

Audited Financial Statements
and Other Financial Information

Town of Chelsea, Maine

June 30, 2018



Proven Expertise and Integrity

TOWN OF CHELSEA, MAINE

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JUNE 30, 2018

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Proven Expertise and Integrity
INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Chelsea
Chelsea, 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 Chelsea, Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Chelsea, 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 principle generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Chelsea, Maine as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and OPEB information on pages 4 through 11 and 53 through 57 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 Chelsea, Maine's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis -Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, and capital asset schedules 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 May 9, 2019, on our consideration of the Town of Chelsea, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chelsea, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
May 9, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(UNAUDITED)

The following management's discussion and analysis of the Town of Chelsea Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town can be categorized as governmental funds.

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

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

The Town presents only two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position increased by \$97,244 from \$5,060,728 to \$5,157,972.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased to a balance of \$2,049,025 at the end of this year.

Table 1
Town of Chelsea, Maine
Net Position
June 30,

	2018	2017 (Restated)
Assets		
Current assets	\$ 2,409,151	\$ 2,278,221
Capital assets	3,518,007	3,691,308
Total assets	5,927,158	5,969,529
Deferred Outflows of Resources		
Deferred outflows related to OPEB	503	-
Total deferred outflows of resources	503	-
Liabilities		
Current liabilities	185,645	184,706
Long-term obligations outstanding	560,245	713,595
Total liabilities	745,890	898,301
Deferred Inflows of Resources		
Prepaid taxes	23,799	10,500
Total deferred inflows of resources	23,799	10,500
Net Position		
Net investment in capital assets	2,806,547	2,821,651
Restricted	302,400	355,013
Unrestricted	2,049,025	1,884,064
Total net position	\$ 5,157,972	\$ 5,060,728

Revenues and Expenses

Revenues for the Town's governmental activities increased by 8.80%, while total expenses increased by 13.81%. The increase in revenues was primarily due to taxes. The increase in expenses was primarily due to public works, education/HS transportation and unclassified.

Table 2
Town of Chelsea, Maine
Changes in Net Position
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 30,131	\$ 24,750
Operating grants and contributions	27,388	27,352
<i>General Revenues:</i>		
Taxes	3,517,485	3,283,319
Grants and contributions not restricted to specific programs	342,439	256,714
Miscellaneous	60,550	64,227
Total revenues	<u>3,977,993</u>	<u>3,656,362</u>
Expenses		
General government	302,910	257,707
Public safety	225,899	206,549
Public works	692,887	575,959
Human services	9,788	5,857
County tax	159,275	157,615
Education/HS transportation	2,236,545	2,131,726
Unclassified	239,123	55,985
Interest on long-term debt	14,322	18,308
Total expenses	<u>3,880,749</u>	<u>3,409,706</u>
Change in net position	97,244	246,656
Net position - July 1, Restated	<u>5,060,728</u>	<u>4,814,072</u>
Net position - June 30	<u>\$ 5,157,972</u>	<u>\$ 5,060,728</u>

Financial Analysis of the Town's Fund Statements

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

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

	<u>2018</u>	<u>2017</u>
General Fund:		
Nonspendable	\$ 7,298	\$ 7,168
Assigned	171,900	175,497
Unassigned	1,441,116	1,278,621
Total General Fund	<u>\$ 1,620,314</u>	<u>\$ 1,461,286</u>
 Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 189,082	\$ 243,036
Assigned	116,243	115,483
Unassigned	-	(712)
Capital Projects Funds:		
Committed	173,367	166,595
Assigned	10,291	9,223
Permanent Funds:		
Nonspendable	45,650	45,650
Restricted	67,668	66,327
Total Nonmajor Funds	<u>\$ 602,301</u>	<u>\$ 645,602</u>

The general fund total fund balance increased by \$159,028 from the prior fiscal year due to positive budget to actual variances of \$225,593 in revenues and \$32,437 in expenditures less a budgeted use of fund balance of \$99,002. The nonmajor funds total fund balance decreased by \$43,301 from the prior fiscal year primarily due activity in the special revenue funds.

Budgetary Highlights

The difference between the original and final budget for the general fund was the application of the use of the assigned fund balance.

The general fund actual revenues exceeded budget by \$225,593. This was primarily due to of all revenue categories exceeding budgeted amounts with the exception of other revenue.

The general fund actual expenditures were under budget by \$32,932. All expenditure categories were within or under budgeted amounts with the exception of public works.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town decreased by \$173,301 from the prior year. This was a result of current year depreciation expense.

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

	<u>2018</u>	<u>2017</u>
Land and Non-Depreciable Assets	\$ 119,691	\$ 119,691
Buildings and Improvements	32,060	48,090
Equipment	5,200	6,500
Vehicles	497,856	546,557
Infrastructure	<u>2,863,200</u>	<u>2,970,470</u>
Total	<u>\$ 3,518,007</u>	<u>\$ 3,691,308</u>

Debt

At June 30, 2018, the Town had \$711,460 in bonds outstanding versus \$869,657 last year. Other obligations include accrued compensated absences and net OPEB liability. For additional comparative information on the Town's outstanding debt, refer to Note 6 of Notes to Financial Statements.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

Currently, the Town's unassigned fund balance is at a level sufficient to sustain government operations for a period of approximately four months. However, the Town has worked to build this balance to this sufficient level. As evidence of this, the Town's unassigned fund balance has increased to \$1,441,116 for the year ended June 30, 2018, from \$1,278,621 for the same period in 2017.

To further promote and ensure the financial well-being and fiscal stability of the Town, the Chelsea Board of Selectmen adopted a Fund Balance Policy in September of 2011. The Town's management established the policy following a detailed evaluation of the Town's operating characteristics, property tax base, reliability of non-property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risk, and other contingent issues. As a result, the Town will strive to maintain an unassigned fund balance level in an amount equal to 2/12th or 16.6% of the Town's Operating Budget. Once the Town achieves its goal, any excess funds may be utilized for capital improvement needs and tax rate stabilization or reduction purposes.

Further, the Board of Selectmen, with the Town's permission, reserves the right to re-appropriate funds from unassigned fund balance for emergencies and other requirements they believe to be in the best interest of the Town of Chelsea.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 560 Togus Road, Chelsea, Maine 04330-1272.

