

**TOWN OF DURHAM, MAINE**

**Annual Financial Report**

**For the Year Ended December 31, 2019**

**TOWN OF DURHAM, MAINE**  
**Annual Financial Report**  
**For the Year Ended December 31, 2019**

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Certified Public Accountants and Business Consultants

## Independent Auditor's Report

Board of Selectmen  
Town of Durham, Maine

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Maine, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Durham, Maine's basic financial statements as listed in the table of contents.

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

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

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Maine, as of December 31, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Durham, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2020, on our consideration of the Town of Durham, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Durham, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remya Kursten Ouellette". The signature is written in a cursive style with a large initial 'R'.

March 3, 2020  
South Portland, Maine

**TOWN OF DURHAM, MAINE**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2019**

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## **Introduction**

As the Town Administrator of the Town of Durham, I am pleased to provide a Management Discussion and Analysis as part of our annual financial statements.

The financial statements contained herein show all of the governmental of the Town of Durham.

- The total assets for all governmental activity equal \$14,872,043.
- The total net position is \$6,640,751. Net position includes \$2,958,423 net investment in capital assets, \$43,005 in restricted net position and \$3,639,323 in unrestricted net position.
- For the reporting period, the Town had a decrease in the fund balance for total governmental funds (from statement 4) of \$306,465.
- The Town General Fund unassigned fund balance increased by \$90,223.

## **The Statement of Net Position and the Statement of Activities**

These statements provide an overview of the government as a whole. All of the current year's revenues are taken into account, regardless of when cash is received.

The *Statement of Net Position* provides a picture of the difference between assets (including infrastructure), deferred outflows, liabilities, and deferred inflows. This is called *Net Position*. The *Statement of Activities* provides a look at how the net position has changed from the prior year to the current year.

In most years, increases or decreases in net position can show whether the Town 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.

In the *Statement of Net Position* and the *Statement of Activities*, only one type of activity is presented:

- Governmental Activities – The Town's basic services are reported here, including the General Government, Public Safety, Public Works, Community Service, Solid Waste Disposal, and Education. Property taxes, intergovernmental revenue (primarily revenues from the State of Maine), and user fees finance most of these activities.

## **Fund Financial Statements**

The *Fund Financial Statements* provide details of the Town's most significant funds – not the Town as a whole. The Town has one kind of fund, governmental, which uses the following accounting methods:

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

**TOWN OF DURHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Comparison of Information from Current Year and Prior Year**

**Reporting the Town as a Whole**

The following is a condensed version of the Statement of Net Position with comparative data for the previous year. Net position serves as a useful indicator of the Town's financial position over time. For 2019 and 2018, RSU #5 debt service payments are shown as receivables under the current and other assets.

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018 restated</b>
Current and other assets	\$ 6,067,719	6,270,963
Capital assets, net	8,804,324	6,204,617
<b>Total assets</b>	<b>14,872,043</b>	<b>12,475,580</b>
Deferred outflows of resources related to pensions	53,765	66,865
Long-term liabilities	7,836,706	6,157,684
Other liabilities	403,920	204,279
<b>Total liabilities</b>	<b>8,240,626</b>	<b>6,361,963</b>
Deferred inflows of resources related to pensions	44,431	39,025
Net investment in capital assets	2,958,423	1,415,275
Restricted	43,005	120,676
Unrestricted	3,639,323	4,605,506
<b>Total net position</b>	<b>\$ 6,640,751</b>	<b>6,141,457</b>

In 2019, the Town implemented GASB Statement No. 84 *Fiduciary Activities*. The result was that amounts that were previously reported as private-purse trust funds are now reported as governmental funds. Therefore, the 2018 assets and restricted net position have been restated for the addition of these funds.

Fifty five percent (55%) of the Town's net position is unrestricted that may be used to meet the government's ongoing obligations to citizens and creditors. The \$2,958,423 invested in capital assets, net of related debt, and the remaining \$43,005 represents resources that are subject to external restrictions on how they may be used.

**TOWN OF DURHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

**Changes in Net Position**

The following is a condensed version of the Statement of Activities.

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 154,181	173,523
Operating grants and contributions	63,350	54,200
Capital grants and contributions	-	195,000
General revenues:		
Property taxes	7,235,284	6,934,435
Interest and costs on taxes	38,775	31,899
Excise taxes	952,183	916,530
Grants and contributions not restricted to specific programs:		
State revenue sharing	271,483	201,861
Homestead and BETE exemption	234,336	233,048
Other	17,004	16,698
Unrestricted investment earnings	23,792	19,842
Miscellaneous	9,147	6,014
Total revenues	8,999,535	8,783,050
<b>EXPENSES</b>		
General government	1,023,550	837,725
Public safety	564,141	592,042
Public works	1,418,998	1,347,382
Solid waste disposal	210,572	204,221
Community services	86,690	70,967
Education	5,045,186	4,984,016
Interest on debt	151,104	105,033
Total expenses	8,500,241	8,141,386
<b>Change in net position</b>	<b>\$ 499,294</b>	<b>641,664</b>

**Analysis of Overall Financial Position and Results of Operations**

The Statement of Activities indicates that the total revenues exceeded expenses by \$499,294, whereas revenues exceeded expenses by \$641,664 in the year 2018 (a 22.19% decrease).

**Revenues by Major Source**

Property taxes amounted to 80.4% of revenue in FY 2019 compared to 79.0% in FY 2018. Investment income increased from \$19,842 to \$23,792. Overall, revenues were up \$216,485 or 2.46%. The total increase in revenue from property taxes this past year was \$300,849 or 4.34%.

