

Town of Machias, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2022

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Independent Auditor's Report

Board of Selectmen
Town of Machias, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Machias, Maine as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Machias, Maine, as of June 30, 2022 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Machias, Maine, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Machias, Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Hartland, Maine's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Machias Maine's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis, budgetary comparison information, pension, and OPEB information on pages 7 through 15 and 58 through 65 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Machias Maine's basic financial statements. The supplementary information on Schedules 1 through 6 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for additional analysis and are not a required part of the basic financial statements. The reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System is presented as required by the laws of the State of Maine and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, Schedules 1 through 6, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System 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 July 2, 2024, on our consideration of the Town of Machias, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Machias, Maine's 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 Machias, Maine's internal control over financial reporting and compliance.

Brantron Whibodan & Associates

Bangor, Maine
July 2, 2024

Town of Machias, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

The Management Discussion and Analysis ("MD&A") is a report of the Town of Machias' fiscal activity for the year ending June 30, 2022 compared with 2021. The report is presented in a manner that fairly represents the Town's present financial position in respect to all funds and accounts. Included is all the information to accurately understand the Town's financial position, and the data is correct to the best of our knowledge and belief.

The report includes funds and accounts the Town of Machias is required, either by legal or fiduciary duty, to maintain in the operation of all services. The use of the additional financial statements is encouraged to more fully understand the report.

The financial information of the Town includes all town departments. All town departments include municipal departments (Administration, Sewer, Public Works, Protection, and others) and the school department. The school department and all other municipal departments combined are what comprise the Town. The financial statements and assets include the municipal and school departments as one total. The combination of these gives the true financial status of the Town of Machias.

GENERAL INFORMATION

The Town has a current population of 2,105 residents but continues to serve as an economic hub and service center for many of the surrounding communities in Washington County. It is home to the County courthouse, jail, administration and Sheriff offices, the hospital, the University of Maine at Machias, dozens of nonprofits and several corporate headquarters.

The Town continues to be successful in obtaining grant funding securing over \$2 million for the ongoing wastewater treatment facility upgrade and the development of a second, longer runway for the airport. The Town continues to successfully encourage more housing and business development, notably through the use of TIF zones, while it continues to struggle with aging infrastructure, in particular the stormwater management system, roads and sidewalks.

The Town Administration is responsible for the accounting structure of the community. This structure includes the establishment of financial controls that protect the Town from loss and misuse. All accounting information is maintained and reported using generally accepted accounting principles (GAAP). Further, the administration performs constant review of all services to promote and assure optimum utilization of resources to provide the services requested by the community. All services are reviewed using a cost benefit analysis that considers the need and demand for the service provided balanced against the cost to the community as a whole.

Town of Machias, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

The following is a summary of the financial highlights of the Town for the fiscal year:

- The balance of the Town's cash and investments as of June 30, 2022 was \$8,021,434.
- On a budget basis the Town ended the year with a positive budget variance of \$1,205,998 in revenues and \$56,764 in expenses.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is an introduction to the Town's basic financial statements. The basic financial statements are prepared and are part of the Town's annual audit. The MD&A serves as a subjective explanation by the Town of the data contained in the audit. The three areas that the financial statements are broken into include: 1. Government-Wide statements, 2. Fund Financial statements, and 3. Notes to the financial statements. Subjective analyses of the statements are also made and other supplementary information to better explain the statements.

Government-Wide Financial Statements

The government-wide statements are a total overview of the Town's financial status. They include all assets, liabilities, and activities in a manner similar to private sector accounting. The purpose is to show Town finances in a format that is familiar to the common person.

The statement of net position is used to express the financial data required for the government-wide financials. This shows the total assets which now include land, buildings, inventory, and other capital assets. These are then reduced by the liabilities which now include total bonds and leases due over their entire lives and deferred inflows of resources, such as prepaid taxes. The result is the net position of the Town.

Government-wide statements distinguish business type activities from governmental activities. Business type activities are those that are funded through use fees or user based revenue, no tax dollars being the key separation from governmental activities. It then follows that governmental activities are those that are primarily funded through taxes and governmental fees. The business-type activities of Machias are sewer, solid waste disposal, ambulance and the telcenter.

Town of Machias, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

Fund Financial Statements

Governmental Funds

Most of the Town's basic services are reported in governmental funds, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement. The Town considers the general fund and the special revenue fund for school grants to be major governmental funds.

Notes to Financial Statements

The notes to the financial statements are included in the audit to give specific comment to certain areas. These are a crucial part of the audit and are closely monitored by Town administration. The reason they are monitored is that they provide additional insight into activities of the Town. These can show areas of strength and weakness for continued success and improvement. The notes to the financial statements are included on pages 25-57.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 58-65.

The report also presents combining schedules for non-major governmental and proprietary funds and other supplementary information following the required supplementary information.

Town of Machias, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

GOVERNMENT-WIDE ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$27,317,822 as of June 30, 2022.