TOWN OF CHELSEA, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,078,300
Investments	38,055
Accounts receivable (net of allowance for uncollectibles):	
Taxes	167,832
Liens	51,713
Due from other governments	53,192
Loans receivable (net of allowance for uncollectibles)	10,111
Tax acquired property	7,298
Total current assets	<u>2,409,151</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	119,691
Buildings and equipment, net of accumulated depreciation	<u>3,398,316</u>
Total noncurrent assets	<u>3,518,007</u>
TOTAL ASSETS	<u>5,927,158</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	503
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>503</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,927,661</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,728
Due to other governments	13,097
Current portion of long-term obligations	<u>158,820</u>
Total current liabilities	<u>185,645</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	552,840
Accrued compensated absences	3,801
Net OPEB liability	<u>3,604</u>
Total noncurrent liabilities	<u>560,245</u>
TOTAL LIABILITIES	<u>745,890</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	<u>23,799</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>23,799</u>
NET POSITION	
Net investment in capital assets	2,806,547
Restricted - nonspendable	45,650
Restricted for: Special revenue funds	189,082
Permanent funds	67,668
Unrestricted	<u>2,049,025</u>
TOTAL NET POSITION	<u>5,157,972</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,927,661</u>

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

TOWN OF CHELSEA, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 302,910	\$ 27,196	\$ -	\$ -	\$ (275,714)
Public safety	225,899	2,935	-	-	(222,964)
Public works	692,887	-	27,388	-	(665,499)
Human services	9,788	-	-	-	(9,788)
County tax	159,275	-	-	-	(159,275)
Education/HS transportation	2,236,545	-	-	-	(2,236,545)
Unclassified	239,123	-	-	-	(239,123)
Interest on long-term debt	14,322	-	-	-	(14,322)
Total government	<u>\$ 3,880,749</u>	<u>\$ 30,131</u>	<u>\$ 27,388</u>	<u>\$ -</u>	<u>(3,823,230)</u>

STATEMENT B (CONTINUED)
TOWN OF CHELSEA, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(3,823,230)
General revenues:	
Taxes:	
Property taxes, levied for general purposes	2,986,367
Excise taxes	531,118
Grants and contributions not restricted to specific programs	342,439
Miscellaneous	60,550
Total general revenues	3,920,474
Change in net position	97,244
NET POSITION - JULY 1, RESTATED	5,060,728
NET POSITION - JUNE 30	\$ 5,157,972

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

TOWN OF CHELSEA, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,660,742	\$ 417,558	\$ 2,078,300
Investments	-	38,055	38,055
Accounts receivable (net of allowance for uncollectibles):			
Taxes	167,832	-	167,832
Liens	51,713	-	51,713
Other	2,650	-	2,650
Due from other governments	46,552	6,640	53,192
Loans receivable (net of allowance for uncollectibles)	-	10,111	10,111
Tax acquired property	7,298	-	7,298
Due from other funds	30,210	160,147	190,357
TOTAL ASSETS	\$ 1,966,997	\$ 632,511	\$ 2,599,508
LIABILITIES			
Accounts payable	\$ 13,728	\$ -	\$ 13,728
Due to other governments	13,097	-	13,097
Due to other funds	160,147	30,210	190,357
TOTAL LIABILITIES	186,972	30,210	217,182
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	23,799	-	23,799
Deferred property tax revenues	135,912	-	135,912
TOTAL DEFERRED INFLOWS OF RESOURCES	159,711	-	159,711
FUND BALANCES			
Nonspendable - tax acquired property and principal	7,298	45,650	52,948
Restricted	-	256,750	256,750
Committed	-	173,367	173,367
Assigned	171,900	126,534	298,434
Unassigned	1,441,116	-	1,441,116
TOTAL FUND BALANCES	1,620,314	602,301	2,222,615
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,966,997	\$ 632,511	\$ 2,599,508

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

TOWN OF CHELSEA, MAINE

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

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 2,222,615
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	3,518,007
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	503
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	135,912
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(711,460)
Accrued compensated absences	(4,001)
Net OPEB liability	<u>(3,604)</u>
Net position of governmental activities	<u>\$ 5,157,972</u>

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

TOWN OF CHELSEA, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property	\$ 2,988,780	\$ -	\$ 2,988,780
Excise	531,118	-	531,118
Intergovernmental	341,203	28,624	369,827
Interest income	38,466	3,639	42,105
Charges for services	30,131	-	30,131
Other revenue	12,395	6,050	18,445
TOTAL REVENUES	<u>3,942,093</u>	<u>38,313</u>	<u>3,980,406</u>
EXPENDITURES			
Current:			
General government	297,569	-	297,569
Public safety	166,993	-	166,993
Public works	582,867	-	582,867
Human services	9,788	-	9,788
County tax	159,275	-	159,275
Education/HS transportation	2,236,545	-	2,236,545
Unclassified	11,240	244,480	255,720
Debt service:			
Principal	141,600	-	141,600
Interest	14,322	-	14,322
TOTAL EXPENDITURES	<u>3,620,199</u>	<u>244,480</u>	<u>3,864,679</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>321,894</u>	<u>(206,167)</u>	<u>115,727</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	162,866	162,866
Transfers (out)	(162,866)	-	(162,866)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(162,866)</u>	<u>162,866</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	159,028	(43,301)	115,727
FUND BALANCES - JULY 1	<u>1,461,286</u>	<u>645,602</u>	<u>2,106,888</u>
FUND BALANCES - JUNE 30	<u><u>\$ 1,620,314</u></u>	<u><u>\$ 602,301</u></u>	<u><u>\$ 2,222,615</u></u>

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

TOWN OF CHELSEA, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 115,727</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Depreciation expense	<u>(173,301)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>503</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>(2,413)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>158,197</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net OPEB liability	<u>(1,469)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 97,244</u></u>

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Chelsea, Maine was incorporated under the laws of the State of Maine. The Town provides the following services: general government, public safety, public works, human services, education/HR transportation and unclassified.

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Governmental Funds:

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

Major Fund

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

Nonmajor Funds

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

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

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

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

Receivables

Receivables include amounts due from governmental agencies and ambulance receivables. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$63,303 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

Interfund Receivables and Payables

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

Transactions Between Funds

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Estimated useful lives are as follows:

Buildings	20 - 50 years
Machinery and equipment	5 - 10 years
Vehicles	3 - 25 years

Long-term Obligations

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, accrued compensated absences and net OPEB liability.

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation but not sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2018, the Town's liability for compensated absences is \$4,001.

OPEB

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

Net Position

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

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

The Town has adopted a set of financial policies to guide the financial operation of the Town. Included in the policies are guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

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

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 29, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on in two installments on October 11, 2017 and April 11, 2018. Interest on unpaid taxes commenced on October 12, 2017 and April 12, 2018, at 7.00% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$33,154 for the year ended June 30, 2018.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Program Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2018, the Town's deposits amounting to \$2,078,300 were comprised of bank balances of \$2,095,691. Of these balances, \$1,677,676 was covered by federal depository insurance and consequently was not exposed to custodial credit risk and \$418,015 was collateralized with securities held by the financial institution in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 116,951
Repurchase agreement	418,015
ICS savings accounts	<u>1,560,725</u>
	<u>\$ 2,095,691</u>

Investments:

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

At June 30, 2018, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u>< 1 Year</u>	<u>1 - 5 Years</u>
Certificates of deposit	<u>\$ 38,055</u>	<u>\$ -</u>	<u>\$ 10,901</u>	<u>\$ 27,154</u>

In accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with well-established financial institutions (banks, credit unions) or other recognized investment services only. The Town's investments of certificates of deposit were covered by federal depository insurance and consequently were not exposed to custodial credit risk.