**TOWN OF DURHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Expenses**

Total expenses increased by \$358,855 or 4.41%. The education budget increased by \$61,170. The RSU5 audit found a discrepancy between the amount passed at the RSU5 Town Meeting and the assessments sent to Freeport, Pownal, and Durham. As a result, Durham's December RSU5 payment was reduced by \$77,410. In 2020, the Town will vote on appropriating these funds, which lapsed into the unassigned fund balance, for the 2020 budget. The municipal expenses increased in 2019 by \$297,685. This was due in large part to the first payments on the 2018 Road and Fire Truck Bonds.

**General Fund Budgetary Highlights**

The Town approves the carry forward of prior year revenues, which are added to the current year budget and raises the remainder through property taxes. As shown in Exhibit 6, actual revenues exceeded budgeted by \$145,070 and actual expenditures were under appropriations by \$484,249.

General Government was under spent by \$23,893. Over half of the amount unspent was within the Planning budget as the Planning Board struggled to quickly respond to initiatives laid out in the Comprehensive Plan passed in April 2019, and a request by the Select Board for marijuana ordinances, while experiencing complicated and time consuming applications.

The Public Works operating budget was underspent by \$75,269. The Town received lower than expected bids for the new dump/plow truck and a change in personnel affected the insurance line were two contributing factors.

The municipal budget for the year 2019 was \$3,521,047. County Tax Assessment of \$512,777 and RSU #5 Assessment for the 2019 calendar year of \$5,121,576 and the overlay of \$30,342 are accounted for as part of the Tax Commitment and are reflected in the Town's final budget.

**Capital Assets**

In 2019, Durham completed and capitalized Shiloh Road (1.48 miles, entire length), Davis Road (1.78 miles, from Runaround Pond Road to newer section), Old Brunswick Road (2.05 miles, entire length), Country Lane (.44 miles - entire length) and Quaker Ridge Road (.39 miles) with funds from the 2018 Road Bond. The Town utilized funds from the 2019 Road Bond for Apple Ridge Road (.13 miles), a portion of Bowie Hill Road (.85 miles), Brickyard Hill Road (.11 miles), Brown Road (.60 miles), Grant Road (.41 miles), Meadow Road (2.11 miles) and Plummer Mill Road (1.57 miles). Leighton Road, which was slated for maintenance in 2019, was added to the rebuild list and financed partially by funds put aside for the road's maintenance and partially with the 2019 Road Bond. All the road rebuilds started on 2019 will be completed and capitalized in 2020.

**Long-term Debt Activity**

Long-term debt as of December 31, 2019 stood at \$7,642,065. This equated to 2.14% of assessed value and to \$1,986 debt per capita. The ratio of debt service to general governmental expenditures was 6.35% on December 31, 2019 compared to 4.47% on December 31, 2018.

**TOWN OF DURHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Looking Forward**

In 2019, the Town of Durham passed a Comprehensive Plan which was approved by the State. In December, at a Special Town Meeting, voters approved changes in the Land Use Ordinances to bring the Town's ordinances substantially into compliance with State requirements and edit contradicting and confusing sections. The next step will be further revisions of the Land Use Ordinance to align with goals set forth in the Comprehensive Plan and the State's Shoreland Zoning Requirements.

This was the first year the Town utilized a talented group of volunteers to implement the Town's newly adopted Capital Improvement Plan. Capital requests greater than \$10,000 and with a life longer than 5 years will be ranked by the CIP Committee. These rankings will show on the warrant in the capital request warrant articles. This will give the Town a clearer picture of future capital needs and allow for planning.

The Board of Selectmen and Budget Committee had three joint budget meetings in January to hear presentations from the Department Heads. The Select Board submitted their recommendations to the Budget Committee on January 30, 2020. The Budget Committee met twice the first week in February to vote on their recommendations. The Select Board proposed budget shows a 10.9% (\$170,564) increase over last year's budget while the Budget Committee proposed budget shows a 16.7% (\$263,064) increase. The increases include the purchase of a new dump truck/snow plow financed through capital funds and the first payment on the 2019 Road Bond. The Budget Committee's increase also includes funds for the Public Works and Fire Department Capital Accounts. Neither the Board of Selectmen nor the Budget Committee is recommending any significant use of unassigned fund balance this year to offset taxes as the balance is still below recommended amounts. The 2020 warrant will include marijuana opt-in articles for adult use and medical marijuana and articles reorganizing the Town's assigned and capital funds to support the newly created Capital Improvement Plan.

**Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Administrator at the Durham Town Office, 630 Hallowell Road, Durham, Maine 04222 or (207) 353-2561.

**TOWN OF DURHAM, MAINE**  
**Statement of Net Position**  
**December 31, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 4,513,482
Receivables:	
Taxes	309,206
Tax liens	93,631
Due from other governments	63,050
RSU #5 debt service payments	1,088,350
Nondepreciable capital assets	1,823,532
Depreciable capital assets, net	6,980,792
<b>Total assets</b>	<b>14,872,043</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	53,765
<b>Total deferred outflows of resources</b>	<b>53,765</b>
<b>LIABILITIES</b>	
Accounts payable	314,850
Accrued wages	15,288
Accrued interest	63,305
Taxes paid in advance	10,477
Noncurrent liabilities:	
Due within one year	928,950
Due in more than one year	6,907,756
<b>Total liabilities</b>	<b>8,240,626</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	44,431
<b>Total deferred inflows of resources</b>	<b>44,431</b>
<b>NET POSITION</b>	
Net investment in capital assets	2,958,423
Restricted:	
Nonexpendable principal -permanent funds	3,450
Expendable earnings - permanent funds	4,139
Donations and grants	35,416
Unrestricted	3,639,323
<b>Total net position</b>	<b>\$ 6,640,751</b>

