on a timely basis. Monthly, the Town manager should sign the completed bank reconciliation indicating approval of all reconciling items.
FY 19-04 INVESTMENT ACCOUNT NOT RECONCILED TIMELY

Condition: Investment reconciliation not performed and general ledger not adjusted from October 2018 through June 2019.

Effect: Investment balances and available earnings were not recorded in the Town’s records on a timely basis.

Cause: Staff not trained in this reconciliation function.

Criteria: Investment accounts hold several million dollars, and while no losses occurred, not reconciling to investment statements increased the opportunity for fraud. Not recording income earnings by special funds prevents the Town’s management from knowing what is available to provide services, especially from restricted trust funds.

Recommendation: Ensure investment reconciliations are done timely and adjustments are made to the general ledger on a monthly basis.

FY 19-05 EMPLOYMENT CONTRACT FOR INTERIM TOWN MANAGER

Condition: Current Interim Town Manager has no employment contract.

Effect: A potential issue at his termination could be avoided by having a contract.

Cause: When he changed positions from Budget Manager to Interim Town Manager a new contract was not prepared.

Criteria: Best practice indicates all management level employees should have employment contracts to define roles, responsibilities, paid time off, compensation and all other matters related to the position.

Recommendation: Prepare a written employment contract and establish agreed upon terms.

FY 19-06 RECORDING CASH RECEIPTS

Condition: The Town received funds through collections made at the Town Office and collections made by/from third parties via direct deposit to the Town’s bank accounts. Currently, these deposits are combined into one Treasurer’s Receipt for the day of receipt.

Effect: Detail of deposits are very difficult to agree between the bank and the Town records. This difficult process has slowed, and at times prevented, timely reconciliations from being prepared and significant deposits from being recognized for very long periods after actual receipt.

Cause: Combining several sources of receipts into one Treasurer’s Receipt posting creates additional work for the Town Treasurer.

Criteria: All deposits to the Town bank accounts must be accounted for.

Recommendation: We suggest that each deposit be accounted for with a separate Treasurer’s Receipt. Receipts taken in the office should have a separate accounting so they can be easily agreed to the bank statements.

FY 19-07 PAID OUT SICK TIME AGAINST POLICY

Condition: The Town did not follow its personnel policies related to sick time payout for one employee. No other employees resigning during the period were paid for unused sick leave.

Effect: The Town paid $16,976 in sick pay and related payroll taxes that according to the Town’s personnel manual should not have been paid.

Cause: At the May 28, 2019 Selectmen’s meeting, when sick pay was requested by a resigning employee to be paid out, the town clerk thought that paying out sick time is not common practice but was permitted by personnel policies at the Board’s discretion. Selectmen voted that the sick time be paid out without consulting the Town’s written policy manual.
Criteria: The Town's personnel guidelines (last revised January 1, 2011) indicate accumulated unused sick leave will not be paid upon separation from employment of the Town.

Recommendation: We suggest that the Town involve their attorneys and determine if this accidental payment could cause liability to other former employees. We also suggest that when written policy manuals exist governing certain matters that they be used before future decisions are made.

The following audit findings were reported with the June 30, 2018 audited financial statements and have not been corrected before the issuance of the June 30, 2019 audit:

#2018-01 ERRORS IN ASSESSMENT AND BUDGET CALCULATIONS

Condition: The Town presents a projected revenue and expense budget for the annual Town report which is used in conjunction with the passing of the Town's expenditure budget at the annual town meeting. While we understand the actual tax commitment is not available until the Assessor's Certification is prepared, we strongly recommend that actual revenue figures are compared to the estimated budget and adjusted to the assessments before finalizing the certification. In 2017-18, an error was made resulting in an excess amount of $145,000 included in "other revenue".

Status: Repeat comment in 2019

#2018-03 ERRORS IN TRIO BUDGET

Condition: An estimated budget, not a final approved budget, is entered into the TRIO accounting system. We recommend that upon budget approval, the budget is compared and updated to agree to the taxpayer approved budget and Assessors' Certification of Assessment for reporting purposes. If this had occurred in 2017-18, the errors above would have been discovered and could have been corrected before audit.

Status: Repeat comment in 2019

#2018-05 CUSTODIAL FUND ACCOUNTING

Condition: The Town has custody of fiduciary/agency funds with year-end balances exceeding $113,000 which will fall under the expanded reporting rules under a new GASB Statement #84 required for reporting periods beginning after December 15, 2018. This change will result in more detail of additions to and deductions from custodial funds then currently reported for agency funds. The Town should ensure it has a system in place to identify the sources of the asset additions and the types of deductions for financial reporting. We suggest that the receipt and warrant process be used for receipts and disbursements.

Status: Town provided custodial fund activity for accounts in 2019 however it is still outside of the Trio accounting system; improvement in 2019/partial correction

#2018-06 CASH AND INVESTMENT RECONCILIATIONS

Condition: When a deputy clerk retired in the summer of 2017, the Town Clerk was left to reconcile investment accounts and perform bank reconciliations on all accounts. There have been no problems and this work is being done efficiently. For internal control strength, we suggest that these duties be segregated by having another person in the Town office reconcile the investment accounts other than the person reconciling the cash checking accounts.

Status: Duties not segregated, neither cash nor investments were reconciled consistently in 2019
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 organization’s internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

Foster + Company LLC
Certified Public Accountants

January 22, 2020