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due From)</u>	<u>Payables (Due To)</u>
General fund	\$ 30,210	\$ 160,147
Nonmajor special revenue funds	154,974	6,640
Nonmajor capital projects funds	5,173	21,820
Nonmajor permanent funds	-	1,750
	<u>\$ 190,357</u>	<u>\$ 190,357</u>

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
Non-depreciated assets:				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Construction in progress	59,691	-	-	59,691
	<u>119,691</u>	<u>-</u>	<u>-</u>	<u>119,691</u>
Depreciated assets:				
Buildings	641,200	-	-	641,200
Equipment	260,368	-	-	260,368
Vehicles	1,529,949	-	-	1,529,949
Infrastructure	4,925,706	-	-	4,925,706
	<u>7,357,223</u>	<u>-</u>	<u>-</u>	<u>7,357,223</u>
Less accumulated depreciation:				
Buildings	(593,110)	(16,030)	-	(609,140)
Equipment	(253,868)	(1,300)	-	(255,168)
Vehicles	(983,392)	(48,701)	-	(1,032,093)
Infrastructure	(1,955,236)	(107,270)	-	(2,062,506)
	<u>(3,785,606)</u>	<u>(173,301)</u>	<u>-</u>	<u>(3,958,907)</u>
Net depreciated assets	<u>3,571,617</u>	<u>(173,301)</u>	<u>-</u>	<u>3,398,316</u>
Net capital assets	<u>\$ 3,691,308</u>	<u>\$ (173,301)</u>	<u>\$ -</u>	<u>\$ 3,518,007</u>
Current year depreciation:				
General government				\$ 4,375
Public safety				58,906
Public works				110,020
				<u>\$ 173,301</u>

NOTE 5 - LOANS RECEIVABLE

The Town, through various federal programs, received a CDBG grant in 2013. As part of that grant, the Town entered into Promissory Note in the amount of \$12,300 with a resident of the Town, with principal and interest payments due in monthly installments of \$108. The balance due as of June 30, 2018 was \$10,111.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance, 7/1/17 (Restated)	Additions	Reductions	Balance, 6/30/18	Current Portion
Bonds payable	\$ 869,657	\$ -	\$ (158,197)	\$ 711,460	\$ 158,620
Accrued compensated absences	4,001	-	-	4,001	200
Net OPEB liability	2,135	1,469	-	3,604	-
Total	<u>\$ 875,793</u>	<u>\$ 1,469</u>	<u>\$ (158,197)</u>	<u>\$ 719,065</u>	<u>\$ 158,820</u>

The following is a summary of outstanding bonds payable:

\$1,000,000, bond payable to Maine Municipal Bond Bank, annual principal payments of \$125,000 with interest charged at a rate varying from 0.45% to 2.74% per annum through the year 2022.	\$ 500,000
\$277,560, bond payable to Maine Municipal Bond Bank, annual principal payments vary with interest charged semi-annually at a rate varying from 0.65% to 2.55% per annum through the year 2024.	<u>211,460</u>
	<u>\$ 711,460</u>

The following is a summary of outstanding bonds principal and interest requirements for the following fiscal years ending June 30:

	Principal	Interest	Total Debt Service
2019	\$ 158,620	\$ 14,198	\$ 172,818
2020	159,137	11,262	170,399
2021	159,752	7,834	167,586
2022	160,470	3,909	164,379
2023	73,481	1,855	75,336
	<u>\$ 711,460</u>	<u>\$ 39,058</u>	<u>\$ 750,518</u>

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. The County of Kennebec had no outstanding debt. At June 30, 2018, the Town's share of school debt was approximately:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Amount</u>
RSU #12	\$ 15,013,982	18.70%	<u>\$ 2,807,615</u>

NOTE 8 - NONSPENDABLE FUND BALANCES

At June 30, 2018, the Town had the following nonspendable fund balances:

General fund:	
Tax acquired property	\$ 7,298
Nonmajor permanent funds (Schedule I)	<u>45,650</u>
	<u>\$ 52,948</u>

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

Nonmajor special revenue funds (Schedule E)	\$ 189,082
Nonmajor permanent funds (Schedule I)	<u>67,668</u>
	<u>\$ 256,750</u>

NOTE 10 - COMMITTED FUND BALANCES

At June 30, 2018, the Town had the following committed fund balances:

Nonmajor capital projects funds (Schedule G)	<u>\$ 173,367</u>
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TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - ASSIGNED FUND BALANCES

At June 30, 2018, the Town had the following assigned fund balances:

General Fund:	
Town office repairs	\$ 7,400
Winter roads	8,100
Cemeteries/parks	6,400
Tax reduction	150,000
Nonmajor special revenue funds (Schedule E)	116,243
Nonmajor capital projects funds (Schedule G)	10,291
	<u>\$ 298,434</u>

NOTE 12 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were overspent at June 30, 2018:

Assessor's office (article 10)	\$ 188
Summer roads (article 14)	31,525
	<u>\$ 31,713</u>

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Benefits Provided

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

Employees Covered by Benefit Terms

At January 1, 2018, the following employees were covered by the benefit terms:

Active members	1
Retirees and spouses	<u>0</u>
Total	<u><u>1</u></u>

Contributions

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

Retiree Premium Amounts:

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

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
POS C	\$1,044	\$2,342
<u>Medicare</u>		
Medicare-Eligible Retirees	\$528	\$1,055

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

At June 30, 2018, the Town reported a liability of \$3,604 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2018 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$966. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>MMEHT</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 450	\$ -
Changes of assumptions	53	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 503</u>	<u>\$ -</u>

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

	<u>MMEHT</u>
Plan year ended December 31:	
2019	\$ 101
2020	101
2021	101
2022	101
2023	99
Thereafter	-

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of January 1, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.44% per annum for December 31, 2018 was based upon a measurement date of December 31, 2017. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	2.44%	3.44%	4.44%
Total OPEB liability	\$ 4,211	\$ 3,604	\$ 3,105
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 4,211</u>	<u>\$ 3,604</u>	<u>\$ 3,105</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
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Healthcare Trend

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 3,053	\$ 3,604	\$ 4,279
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 3,053</u>	<u>\$ 3,604</u>	<u>\$ 4,279</u>

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

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2017, using the following methods and assumptions applied to all periods included in the measurement:

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Cost Method

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

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2017. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

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

Assumptions

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

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 3.44% per annum.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

Administrative and claims expense - 3% per annum.

Medical and drug trends were blended to develop non-Medicare and Medicare trends based on experience weight as listed below.