*See accompanying notes to the basic financial statements.*

**TOWN OF DURHAM, MAINE**  
**Statement of Activities**  
**For the year ended December 31, 2019**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 1,023,550	101,376	6,607	-	(915,567)
Public safety	564,141	32,116	-	-	(532,025)
Public works	1,418,998	-	54,580	-	(1,364,418)
Solid waste disposal	210,572	20,689	-	-	(189,883)
Community services	86,690	-	2,163	-	(84,527)
Education	5,045,186	-	-	-	(5,045,186)
Interest on debt	151,104	-	-	-	(151,104)
Total governmental activities	8,500,241	154,181	63,350	-	(8,282,710)
<b>Total primary government</b>	<b>\$ 8,500,241</b>	<b>154,181</b>	<b>63,350</b>	<b>-</b>	<b>(8,282,710)</b>

General revenues:	
Property taxes	7,235,284
Interest and costs of taxes	38,775
Excise taxes	952,183
Grants and contributions not restricted to specific programs:	
State Revenue Sharing	271,483
Homestead and BETE exemption	234,336
Other	17,004
Unrestricted investment earnings	23,792
Miscellaneous	9,147
<b>Total general revenues</b>	<b>8,782,004</b>
Change in net position	499,294
Net position - beginning, restated	6,141,457
<b>Net position - ending</b>	<b>\$ 6,640,751</b>

*See accompanying notes to the basic financial statements.*

**TOWN OF DURHAM, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2019**

	General Fund	Cemetery Permanent Fund	Total
<b>ASSETS</b>			
Cash	\$ 4,505,893	7,589	4,513,482
Receivables:			-
Taxes	309,206	-	309,206
Tax liens	93,631	-	93,631
Due from other governments	63,050	-	63,050
RSU #5 debt service payments	1,088,350	-	1,088,350
<b>Total assets</b>	<b>\$ 6,060,130</b>	<b>7,589</b>	<b>6,067,719</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	314,850	-	314,850
Accrued wages	15,288	-	15,288
Taxes paid in advance	10,477	-	10,477
Total liabilities	340,615	-	340,615
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	355,000	-	355,000
Unavailable revenue - RSU #5 debt service payments	1,088,350	-	1,088,350
Total deferred inflows of resources	1,443,350	-	1,443,350
Fund Balances:			
Nonspendable	-	3,450	3,450
Restricted	35,416	4,139	39,555
Committed	1,654,606	-	1,654,606
Assigned	1,300,941	-	1,300,941
Unassigned	1,285,202	-	1,285,202
Total fund balances	4,276,165	7,589	4,283,754
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>6,060,130</b>	<b>7,589</b>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			8,804,324
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.			1,443,350
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			
Bonds and notes payable			(7,642,065)
Net pension liability with deferred inflows and outflows of resources			(168,046)
Accrued compensated absences			(17,261)
Accrued interest			(63,305)
<b>Net position of governmental activities</b>			<b>\$ 6,640,751</b>

*See accompanying notes to the basic financial statements.*

**TOWN OF DURHAM, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended December 31, 2019**

	General Fund	Cemetery Permanent Fund	Total
<b>Revenues:</b>			
Property taxes	\$ 7,226,284	-	7,226,284
Excise taxes	952,183	-	952,183
Intergovernmental revenues	584,010	-	584,010
Charges for services	154,181	-	154,181
Other revenues	11,310	-	11,310
Interest	62,545	22	62,567
<b>Total revenues</b>	<b>8,990,513</b>	<b>22</b>	<b>8,990,535</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	453,553	-	453,553
Public safety	468,425	-	468,425
Public works	1,399,105	-	1,399,105
Solid waste disposal	210,572	-	210,572
Community services	86,690	-	86,690
Education	5,045,186	-	5,045,186
County tax	512,777	-	512,777
Unclassified	15,162	-	15,162
Debt service	740,146	-	740,146
Capital outlay	2,715,384	-	2,715,384
<b>Total expenditures</b>	<b>11,647,000</b>	<b>-</b>	<b>11,647,000</b>
Excess (deficiency) of revenues over (under) expenditures	(2,656,487)	22	(2,656,465)
<b>Other financing sources:</b>			
Bond proceeds	2,350,000	-	2,350,000
<b>Total other financing sources</b>	<b>2,350,000</b>	<b>-</b>	<b>2,350,000</b>
Net change in fund balance	(306,487)	22	(306,465)
Fund balance, beginning of year, restated	4,582,652	7,567	4,590,219
<b>Fund balance, end of year</b>	<b>\$ 4,276,165</b>	<b>7,589</b>	<b>4,283,754</b>

*See accompanying notes to the basic financial statements.*

**TOWN OF DURHAM, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended December 31, 2019**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	(306,465)
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Amounts reported for governmental activities in the statement of activities (Statement 2) 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 as depreciation expense.

These are the changes in amounts related to capital assets:

capital outlay	3,007,827	
depreciation expense	(331,095)	
book value of disposed capital assets	(77,025)	2,599,707

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

9,000

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 governmental funds. These are the changes in the other liability balances:

accrued interest	3,415	
accrued compensated absences	(2,628)	
net pension liability	(20,856)	
deferred inflows and outflows of resources related to the net pension liability	(18,506)	(38,575)

Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

These are the changes in long term debt:

bond and note proceeds	(2,350,000)	
bond and note principal payments	694,462	(1,655,538)

The Town has bonds that were originally issued for School purposes.

These amounts will be funded by Regional School Unit #5 when the debt service payments are due. The Town has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year-end was \$1,088,350 with principal amounts paid off during the year totaling \$108,835.