FYE	Non-Medicare		Medicare		Non-Medicare	Medicare
	Medical	Drug	Medical	Drug	Blended	Blended
2018	8.20%	9.60%	4.93%	9.60%	8.46%	8.27%
2019	7.90%	9.20%	4.87%	9.20%	8.15%	8.00%
2020	7.60%	8.80%	4.80%	8.80%	7.83%	7.72%
2021	7.30%	8.40%	4.73%	8.40%	7.51%	7.44%
2022	7.00%	8.00%	4.67%	8.00%	7.20%	7.15%
2023	6.70%	7.60%	4.60%	7.60%	6.88%	6.85%
2024	6.40%	7.20%	4.53%	7.20%	6.56%	6.55%
2025	6.10%	6.80%	4.47%	6.80%	6.24%	6.24%
2026	5.80%	6.40%	4.40%	6.40%	5.92%	5.93%
2027	5.50%	6.00%	4.33%	6.00%	5.60%	5.61%
2028	5.20%	5.60%	4.27%	5.60%	5.28%	5.29%
2029	4.90%	5.20%	4.20%	5.20%	4.96%	4.97%
2030	4.60%	4.80%	4.13%	4.80%	4.64%	4.65%
2031	4.30%	4.40%	4.07%	4.40%	4.32%	4.33%
2032	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

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

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

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

Age	Tier 1 (Those hired before 7/1/14)		Tier 2 (Those hired on or after 7/1/14)	
	No Additional Employer Payment	With Additional Employer Payment	No Additional Employer Payment	With Additional Employer Payment
55	5%	5%	5%	5.5%
56	5%	5%	5%	5.5%
57	5%	5%	5%	5.5%
58	5%	5%	5%	5.5%
59	20%	20%	5%	5.5%
60	20%	25%	5%	5.5%
61	20%	25%	5%	5.5%
62	20%	25%	5%	5.5%
63	20%	25%	5%	5.5%
64	20%	25%	20%	25%
65	25%	45%	20%	40%
66	25%	30%	20%	25%
67	25%	30%	20%	25%
68	25%	30%	20%	25%
69	25%	30%	20%	25%
70	100%	100%	100%	100%

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

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

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Administrative expenses - Included in the per capita claims cost.

Rates of Turnover - Termination rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Years of Service	Revised
0	25.0%
1	20.0%
2	15.0%
3	12.0%
4	10.0%
5	9.0%
6	6.0%
7+	4.0%

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

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

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

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC _2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Participation Rates -

Age	No Additional Employer Payment	With Additional Employer Payment
55	5%	80%
56	8%	80%
57	11%	80%
58	14%	80%
59	17%	80%
60	20%	80%
61	22%	90%
62	24%	90%
63	26%	90%
64	29%	90%
65	32%	90%
66	34%	90%
67	36%	90%
68	38%	90%
69	40%	90%
70	50%	90%

Retiree Continuation Percentage:

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

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

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

Significant actuarial assumptions employed by the actuary for Claim and Expense Assumptions as of January 1, 2018 are as follows

Monthly Per Capita Claims and Expense Cost - For all medical and prescription drug benefits for the year 2018 is expressed per adult covered beneficiary.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	POS A				POS 200			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$311	\$565	\$99	\$122	\$296	\$538	\$95	\$118
45	\$411	\$585	\$128	\$146	\$391	\$557	\$123	\$141
50	\$539	\$674	\$163	\$173	\$513	\$641	\$157	\$166
55	\$694	\$824	\$203	\$202	\$660	\$784	\$195	\$195
60	\$878	\$971	\$248	\$234	\$835	\$923	\$239	\$226
64	\$1,045	\$986	\$288	\$262	\$993	\$938	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	POS C				PPO 500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$306	\$556	\$99	\$122	\$289	\$524	\$95	\$118
45	\$404	\$575	\$128	\$146	\$381	\$542	\$123	\$141
50	\$530	\$662	\$163	\$173	\$499	\$624	\$157	\$166
55	\$683	\$811	\$203	\$202	\$643	\$764	\$195	\$195
60	\$863	\$955	\$248	\$234	\$813	\$899	\$239	\$226
64	\$1,027	\$969	\$288	\$262	\$968	\$913	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	PPO 1000				PPO 1500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$281	\$510	\$95	\$118	\$273	\$495	\$95	\$118
45	\$371	\$528	\$123	\$141	\$360	\$512	\$123	\$141
50	\$486	\$608	\$157	\$166	\$472	\$589	\$157	\$166
55	\$627	\$744	\$195	\$195	\$608	\$722	\$195	\$195
60	\$792	\$876	\$239	\$226	\$768	\$850	\$239	\$226
64	\$943	\$890	\$278	\$253	\$914	\$863	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	PPO 2500			
	Medical		Rx	
	Male	Female	Male	Female
40	\$261	\$474	\$95	\$118
45	\$345	\$491	\$123	\$141
50	\$452	\$565	\$157	\$166
55	\$583	\$692	\$195	\$195
60	\$737	\$815	\$239	\$226
64	\$877	\$828	\$278	\$253
65	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432

Claims reflect all medical and prescription plans offered based on completed incurred experience through June 30, 2017 and projected to 2018 and associate enrollment in the various programs options offered.

Annual administrative and claims adjudication expenses are assumed to be \$430 per period for the year 2018.

Claims below age 65 have been loaded 4.3% for medical and 2.8% for drugs for the cost of children enrolled as dependent of eligible retirees. This figure is based on the expected cost for children of the current retirees. This assumption implicitly assumes that future retirees will have the same child distribution as current retirees.

No covered persons under 65 are assumed to be on Medicare and participants age 65 or older are assumed to be enrolled in Medicare.

Affordable Care Act (ACA) and Healthcare Marketplace - A 2.5% load has been built in to reflect the potential impact of changes from the ACA and its impact on the marketplace and program costs. Some key items are PCORI fees, the extra government subsidies for Medicare Part D that can be enrolled in through an Employer Group Waiver Program, minimum loss ratio requirements that impacted some fully insured programs, federal premium taxes, taxes and requirements on providers in the healthcare system, dynamics of the marketplace with Exchanges, Accountable Care Organizations, etc, and the potential impact of the Excise Tax associated with high-costs employer sponsored health plans.

Medical Plan Election - employees will continue in their current medical plan for their entire career.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Second-to-Die Spousal Life Insurance - not explicitly valued and was estimated to impact roughly 0.2% of the Plan's total liability.

Dependent Children - no liability assumed for dependent children's benefits.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2018 was \$450.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town office at 560 Togus Road, Chelsea, Maine 04330-1272.

NOTE 14 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION - RETIREMENT CORP.

A. Plan Description

The Town offers key employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and maintained by International City Managers Association Retirement Corporation (ICMA). The plan, available to employees who are in certain employee groups, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

B. Funding Policy

Under the defined contribution plan, employees may elect to participate. The Town will match an eligible employee's contribution to the ICMA-RC Plan up to 4% of the employee's gross wages.

The Town's contributions to the plan for 2018 were \$4,144.

NOTE 15 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town participates in a public entity risk pool sponsored by the Maine Municipal Association. The Maine Municipal Association Group Risk Pool is a state-chartered pool established exclusively for Maine municipalities. The pool provides certain

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 - RISK MANAGEMENT (CONTINUED)

property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations, and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2018.

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

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

The Town is also a member of the Maine Municipal Association - Unemployment Compensation Group Fund ("MMA UC Fund"). The MMA UC Fund was created to assist in meeting members' obligations under the Employment Security Act in an efficient and cost-effective manner. The Fund is composed of individual municipalities and other public and related non-profit entities that are individually self-insured but administered as a group. Within the Fund, each member has a separate account. As such, the Town makes quarterly payments into their account, based on rates developed by MMA's consulting actuary. Claims, if any, are paid out of the Town's own account. The Maine Department of Labor classifies MMA's UC Fund members as Direct Reimbursement Employers. In other words, the Fund reimburses the Maine DOL on the

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 - RISK MANAGEMENT (CONTINUED)

Town's behalf only when the Town has unemployment claims from present or former employees.

Occasionally, the Town may have layoffs or resignations or even a part-time employee losing a primary job, that lead to larger claims payments than anticipated. When claims exceed the balance of the Town's account, the UC Fund continues to pay the Town's claims with no regard for the negative balance. Repayment of a negative balance is spread out over a period of years to avoid a financial hardship to the Town.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 16 - CONTINGENCIES

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

NOTE 17 - TAX INCREMENT FINANCING DISTRICT

The Town has established a tax increment financing district in accordance with Maine statutes to finance development programs located in the Town of Chelsea, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - TAX INCREMENT FINANCING DISTRICT (CONTINUED)

Natural Gas Line Municipal Tax Increment Financing District and Development Program

In March of 2015, the Chelsea Board of Selectmen, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing (TIF) District and Development Program for Maine Natural Gas and Summit Natural Gas for the construction of natural gas transmission and distribution lines to service communities across the Kennebec Valley region. The TIF District term begins July 1, 2015 and continues for a total of 30 years until June 30, 2045. The TIF District includes the area that encompasses the natural gas transmission lines across the Town. The total area of the TIF District is 53.62 acres. The original assessed value of the property was \$0. The development of the Maine Natural Gas and Summit Natural Gas transmission lines is estimated to generate approximately \$6.9 million of increased assessed value.

Under this Development Program, the Town will capture 100% of the increased assessed value over the original assessed value of the TIF District and retain the tax revenues generated by the captured assessed value for designated economic development purposes. All TIF tax revenues received will be deposited into a Development Program Fund. The projects recognized for the use of these funds in the Development Program include repairing and replacing roads affected by the natural gas projects, public water or storm water management, public safety equipment including a tanker truck, economic development organizations memberships, recreational trails, funding a commercial business development loan/grant fund to support local businesses, and other miscellaneous administrative expense types to support the TIF District. Any company/developer, including any future owners of properties located within the TIF District, will pay for and/or finance all private improvements located in the District through private sources, unless otherwise agreed to in credit enhancement agreements. The Town may consider issuing municipal bonds to pay for any of the public projects.

Abatements

The Town has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities, and, during the year ended June 30, 2018, had no active tax abatement agreements.

TOWN OF CHELSEA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - COMPARATIVE DATA/RECLASSIFICATIONS

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

NOTE 19 - RESTATEMENT

The net position of the governmental activities has been restated at July 1, 2017 to account for the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an amendment of GASB Statement No. 45, as amended (issued 06/04), and GASB Statement No. 57 (issued 12/09). The beginning net position was restated by \$2,135. The resulting restatement decreased net position from \$5,062,863 to \$5,060,728.

NOTE 20 - SUBSEQUENT EVENT

On August 31, 2018, the Town of Chelsea signed a Community Development Block Grant Agreement with the Department of Economic and Community Development for a Housing Assistance grant in the amount of \$400,000. The grant is awarded from September 1, 2018 to June 30, 2020 for the project, Cabin in the Woods, Togus campus.

Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Changes in Net OPEB Liability
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

TOWN OF CHELSEA, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance - July 1	\$ 1,461,286	\$ 1,461,286	\$ 1,461,286	\$ -
Resources (Inflows):				
Taxes:				
Property	2,981,213	2,981,213	2,988,780	7,567
Excise	351,500	351,500	531,118	179,618
Intergovernmental	335,037	335,037	341,203	6,166
Charges for services	14,650	14,650	30,131	15,481
Interest income	20,500	20,500	38,466	17,966
Other revenue	13,600	13,600	12,395	(1,205)
Amounts Available for Appropriation	<u>5,177,786</u>	<u>5,177,786</u>	<u>5,403,379</u>	<u>225,593</u>
Charges to Appropriations (Outflows):				
General government	304,830	304,830	297,569	7,261
Public safety	166,498	166,993	166,993	-
Public works	576,680	576,680	582,867	(6,187)
Human services	16,500	16,500	9,788	6,712
County assessment	159,275	159,275	159,275	-
Education/HS transportation	2,211,459	2,236,777	2,236,545	232
Unclassified	36,154	36,154	11,240	24,914
Debt service:				
Principal	141,600	141,600	141,600	-
Transfers to other funds	162,866	162,866	162,866	-
Total Charges to Appropriations	<u>3,790,184</u>	<u>3,815,997</u>	<u>3,783,065</u>	<u>32,932</u>
Budgetary Fund Balance - June 30	<u>\$ 1,387,602</u>	<u>\$ 1,361,789</u>	<u>\$ 1,620,314</u>	<u>\$ 258,525</u>
Utilization of unassigned fund balance	\$ -	\$ 99,497	\$ -	\$ (99,497)
Utilization of assigned fund balance	73,684	-	-	-
	<u>\$ 73,684</u>	<u>\$ 99,497</u>	<u>\$ -</u>	<u>\$ (99,497)</u>

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

TOWN OF CHELSEA, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 2,135	\$ -	\$ 2,135
Changes for the year:			
Service cost	756	-	756
Interest	109	-	109
Changes of benefits	-	-	-
Differences between expected and actual experience	540	-	540
Changes of assumptions	64	-	64
Contributions - employer	-	-	-
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expense	-	-	-
Net changes	<u>1,469</u>	<u>-</u>	<u>1,469</u>
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 3,604</u>	<u>\$ -</u>	<u>\$ 3,604</u>

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

TOWN OF CHELSEA, MAINE

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

	<u>2018</u>
<u>Total OPEB liability</u>	
Service cost (BOY)	756
Interest (includes interest on service cost)	109
Changes of benefit terms	-
Differences between expected and actual experience	540
Changes of assumptions	64
Benefit payments, including refunds of member contributions	-
Net change in total OPEB liability	<u>\$ 1,469</u>
Total OPEB liability - beginning	\$ 2,135
Total OPEB liability - ending	\$ 3,604
<u>Plan fiduciary net position</u>	
Contributions - employer	-
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	-
Administrative expense	-
Net change in fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 3,604</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	\$ 34,027
Net OPEB liability as a percentage of covered payroll	10.6%

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

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

TOWN OF CHELSEA, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2018</u>
<u>MMEHT:</u>	
Employer contributions	\$ -
Benefit payments	-
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 34,027
Contributions as a percentage of covered- employee payroll	0.00%

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

TOWN OF CHELSEA, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Assumptions

The funding method for the MMEHT OPEB Plan was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Other Supplementary Information