(108,835)

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<b>Change in net position of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>499,294</b>
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*See accompanying notes to the basic financial statements.*

**TOWN OF DURHAM, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - Budgetary Basis - General Fund**  
**For the year ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance with final budget positive negative
<b>Revenues:</b>				
Taxes	\$ 8,151,808	8,151,808	8,178,467	26,659
Intergovernmental revenues	529,580	529,580	584,010	54,430
Charges for services	127,800	127,800	154,181	26,381
Other revenues	1,976	1,976	9,147	7,171
Interest	31,899	31,899	62,328	30,429
Total revenues	8,843,063	8,843,063	8,988,133	145,070
<b>Expenditures:</b>				
Current:				
General government	463,588	463,588	439,695	23,893
Public safety	563,125	563,125	527,412	35,713
Public works	1,460,101	1,460,101	1,384,832	75,269
Solid waste disposal	210,710	210,710	210,572	138
Community services	83,453	95,367	80,810	14,557
Education	5,121,576	5,121,576	5,044,166	77,410
County tax	512,777	512,777	512,777	-
Unclassified	37,842	37,842	10,487	27,355
Debt service	732,570	732,570	732,561	9
Capital outlay	-	2,945,289	2,715,384	229,905
Total expenditures	9,185,742	12,142,945	11,658,696	484,249
Excess (deficiency) of revenues over (under) expenditures	(342,679)	(3,299,882)	(2,670,563)	629,319
<b>Other financing sources (uses):</b>				
Bond proceeds	-	2,350,000	2,350,000	-
Budgeted use of carryforward balance	316,111	923,314	-	(923,314)
Utilization of prior year surplus	26,568	26,568	-	(26,568)
Total other financing sources (uses)	342,679	3,299,882	2,350,000	(949,882)
Net change in fund balance - budgetary basis	-	-	(320,563)	(320,563)
<b>Reconciliation to GAAP:</b>				
Disbursements from committed fund balances			(26,465)	
Activity in restricted fund balances			(119)	
Change in encumbrances			(21,840)	
Transfers to assigned fund balance			62,500	
Net change in fund balance - GAAP basis			(306,487)	
Fund balance, beginning of year			4,582,652	
<b>Fund balance, end of year</b>			<b>\$ 4,276,165</b>	

*See accompanying notes to the basic financial statements.*

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the Town of Durham, Maine conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

**A. Reporting Entity**

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit is made by applying the criteria set forth in GAAP which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component 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. Based upon the application of these criteria, there were no potential component units required to be included in this report.

**B. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are typically reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Town currently does not have any business-type activities.

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

**C. Basis of Presentation – Financial Statements**

While separate government-wide and fund financial statements are represented, they are interrelated. The governmental activities column incorporates data from governmental funds. For the most part, the effect of interfund activity has been removed from these statements.

**D. Basis of Presentation – Fund Financial Statements**

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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 Cemetery Fund is a permanent fund that accounts for amounts donated to the Town for the upkeep of cemetery plots and the expenditures related to those funds.

**E. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Amounts reported as program revenues on the Statement of Activities include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**F. Cash and Investments**

The Town considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The Town utilizes the consumption method for prepaid items in which items purchased are recorded as an asset and the recognition of the expenditure is deferred until the period the prepaid item is actually consumed or used.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**H. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column 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 acquisition cost at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if material, is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives ranging from 5 to 50 years.

**I. Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds report two deferred inflows of resources: unavailable revenue from property taxes and unavailable revenue from Regional School Unit #5 debt service payments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate 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 include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

**J. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**K. 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 Consolidated Plan for Participating Local Districts (PLD Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**L. Use of Estimates**

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**M. Accrued Compensated Absences**

Under the terms of personnel policies, vacation and sick leave are granted in varying amounts according to length of service. The Town accrues accumulated vacation leave and vested sick leave. Accumulated vacation and sick time has been recorded in the Statement of Net Position for the governmental activities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**N. Comparative Data/Reclassifications**

Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**O. Fund Balance/Net Position**

Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The voters have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. For assigned fund balance amounts, the Board of Selectmen has been authorized by Charter/Policy to assign unspent budgeted amounts to specific purposes in the General Fund at year end based on Department requests. The Town does not have a formal fund balance policy.

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

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**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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The Town utilizes a formal budgetary accounting system to control operations accounted for in the General Fund. This budget is established through the passage of a Town warrant at the annual Town meeting. It is prepared on a basis consistent with generally accepted accounting principles (GAAP) except for certain appropriations, which are budgeted on a net basis, and encumbrances. Under the net budget basis, certain revenues are not estimated but are credited to the particular appropriation account. Encumbrances are commitments related to unperformed contracts for goods and services (i.e. purchase orders, contracts and commitments). The level of control (level at which expenditures may not exceed appropriations) is the warrant article. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year with the exception of some non-lapsing accounts and ongoing projects which are carried forward to the next fiscal year.

The original budget, as originally passed by the Town voters by article, has been amended to reflect the additional funding for the culvert project and bonded projects, as approved by the voters.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

**DEPOSITS**

*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2019, the Town reported deposits of \$4,513,482 with a bank balance of \$4,927,476. Of the Town's bank balances of \$4,927,476, none was exposed to custodial credit risk as it was covered by FDIC or additional insurance.