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

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

SCHEDULE A

TOWN OF CHELSEA, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Taxes:				
Property taxes	\$ 2,981,213	\$ 2,981,213	\$ 2,988,780	\$ 7,567
Auto excise	350,000	350,000	528,742	178,742
Boat excise	1,500	1,500	2,376	876
Intergovernmental revenues:				
State revenue sharing	141,500	141,500	143,794	2,294
Homestead reimbursement	155,152	155,152	155,152	-
Local road assistance	27,000	27,000	27,388	388
Tree growth	-	-	2,509	2,509
Veterans' exemption	-	-	1,983	1,983
Other	11,385	11,385	10,377	(1,008)
Charges for services:				
Building permits	3,900	3,900	9,048	5,148
Plumbing permits	1,900	1,900	6,213	4,313
Junk yard permits	-	-	600	600
Motor vehicle agent fees	5,750	5,750	9,142	3,392
Dog agent fees	-	-	1,320	1,320
Animal welfare fees	900	900	1,615	715
Recreational agent fees	900	900	756	(144)
Town clerk lic/certificate fees	1,300	1,300	1,297	(3)
Returned check fees	-	-	140	140
Interest income:				
Tax/lien interest	18,500	18,500	23,283	4,783
Interest income	2,000	2,000	15,183	13,183
Miscellaneous revenues:				
Rental agreement	9,000	9,000	9,102	102
Misc. other	4,600	4,600	3,293	(1,307)
Amounts Available for Appropriation	<u>\$ 3,716,500</u>	<u>\$ 3,716,500</u>	<u>\$ 3,942,093</u>	<u>\$ 225,593</u>

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

TOWN OF CHELSEA, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
GENERAL GOVERNMENT					
Administrative salaries	\$ 133,391	\$ -	\$ 133,391	\$ 128,870	\$ 4,521
Administrative expense	31,747	-	31,747	28,031	3,716
Town office expense	19,100	-	19,100	17,099	2,001
Administration miscellaneous	33,710	-	33,710	40,811	(7,101)
Cont lab/services	3,500	-	3,500	3,307	193
Assessor's office	26,387	-	26,387	26,575	(188)
Board expense	1,050	-	1,050	659	391
Employee benefits	28,589	-	28,589	27,578	1,011
Code enforcement agreement	27,356	-	27,356	24,639	2,717
Totals	304,830	-	304,830	297,569	7,261
PUBLIC SAFETY					
Fire department	80,925	2,590	83,515	83,515	-
Public safety	17,125	-	17,125	17,125	-
Insurance	26,614	-	26,614	26,614	-
Animal control	8,706	(2,094)	6,612	6,612	-
Ambulance	26,528	(1)	26,527	26,527	-
Street lights	6,600	-	6,600	6,600	-
Totals	166,498	495	166,993	166,993	-
PUBLIC WORKS					
Winter roads	212,267	-	212,267	202,255	10,012
Summer roads	302,688	-	302,688	334,213	(31,525)
Landfill	39,775	-	39,775	32,446	7,329
Cemetery & parks	21,950	-	21,950	13,953	7,997
Totals	576,680	-	576,680	582,867	(6,187)

TOWN OF CHELSEA, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
HUMAN SERVICES					
General assistance	11,000	-	11,000	6,339	4,661
Donations & contributions	5,500	-	5,500	3,449	2,051
Totals	16,500	-	16,500	9,788	6,712
COUNTY TAX					
	159,275	-	159,275	159,275	-
EDUCATION/HS TRANSPORTATION					
	2,211,459	25,318	2,236,777	2,236,545	232
UNCLASSIFIED					
Contingency	3,000	-	3,000	2,948	52
Overlay	33,154	-	33,154	8,292	24,862
Totals	36,154	-	36,154	11,240	24,914
DEBT SERVICE					
Principal	141,600	-	141,600	141,600	-
Interest	14,322	-	14,322	14,322	-
Totals	155,922	-	155,922	155,922	-
TRANSFERS TO OTHER FUNDS					
FD vehicles	7,000	-	7,000	7,000	-
FD buildings	2,000	-	2,000	2,000	-
TO buildings	10,000	-	10,000	10,000	-
TO equipment	4,000	-	4,000	4,000	-
TIF GF transfer	135,866	-	135,866	135,866	-
Salt shed	4,000	-	4,000	4,000	-
Totals	162,866	-	162,866	162,866	-
TOTAL DEPARTMENTAL OPERATIONS	\$ 3,790,184	\$ 25,813	\$ 3,815,997	\$ 3,783,065	\$ 32,932

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

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 140,240	\$ 200,305	\$ 77,013	\$ 417,558
Investments	-	-	38,055	38,055
Due from other governments	6,640	-	-	6,640
Loans receivable (net of allowance for uncollectibles)	10,111	-	-	10,111
Due from other funds	154,974	5,173	-	160,147
TOTAL ASSETS	<u>\$ 311,965</u>	<u>\$ 205,478</u>	<u>\$ 115,068</u>	<u>\$ 632,511</u>
LIABILITIES				
Due to other funds	\$ 6,640	\$ 21,820	\$ 1,750	\$ 30,210
TOTAL LIABILITIES	<u>6,640</u>	<u>21,820</u>	<u>1,750</u>	<u>30,210</u>
FUND BALANCES				
Nonspendable - principal	-	-	45,650	45,650
Restricted	189,082	-	67,668	256,750
Committed	-	173,367	-	173,367
Assigned	116,243	10,291	-	126,534
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>305,325</u>	<u>183,658</u>	<u>113,318</u>	<u>602,301</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 311,965</u>	<u>\$ 205,478</u>	<u>\$ 115,068</u>	<u>\$ 632,511</u>

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

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Interest income	\$ 1,050	\$ 1,648	\$ 941	\$ 3,639
Intergovernmental	28,624	-	-	28,624
Other	-	4,650	1,400	6,050
TOTAL REVENUES	<u>29,674</u>	<u>6,298</u>	<u>2,341</u>	<u>38,313</u>
EXPENDITURES				
Other	<u>218,022</u>	<u>25,458</u>	<u>1,000</u>	<u>244,480</u>
TOTAL EXPENDITURES	<u>218,022</u>	<u>25,458</u>	<u>1,000</u>	<u>244,480</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(188,348)</u>	<u>(19,160)</u>	<u>1,341</u>	<u>(206,167)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	135,866	27,000	-	162,866
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>135,866</u>	<u>27,000</u>	<u>-</u>	<u>162,866</u>
NET CHANGE IN FUND BALANCES	(52,482)	7,840	1,341	(43,301)
FUND BALANCES - JULY 1	<u>357,807</u>	<u>175,818</u>	<u>111,977</u>	<u>645,602</u>
FUND BALANCES - JUNE 30	<u>\$ 305,325</u>	<u>\$ 183,658</u>	<u>\$ 113,318</u>	<u>\$ 602,301</u>

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

Special Revenue Funds

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

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	CDBG Rehab	Chelsea Cares	Fire Dept Forestry Grant	Fire Dept Safety Grant	MMA Safety Grant	FEMA Disaster	Woodlot Sales	Natural Gas TIF	Total
ASSETS									
Cash and cash equivalents	\$ 26,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,812	\$ -	\$ 140,240
Due from other governments	-	-	-	-	-	6,640	-	-	6,640
Loans receivable (net of allowance for uncollectibles)	10,111	-	-	-	-	-	-	-	10,111
Due from other funds	954	2,431	-	-	-	-	-	151,589	154,974
TOTAL ASSETS	\$ 37,493	\$ 2,431	\$ -	\$ -	\$ -	\$ 6,640	\$ 113,812	\$ 151,589	\$ 311,965
LIABILITIES									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,640	\$ -	\$ -	\$ 6,640
TOTAL LIABILITIES	-	-	-	-	-	6,640	-	-	6,640
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	37,493	-	-	-	-	-	-	151,589	189,082
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	2,431	-	-	-	-	113,812	-	116,243
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	37,493	2,431	-	-	-	-	113,812	151,589	305,325
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,493	\$ 2,431	\$ -	\$ -	\$ -	\$ 6,640	\$ 113,812	\$ 151,589	\$ 311,965

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

TOWN OF CHELSEA, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	CDBG Rehab	Chelsea Cares	Fire Dept Forestry Grant	Fire Dept Safety Grant	MMA Safety Grant	FEMA Disaster	Woodlot Sales	Natural Gas TIF	Total
REVENUES									
Interest income	\$ 290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 760	\$ -	\$ 1,050
Intergovernmental	-	-	21,182	375	427	6,640	-	-	28,624
TOTAL REVENUES	<u>290</u>	<u>-</u>	<u>21,182</u>	<u>375</u>	<u>427</u>	<u>6,640</u>	<u>760</u>	<u>-</u>	<u>29,674</u>
EXPENDITURES									
Other	\$ -	\$ -	\$ 20,470	\$ 375	\$ 427	\$ 6,640	\$ -	\$ 190,110	\$ 218,022
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>20,470</u>	<u>375</u>	<u>427</u>	<u>6,640</u>	<u>-</u>	<u>190,110</u>	<u>218,022</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>290</u>	<u>-</u>	<u>712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>760</u>	<u>(190,110)</u>	<u>(188,348)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	135,866	135,866
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,866</u>	<u>135,866</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	290	-	712	-	-	-	760	(54,244)	(52,482)
FUND BALANCES (DEFICIT) - JULY 1	<u>37,203</u>	<u>2,431</u>	<u>(712)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,052</u>	<u>205,833</u>	<u>357,807</u>
FUND BALANCES (DEFICIT) - JUNE 30	<u>\$ 37,493</u>	<u>\$ 2,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,812</u>	<u>\$ 151,589</u>	<u>\$ 305,325</u>

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

Capital Projects Funds

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

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	<u>Fire Dept. Donations</u>	<u>Town Reserve</u>	<u>Fire Dept. Reserve</u>	<u>Fire Truck Reserve</u>	<u>Town Office Equipment</u>	<u>Salt/Sand Shed</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 5,118	\$ 48,967	\$ 10,746	\$ 97,555	\$ 25,820	\$ 12,099	\$ 200,305
Due from other funds	5,173	-	-	-	-	-	5,173
TOTAL ASSETS	<u>\$ 10,291</u>	<u>\$ 48,967</u>	<u>\$ 10,746</u>	<u>\$ 97,555</u>	<u>\$ 25,820</u>	<u>\$ 12,099</u>	<u>\$ 205,478</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ 7,600	\$ -	\$ 14,220	\$ -	\$ 21,820
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>7,600</u>	<u>-</u>	<u>14,220</u>	<u>-</u>	<u>21,820</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	48,967	3,146	97,555	11,600	12,099	173,367
Assigned	10,291	-	-	-	-	-	10,291
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>10,291</u>	<u>48,967</u>	<u>3,146</u>	<u>97,555</u>	<u>11,600</u>	<u>12,099</u>	<u>183,658</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,291</u>	<u>\$ 48,967</u>	<u>\$ 10,746</u>	<u>\$ 97,555</u>	<u>\$ 25,820</u>	<u>\$ 12,099</u>	<u>\$ 205,478</u>

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

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Fire Dept. Donations</u>	<u>Town Reserve</u>	<u>Fire Dept. Reserve</u>	<u>Fire Truck Reserve</u>	<u>Town Office Equipment</u>	<u>Salt/Sand Shed</u>	<u>Total</u>
REVENUES							
Interest income	\$ 56	\$ 318	\$ 74	\$ 938	\$ 195	\$ 67	\$ 1,648
Other income	1,650	-	3,000	-	-	-	4,650
TOTAL REVENUES	<u>1,706</u>	<u>318</u>	<u>3,074</u>	<u>938</u>	<u>195</u>	<u>67</u>	<u>6,298</u>
EXPENDITURES							
Other	638	-	10,600	-	14,220	-	25,458
TOTAL EXPENDITURES	<u>638</u>	<u>-</u>	<u>10,600</u>	<u>-</u>	<u>14,220</u>	<u>-</u>	<u>25,458</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,068</u>	<u>318</u>	<u>(7,526)</u>	<u>938</u>	<u>(14,025)</u>	<u>67</u>	<u>(19,160)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	10,000	2,000	7,000	4,000	4,000	27,000
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>10,000</u>	<u>2,000</u>	<u>7,000</u>	<u>4,000</u>	<u>4,000</u>	<u>27,000</u>
NET CHANGE IN FUND BALANCES	1,068	10,318	(5,526)	7,938	(10,025)	4,067	7,840
FUND BALANCES - JULY 1	<u>9,223</u>	<u>38,649</u>	<u>8,672</u>	<u>89,617</u>	<u>21,625</u>	<u>8,032</u>	<u>175,818</u>
FUND BALANCES - JUNE 30	<u>\$ 10,291</u>	<u>\$ 48,967</u>	<u>\$ 3,146</u>	<u>\$ 97,555</u>	<u>\$ 11,600</u>	<u>\$ 12,099</u>	<u>\$ 183,658</u>

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

Permanent Funds

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

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS

JUNE 30, 2018

	Searls Mills Cemetery	Ruth Ludwig Library	School Reserves	Katon Scholarship Fund	Hayes Hill Cemetery	Chelsea Heights Cemetery
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 26,901	\$ -	\$ 500	\$ 2,855
Investments	10,901	5,173	-	21,981	-	-
TOTAL ASSETS	<u>\$ 10,901</u>	<u>\$ 5,173</u>	<u>\$ 26,901</u>	<u>\$ 21,981</u>	<u>\$ 500</u>	<u>\$ 2,855</u>
LIABILITIES						
Due to others funds	\$ -	\$ -	\$ -	\$ 750	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>750</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable - principal	10,000	-	-	20,000	500	2,855
Restricted	901	5,173	26,901	1,231	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>10,901</u>	<u>5,173</u>	<u>26,901</u>	<u>21,231</u>	<u>500</u>	<u>2,855</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,901</u>	<u>\$ 5,173</u>	<u>\$ 26,901</u>	<u>\$ 21,981</u>	<u>\$ 500</u>	<u>\$ 2,855</u>