**PROPERTY TAX**

Property taxes for the current year were committed on June 25, 2019 on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. Assessed values are periodically established by the Town's Assessor at 92% of assumed market value. The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$30,342 for the year ended December 31, 2019.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid. Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the levy:

	<u>2019</u>	<u>2018</u>
Assessed value	\$ 357,297,740	351,407,600
Tax rate (per \$1,000)	20.25	19.70
Commitment	7,235,279	6,922,730
Supplemental taxes assessed	-	11,339
	7,235,279	6,934,069
Less:		
Collections and abatements	6,956,386	6,672,831
<b>Current year taxes receivable at end of year</b>	<b>\$ 278,893</b>	<b>261,238</b>
Due date	August 9, 2019	August 6, 2018
Interest rate on delinquent taxes	9.00%	8.00%
Collection rate	96.15%	96.23%

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**CAPITAL ASSETS**

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Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2019</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 246,332	-	-	246,332
Construction in process	1,399,562	1,932,979	1,755,341	1,577,200
Total capital assets not being depreciated	1,645,894	1,932,979	1,755,341	1,823,532
Capital assets, being depreciated:				
Land improvements	17,771	-	-	17,771
Buildings and building improvements	1,711,303	-	-	1,711,303
Infrastructure	2,472,583	1,895,717	-	4,368,300
Vehicles and equipment	2,341,424	934,472	334,500	2,941,396
Total capital assets being depreciated	6,543,081	2,830,189	334,500	9,038,770
Less accumulated depreciation for:				
Land improvements	2,435	444	-	2,879
Buildings and building improvements	452,720	33,595	-	486,315
Infrastructure	346,742	104,498	-	451,240
Vehicles and equipment	1,182,461	192,558	257,475	1,117,544
Total accumulated depreciation	1,984,358	331,095	257,475	2,057,978
Total capital assets being depreciated, net	4,558,723	2,499,094	77,025	6,980,792
<b>Governmental activities capital assets, net</b>	<b>\$ 6,204,617</b>	<b>4,432,073</b>	<b>1,832,366</b>	<b>8,804,324</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 15,230
Public safety	80,554
Public works, including depreciation of infrastructure assets	235,311
<b>Total depreciation expense – governmental activities</b>	<b>\$ 331,095</b>

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
<b>Governmental activities:</b>					
Net pension liability	\$ 156,524	20,856	-	177,380	-
Accrued compensated absences	14,633	2,628	-	17,261	-
Bonds payable	3,982,899	2,350,000	465,978	5,866,921	711,693
Notes from direct borrowings	2,003,628	-	228,484	1,775,144	217,257
<b>Governmental activities long-term liabilities</b>	<b>\$ 6,157,684</b>	<b>2,373,484</b>	<b>694,462</b>	<b>7,836,706</b>	<b>928,950</b>

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**LONG-TERM DEBT**

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Bonds and notes from direct borrowings at December 31, 2019 are comprised of the following:

<u>Notes from direct borrowings</u>	<u>Amount originally issued</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Balance</u>
2014 public works property	\$ 975,000	4.55%	2029	712,066
2014 public works equipment	1,150,000	3.96%	2024	623,252
2018 fire truck	480,000	3.90%	2028	439,826
<b>Total notes</b>				<b>\$ 1,775,144</b>
 <u>Bonds payable</u>				
2016 road paving bond	1,100,000	Varies	2023	628,571
2018 road paving bond	2,000,000	Varies	2028	1,800,000
2019 road paving bond	2,350,000	Varies	2029	2,350,000
2009 school projects*	2,176,696	Varies	2029	1,088,350
<b>Total bonds</b>				<b>\$ 5,866,921</b>

\*RSU 5 will reimburse the Town of Durham for all of the Durham School Department notes from direct borrowings when the debt service payments are due. The Town has recorded a receivable of \$1,088,350, which is the outstanding amount of notes from direct borrowings related to the School Department.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

**LONG-TERM DEBT, CONTINUED**

The annual requirements to amortize the notes from direct borrowings are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 217,257	74,280	291,537
2021	226,228	65,308	291,536
2022	235,523	56,013	291,536
2023	245,202	46,335	291,537
2024	246,152	36,285	282,437
2025-2029	604,782	75,209	679,991
<b>Totals</b>	<b>\$ 1,775,144</b>	<b>353,430</b>	<b>2,128,574</b>

The annual requirements to amortize the bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 711,693	143,317	855,010
2021	711,693	127,309	839,002
2022	711,693	110,184	821,877
2023	711,693	96,515	808,208
2024	554,550	79,281	633,831
2025-2029	2,465,599	197,100	2,662,699
<b>Totals</b>	<b>\$ 5,866,921</b>	<b>753,706</b>	<b>6,620,627</b>

The General Fund liquidates all long-term liabilities.

**SHORT-TERM DEBT**

The Town issued a bond anticipation note in 2019, which was refunded with the issuance of a 2019 bond. Bond anticipation note activity for the year ended December 31, 2019 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Bond anticipation note	\$ -	250,000	250,000	-

**OVERLAPPING DEBT AND OTHER CONTINGENCIES**

**Overlapping Debt**

The Town's proportionate share of Regional School Unit No. 5's debt of \$17,188,025 is \$3,681,675 (21.42%) as of June 30, 2019, which is the most readily available information. This debt service is included in the annual assessments to the Town.