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2018

	George Woodbury Lot	Harry Morril Lot	H.S. Patterson Lot	Kirkwood Dondero Lot	Thomas & William Winter Lot	Dewey Seguin Lot
ASSETS						
Cash and cash equivalents	\$ 100	\$ 100	\$ 500	\$ 200	\$ 250	\$ 100
Investments	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 500</u>	<u>\$ 200</u>	<u>\$ 250</u>	<u>\$ 100</u>
LIABILITIES						
Due to others funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable - principal	100	100	500	200	250	100
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>100</u>	<u>100</u>	<u>500</u>	<u>200</u>	<u>250</u>	<u>100</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 500</u>	<u>\$ 200</u>	<u>\$ 250</u>	<u>\$ 100</u>

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2018

	William Robbins Lot	Mary Blanchard Searles Mills Lot	Davenport Cemetery	Francis Gardner Lot	Caron Lot Chelsea Heights	Searles Mills Cemetery
ASSETS						
Cash and cash equivalents	\$ 100	\$ 200	\$ 50	\$ 200	\$ 500	\$ 9,995
Investments	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 50</u>	<u>\$ 200</u>	<u>\$ 500</u>	<u>\$ 9,995</u>
LIABILITIES						
Due to others funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable - principal	100	200	50	200	500	9,995
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>100</u>	<u>200</u>	<u>50</u>	<u>200</u>	<u>500</u>	<u>9,995</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 50</u>	<u>\$ 200</u>	<u>\$ 500</u>	<u>\$ 9,995</u>

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2018

	Perpetual Care	Cemetery Lot Sales	Cemetery Interest	John Bernier	Total
ASSETS					
Cash and cash equivalents	\$ 8,240	\$ 5,760	\$ 5,004	\$ 15,458	\$ 77,013
Investments	-	-	-	-	38,055
TOTAL ASSETS	<u>\$ 8,240</u>	<u>\$ 5,760</u>	<u>\$ 5,004</u>	<u>\$ 15,458</u>	<u>115,068</u>
LIABILITIES					
Due to others funds	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,750
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,750</u>
FUND BALANCES					
Nonspendable - principal	-	-	-	-	45,650
Restricted	8,240	5,760	5,004	14,458	67,668
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>8,240</u>	<u>5,760</u>	<u>5,004</u>	<u>14,458</u>	<u>113,318</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,240</u>	<u>\$ 5,760</u>	<u>\$ 5,004</u>	<u>\$ 15,458</u>	<u>115,068</u>

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

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Searls Mills Cemetery</u>	<u>Ruth Ludwig Library</u>	<u>School Reserves</u>	<u>Katon Scholarship Fund</u>	<u>Hayes Hill Cemetery</u>	<u>Chelsea Heights Cemetery</u>
REVENUES						
Interest income	\$ 33	\$ 30	\$ 295	\$ 33	\$ -	\$ -
TOTAL REVENUES	<u>33</u>	<u>30</u>	<u>295</u>	<u>33</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	33	30	295	33	-	-
FUND BALANCES - JULY 1	<u>10,868</u>	<u>5,143</u>	<u>26,606</u>	<u>21,198</u>	<u>500</u>	<u>2,855</u>
FUND BALANCES - JUNE 30	<u><u>\$ 10,901</u></u>	<u><u>\$ 5,173</u></u>	<u><u>\$ 26,901</u></u>	<u><u>\$ 21,231</u></u>	<u><u>\$ 500</u></u>	<u><u>\$ 2,855</u></u>

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	George Woodbury Lot	Harry Morril Lot	H.S. Patterson Lot	Kirkwood Dondero Lot	Thomas & William Winter Lot	Dewey Seguin Lot
REVENUES						
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-	-
EXPENDITURES						
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-
FUND BALANCES - JULY 1	100	100	500	200	250	100
FUND BALANCES - JUNE 30	\$ 100	\$ 100	\$ 500	\$ 200	\$ 250	\$ 100

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	William Robbins Lot	Mary Blanchard Searles Mills Lot	Davenport Cemetery	Francis Gardner Lot	Caron Lot Chelsea Heights	Searles Mills Cemetery
REVENUES						
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-
FUND BALANCES - JULY 1	<u>100</u>	<u>200</u>	<u>50</u>	<u>200</u>	<u>500</u>	<u>9,995</u>
FUND BALANCES - JUNE 30	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 50</u>	<u>\$ 200</u>	<u>\$ 500</u>	<u>\$ 9,995</u>

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Perpetual Care	Cemetery Lot Sales	Cemetery Interest	John Bernier	Total
REVENUES					
Interest income	\$ -	\$ -	\$ 381	\$ 169	\$ 941
Other income	700	700	-	-	1,400
TOTAL REVENUES	<u>700</u>	<u>700</u>	<u>381</u>	<u>169</u>	<u>2,341</u>
EXPENDITURES					
Other				1,000	1,000
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
NET CHANGE IN FUND BALANCES	700	700	381	(831)	(59)
FUND BALANCES - JULY 1	<u>7,540</u>	<u>5,060</u>	<u>4,623</u>	<u>15,289</u>	<u>111,977</u>
FUND BALANCES - JUNE 30	<u>\$ 8,240</u>	<u>\$ 5,760</u>	<u>\$ 5,004</u>	<u>\$ 14,458</u>	<u>\$ 113,318</u>

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

General Capital Assets

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

TOWN OF CHELSEA, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2018

	Land and Non-depreciable Assets	Buildings and Improvements	Machinery, Equipment & Vehicles	Infrastructure	Total
General government	\$ 59,691	\$ 175,000	\$ -	\$ -	\$ 234,691
Public safety	-	356,200	1,790,317	-	2,146,517
Public works	-	110,000	-	4,925,706	5,035,706
Town-wide	60,000	-	-	-	60,000
Total General Capital Assets	119,691	641,200	1,790,317	4,925,706	7,476,914
Less: Accumulated Depreciation	-	(609,140)	(1,287,261)	(2,062,506)	(3,958,907)
Net General Capital Assets	\$ 119,691	\$ 32,060	\$ 503,056	\$ 2,863,200	\$ 3,518,007

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

TOWN OF CHELSEA, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/18
General government	\$ 234,691	\$ -	\$ -	\$ 234,691
Public safety	2,146,517		-	2,146,517
Public works	5,035,706	-	-	5,035,706
Town-wide	60,000	-	-	60,000
Total General Capital Assets	7,476,914	-	-	7,476,914
Less: Accumulated Depreciation	<u>(3,785,606)</u>	<u>(173,301)</u>	-	<u>(3,958,907)</u>
Net General Capital Assets	<u>\$ 3,691,308</u>	<u>\$ (173,301)</u>	<u>\$ -</u>	<u>\$ 3,518,007</u>

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



Proven Expertise and Integrity

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

Board of Selectmen
Town of Chelsea
Chelsea, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Chelsea, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Chelsea, Maine's basic financial statements, and have issued our report thereon dated May 9, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chelsea, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
May 9, 2019