**STATUTORY DEBT LIMIT**

In accordance with Maine law, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. At December 31, 2019, the Town was in compliance with these limitations.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**FUND BALANCES**

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As of December 31, 2019, fund balance components consisted of the following:

	<u>General Fund</u>	<u>Cemetery Permanent Fund</u>	<u>Total</u>
<b>Nonspendable:</b>			
Permanent fund principal	\$ -	3,450	3,450
Total nonspendable	-	3,450	3,450
<b>Restricted:</b>			
Permanent fund earnings	-	4,139	4,139
River park donations	7,916	-	7,916
Scholarships	15,521	-	15,521
Heating assistance	10,526	-	10,526
Historic district commission	1,330	-	1,330
Jackson-Tupper memorial	123	-	35,416
Total restricted	35,416	4,139	39,555
<b>Committed:</b>			
Municipal building	43,866	-	43,866
Title searches	9,900	-	9,900
Town office	25,896	-	25,897
Emergency fund	6,953	-	6,953
Union church restoration	48,485	-	48,485
Perambulation	5,300	-	5,300
Telecommunications	84,318	-	84,318
Recreation	10,986	-	10,986
Old home days	509	-	509
Fire/rescue capital	269,714	-	269,714
Public works capital	310,421	-	310,421
Bridge account	98,248	-	98,248
Eureka community center	2,719	-	2,719
Grant match	29,477	-	29,477
Unspent bond proceeds	707,814	-	707,814
Total committed	1,654,606	-	1,654,606
<b>Assigned:</b>			
Public works operations	1,006,764	-	1,006,764
General administration	272,248	-	272,248
Solid waste	20,689	-	20,689
Eureka community center	1,240	-	1,240
Total assigned	1,300,941	-	1,300,941
<b>Unassigned:</b>			
General fund	1,285,202	-	1,285,202
Total assigned	1,285,202	-	1,285,202
<b>Total fund balance</b>	<b>\$ 4,276,165</b>	<b>7,589</b>	<b>4,283,754</b>

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

**NET POSITION**

Net position represents the difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and adding back any school-related debt for which the Town no longer has the assets. The Town's net investment in capital assets was calculated as follows at December 31, 2019:

Capital assets	\$ 10,862,302
Accumulated depreciation	(2,057,978)
Bonds and notes payable	(7,642,065)
Unspent bond proceeds	707,814
Add back school related debt – assets transferred to RSU #5	<u>1,088,350</u>
<b>Total invested in capital assets net of related debt</b>	<b><u>\$ 2,958,423</u></b>

The school related debt has been added back in the calculation because the Town issued debt related to the new elementary school construction for the local share of debt. As required by the Reorganization Plan for the Regional School Unit (RSU), the Town retains the obligation for this debt. However, the related assets were transferred to the RSU in accordance with the agreement.

**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 several public entity and self-insured pools sponsored by the Maine Municipal Association. Based on the coverage provided by the pools, 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 December 31, 2019.

**CONSTRUCTION COMMITMENT**

The Town has entered into a contract in connection with the reconstruction of four roads. The following is the construction commitment at December 31, 2019:

	Contract <u>Total</u>	Percentage <u>Complete</u>	Billed <u>to Date</u>	<u>Retainage</u>	Balance <u>Remaining</u>
2019 road reconstruction	\$ 2,356,168	62.27%	1,467,263	73,363	855,616

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**NET PENSION LIABILITY**

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***General Information about the Pension Plan***

**Plan Description** - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that can be obtained at [www.maineper.org](http://www.maineper.org).

**Benefits Provided** - The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. 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).

The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions.

**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. Town employees are required to contribute 7.25 – 8.00% of their annual pay. The Town's contractually required contribution rate for the year ended December 31, 2019, was 7.30 – 7.40% of annual payroll. This employer contribution rate is 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. Contributions to the pension plan from the Town were \$37,006 for the year ended December 31, 2019.

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

At June 30, 2019, the Town reported a liability of \$177,380 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2019, the Town's proportion was 0.058%.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**NET PENSION LIABILITY, CONTINUED**

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For the year ended December 31, 2019, the Town recognized a net pension expense of \$76,368. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,002	-
Changes of assumptions	8,983	-
Net difference between projected and actual earnings on pension plan investments	-	44,431
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,356	-
Town contributions subsequent to the measurement date	18,424	-
<b>Total</b>	<b>\$ 53,765</b>	<b>44,431</b>

An amount of \$18,424 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2020	\$ 11,909
2021	(18,574)
2022	(2,397)
2023	(28)

**Actuarial Assumptions** - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	2.75% to 9.00% per year
Investment return	6.75% per annum, compounded annually
Cost of living benefit increases	1.91% per annum

For active members and non-disabled retirees, the mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, was used.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

**NET PENSION LIABILITY, CONTINUED**

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	30.0%	6.0%
US government	7.5%	2.3%
Private equity	15.0%	7.6%
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%
<b><u>Total</u></b>	<b><u>100%</u></b>	

**Discount Rate** - The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts 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 liability.

**Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Town's proportionate share of the net pension liability	\$ 404,059	177,380	(34,658)

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

**Payables to the Pension Plan** - None as of December 31, 2019.

**TOWN OF DURHAM, MAINE**  
**Notes to Basic Financial Statements, continued**

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**NEW ACCOUNTING PRONOUNCEMENT AND RESTATEMENT**

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The Town has implemented GASB Statement No. 84, *Fiduciary Activities*, which provides new criteria for identifying and reporting fiduciary funds. As part of that implementation, funds that were previously reported as private-purpose trusts are now reported either as a permanent fund (cemetery fund) or reported as part of the General Fund. The effect is that beginning fund balance for the General Fund has been restated on exhibit A-2 and statement 6, and governmental funds have been restated on statement 4. The statements for fiduciary funds have been removed from the financial statements. In addition, the beginning net position for governmental activities on statement 2 has been restated.

The following is a summary of the effect of the restatements:

	General Fund Fund Balance (Ex. A-2)	Cemetery Fund Fund Balance (Stmt. 4)	Governmental Activities Net Position (Stmt. 2)
Fund balance/net position as previously reported	\$ 4,491,475	-	6,042,713
Restoration fund	66,936	-	66,936
Scholarship fund	16,332	-	16,332
River Park fund	7,908	-	7,908
Cemetery fund	-	7,567	7,567
<b>Fund balance, net position as restated</b>	<b>\$ 4,582,652</b>	<b>7,567</b>	<b>6,141,457</b>

**TOWN OF DURHAM, MAINE**  
**Required Supplementary Information**

**Schedule of Town's Proportionate Share of the Net Pension Liability**  
**Maine Public Employees Retirement System Consolidated Plan**

	Last 10 Fiscal Years*				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015**</u>
Town's proportion of the net pension liability	0.0580%	0.0572%	0.0545%	0.0471%	0.0374%
Town's proportionate share of the net pension liability	\$ 177,380	156,524	223,262	250,050	119,183
Town's covered payroll	486,281	453,563	430,673	386,029	281,807
Town's proportion share of the net pension liability as a percentage of its covered payroll	36.48%	34.51%	51.84%	64.77%	42.29%
Plan fiduciary net position as a percentage of of the total pension liability	90.62%	91.14%	86.43%	81.60%	88.27%

\* *Only five years of information available.*

\*\* *The amounts presented for each fiscal year were determined as of the period ended on the prior June 30th.*

**TOWN OF DURHAM, MAINE**  
**Required Supplementary Information, Continued**

**Schedule of Town Contributions**  
**Maine Public Employees Retirement System Consolidated Plan**

Last 10 Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015**</u>
Contractually required contribution	\$ 37,006	34,077	28,212	26,046	18,264
Contributions in relation to the Contractually required contribution	(37,006)	(34,077)	(28,212)	(26,046)	(18,264)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Town's covered payroll	\$ 503,517	476,878	418,004	429,576	386,029
Contributions as a percentage of covered payroll	7.35%	7.15%	6.75%	6.06%	4.73%

\* Only five years of information available.

\*\* In 2014, employer contributions were offset by IUUAL credits.

**TOWN OF DURHAM, MAINE**  
**Notes to Required Supplementary Information**

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**Changes of Benefit Terms** - None

**Changes of Assumptions** - The following are changes in actuarial assumptions used in the most recent valuations:

	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Discount rate	6.750%	6.875%	7.125%	7.250%
Inflation rate	2.75%	2.75%	3.50%	N/A
Salary increases	2.75% to 9.00%	2.75% to 9.00%	3.50% to 9.50%	N/A
Cost of living increase	1.91%	2.20%	2.55%	3.12%

Mortality rates:

In 2015, mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

In 2016, and going forward, mortality rates were based on the RP2014 Total Data Set Health Annuitant Mortality Table.

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

**TOWN OF DURHAM, MAINE**  
**General Fund**  
**Comparative Balance Sheets**  
**December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash	\$ 4,505,893	3,996,259
Receivables:		
Taxes	309,206	291,709
Tax liens	93,631	94,875
Due from other governments	63,050	112,467
RSU #5 debt service payments	1,088,350	1,197,185
Prepaid expenditures	-	479,724
<b>Total assets</b>	<b>\$ 6,060,130</b>	<b>6,172,219</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	314,850	121,134
Accrued wages and benefits	15,288	7,466
Taxes paid in advance	10,477	8,959
<b>Total liabilities</b>	<b>340,615</b>	<b>137,559</b>
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	355,000	346,000
Unavailable revenue - RSU #5 debt service payments	1,088,350	1,197,185
<b>Total deferred inflows of resources</b>	<b>1,443,350</b>	<b>1,543,185</b>
Fund Balances:		
Nonspendable	-	479,724
Restricted	35,416	21,932
Committed	1,654,606	595,289
Assigned	1,300,941	2,199,551
Unassigned	1,285,202	1,194,979
<b>Total fund balances</b>	<b>4,276,165</b>	<b>4,491,475</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,060,130</b>	<b>6,172,219</b>

**TOWN OF DURHAM, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budgetary Basis**  
**For the year ended December 31, 2019**  
**(with comparative totals for year ended December 31, 2018)**

	2019					2018 Actual
	Original budget	Adjustments	Total appropriation	Actual	Variance positive (negative)	
Revenues:						
Taxes:						
Property taxes	\$ 7,235,279	-	7,235,279	7,235,284	5	6,929,096
Supplemental taxes	-	-	-	-	-	11,339
Change in unavailable taxes	-	-	-	(9,000)	(9,000)	(20,000)
Excise taxes	916,529	-	916,529	952,183	35,654	916,530
<b>Total taxes</b>	<b>8,151,808</b>	<b>-</b>	<b>8,151,808</b>	<b>8,178,467</b>	<b>26,659</b>	<b>7,836,965</b>
Intergovernmental revenue:						
State Revenue Sharing	218,027	-	218,027	271,483	53,456	201,861
Homestead exemption	234,322	-	234,322	234,322	-	229,978
BETE	4,335	-	4,335	14	(4,321)	3,070
Public roads assistance (LRAP)	53,128	-	53,128	54,580	1,452	53,128
Grant revenues	-	-	-	6,247	6,247	195,000
Tree growth/veteran's reimbursement	19,768	-	19,768	17,004	(2,764)	16,698
General assistance	-	-	-	360	360	-
<b>Total intergovernmental revenue</b>	<b>529,580</b>	<b>-</b>	<b>529,580</b>	<b>584,010</b>	<b>54,430</b>	<b>699,735</b>
Charges for services:						
Agent fees	14,360	-	14,360	16,261	1,901	14,360
Solid waste user fees	19,770	-	19,770	20,689	919	19,770
Inspection fees	29,323	-	29,323	27,967	(1,356)	29,324
Town Clerk fees	5,713	-	5,713	5,433	(280)	5,713
Snowmobile/boat registration	-	-	-	7,467	7,467	7,533
Conditional use permit fee	4,400	-	4,400	300	(4,100)	4,400
Fire Department hydrants and insurance	-	-	-	32,116	32,116	48,272
Cable TV franchise fees	54,234	-	54,234	43,948	(10,286)	44,151
<b>Total charges for services</b>	<b>127,800</b>	<b>-</b>	<b>127,800</b>	<b>154,181</b>	<b>26,381</b>	<b>173,523</b>
Other revenues:						
Other revenue	1,976	-	1,976	9,147	7,171	6,014
<b>Total other revenues</b>	<b>1,976</b>	<b>-</b>	<b>1,976</b>	<b>9,147</b>	<b>7,171</b>	<b>6,014</b>
Interest:						
Interest on property taxes	31,899	-	31,899	38,775	6,876	31,899
Interest income	-	-	-	23,553	23,553	19,842
<b>Total interest</b>	<b>31,899</b>	<b>-</b>	<b>31,899</b>	<b>62,328</b>	<b>30,429</b>	<b>51,741</b>
<b>Total revenues</b>	<b>8,843,063</b>	<b>-</b>	<b>8,843,063</b>	<b>8,988,133</b>	<b>145,070</b>	<b>8,767,978</b>

**TOWN OF DURHAM, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budgetary Basis, Continued**

		<b>2019</b>				<b>Variance</b>	<b>2018</b>
		<b>Original</b>	<b>Adjustments</b>	<b>Total</b>	<b>Actual</b>	<b>positive</b>	<b>Actual</b>
		<b>budget</b>		<b>appropriation</b>		<b>(negative)</b>	
Expenditures:							
Current:							
General government:							
15	Administration expenses	\$ 378,781	-	378,781	373,745	5,036	352,012
22	Animal control	15,003	-	15,003	14,502	501	13,084
23	Assessing	21,150	-	21,150	20,159	991	20,344
28	General assistance	2,000	-	2,000	514	1,486	277
30	Planning board/appeals	46,654	-	46,654	30,775	15,879	27,941
Total general government		463,588	-	463,588	439,695	23,893	413,658
Public safety:							
13	Fire and rescue	486,725	-	486,725	454,228	32,497	372,530
N/A	EMS staffing	-	-	-	-	-	112,922
11/12	Fire/rescue capital	76,400	-	76,400	73,184	3,216	88,421
N/A	Fire department quint loan	-	-	-	-	-	33,004
Total public safety		563,125	-	563,125	527,412	35,713	606,877
Public works:							
15	Public works	1,240,101	-	1,240,101	1,189,905	50,196	1,165,783
10	Public works capital	220,000	-	220,000	194,927	25,073	50,000
N/A	Public works road bond	-	-	-	-	-	403,551
Total public works		1,460,101	-	1,460,101	1,384,832	75,269	1,619,334
31	Solid waste disposal	210,710	-	210,710	210,572	138	204,221

**TOWN OF DURHAM, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budgetary Basis, Continued**

		2019					2018
		Original budget	Adjustments	Total appropriation	Actual	Variance positive (negative)	Actual
Expenditures, continued:							
Current, continued:							
Community services:							
24	Cemeteries	\$ 8,650	-	8,650	4,130	4,520	10,566
25	Conservation	2,200	-	2,200	2,200	-	2,200
26	Community service agencies	2,000	-	2,000	2,000	-	2,100
27	Eureka Center	6,774	11,914	18,688	15,846	2,842	10,510
29	Parks and recreation	9,050	-	9,050	7,769	1,281	8,426
32	Telecommunications	54,779	-	54,779	48,865	5,914	40,617
Total community services		83,453	11,914	95,367	80,810	14,557	74,419
N/A	Education	5,121,576	-	5,121,576	5,044,166	77,410	4,984,016
N/A	County tax	512,777	-	512,777	512,777	-	483,570
Unclassified:							
N/A	Overlay/abatements	30,342	-	30,342	1,382	28,960	10,600
20	Grant expenditures	7,500	-	7,500	9,105	(1,605)	12,184
Total unclassified		37,842	-	37,842	10,487	27,355	22,784
19	Debt service	732,570	-	732,570	732,561	9	5,874
N/A	Capital outlay	-	2,945,289	2,945,289	2,715,384	229,905	1,602,752
Total expenditures		9,185,742	2,957,203	12,142,945	11,658,696	484,249	10,017,505
Excess (deficiency) of revenues over (under) expenditures		(342,679)	(2,957,203)	(3,299,882)	(2,670,563)	629,319	(1,249,527)
Other financing sources (uses):							
Bond proceeds		-	2,350,000	2,350,000	2,350,000	-	2,480,000
Budgeted use of carryforward balances		316,111	607,203	923,314	-	(923,314)	-
Utilization of prior year surplus		26,568	-	26,568	-	(26,568)	-
Transfers to other funds		-	-	-	-	-	(10,000)
Total other financing sources (uses)		342,679	2,957,203	3,299,882	2,350,000	(949,882)	2,470,000
Net change in fund balances - budgetary basis		-	-	-	(320,563)	(320,563)	1,220,473
Reconciliation to GAAP:							
Disbursements from committed fund balances					(26,465)	-	-
Activity in restricted fund balances					(119)	123	123
Change in encumbrances					(21,840)	14,751	14,751
Transfers to committed fund balance					62,500	105,000	105,000
Net change in fund balance - GAAP basis					(306,487)	1,340,347	1,340,347
Fund balance, beginning of year, restated					4,582,652	3,151,128	3,151,128
<b>Fund balance, end of year</b>		<b>\$</b>			<b>4,276,165</b>	<b>4,491,475</b>	<b>4,491,475</b>