Net Position for the Period Ending June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 10,240,265	\$ 9,382,212	\$ 955,215	\$ 1,070,632	\$ 11,195,480	\$ 10,452,844
Capital assets	<u>9,653,771</u>	<u>9,335,744</u>	<u>10,969,957</u>	<u>11,261,299</u>	<u>20,623,728</u>	<u>20,597,043</u>
Total Assets	<u>19,894,036</u>	<u>18,717,956</u>	<u>11,925,172</u>	<u>12,331,931</u>	<u>31,819,208</u>	<u>31,049,887</u>
Deferred Outflows of resources	<u>669,402</u>	<u>502,887</u>	-	-	<u>669,402</u>	<u>502,887</u>
Current liabilities	913,066	1,049,832	62,018	60,290	975,084	1,110,122
Noncurrent liabilities	<u>2,764,215</u>	<u>3,137,484</u>	<u>977,373</u>	<u>1,059,541</u>	<u>3,741,588</u>	<u>4,197,025</u>
Total Liabilities	<u>3,677,281</u>	<u>4,187,316</u>	<u>1,039,391</u>	<u>1,119,831</u>	<u>4,716,672</u>	<u>5,307,147</u>
Deferred inflows of resources	<u>454,116</u>	<u>159,804</u>	-	-	<u>454,116</u>	<u>159,804</u>
Net Position						
Net investment in capital assets	8,933,716	8,308,597	10,136,203	10,342,404	19,069,919	18,651,001
Restricted	4,027,050	3,291,631	857,013	843,511	4,884,063	4,135,142
Unrestricted	<u>3,471,275</u>	<u>3,273,495</u>	<u>(107,435)</u>	<u>26,185</u>	<u>3,363,840</u>	<u>3,299,680</u>
Total Net Position	<u>\$ 16,432,041</u>	<u>\$ 14,873,723</u>	<u>\$10,885,781</u>	<u>\$11,212,100</u>	<u>\$27,317,822</u>	<u>\$26,085,823</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position:

As a result of applying the GASB 34 statement, the Town recorded depreciation expense of \$518,738 and recorded capital asset additions of \$837,415.

The Town recognized deferred property taxes of \$86,331 as an increase to revenue for the Statement of Net Position.

The Town recognized changes in net pension and OPEB liabilities, deferred inflows and deferred outflows related to pensions and OPEB for a net effect of \$43,807.

Town of Machias, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2022 and 2021.

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Charges for services and other	\$ 162,648	\$ 212,933	\$ 1,110,046	\$ 1,090,939	\$ 1,272,694	\$ 1,303,872
Operating grants and contributions	7,549,812	7,193,345	-	-	7,549,812	7,193,345
Capital grants and contributions	646,049	131,443	4,476	28,024	650,575	159,467
Property taxes	2,813,949	2,725,059	-	-	2,813,949	2,725,059
Excise and miscellaneous taxes	342,616	371,944	-	-	342,616	371,944
Interest and lien charges	24,933	26,857	-	-	24,933	26,857
Grants and contributions not restricted to specific purpose	960,826	647,149	-	-	960,826	647,149
Unrestricted investment and interest income (loss)	(24,496)	36,693	14,292	(13,919)	(10,204)	22,774
Miscellaneous	28,357	17,059	100	7,003	28,457	24,062
Total Revenues	<u>12,504,744</u>	<u>11,362,482</u>	<u>1,128,914</u>	<u>1,12,047</u>	<u>13,633,658</u>	<u>12,474,529</u>
EXPENSES						
General government	\$ 456,924	\$ 456,510	-	-	\$ 456,924	\$ 456,510
Police	349,330	278,723	-	-	349,330	278,723
Fire	466,126	435,703	-	-	466,126	435,703
Public Safety Building	-	-	-	-	-	-
Public works	582,991	523,135	-	-	582,991	523,135
Education	6221,434	5,007,720	-	-	6221,434	5,007,720
Adult education-general	85,110	81,419	-	-	85,110	81,419
On-behalf payments – State of Maine	359,461	324,212	-	-	359,461	324,212
Culture and recreation	57,262	74,441	-	-	57,262	74,441
General assistance	2,381	1,015	-	-	2,381	1,015
Airport	81,173	80,000	-	-	81,173	80,000
County tax	240,965	240,318	-	-	240,965	240,318
Tax incremental financing	36,967	33,760	-	-	36,967	33,760
Other	4,350	5,129	-	-	4,350	5,129
Grants and other contributions	1,193,878	2,013,817	-	-	1,193,878	2,013,817
School food service program	360,681	285,203	-	-	360,681	285,203
Interest on long-term debt	17,710	21,808	-	-	17,710	21,808
Capital outlay	266,575	107,841	-	-	266,575	107,841
Business-type Activities	-	-	<u>1,617,692</u>	<u>1,608,066</u>	<u>1,608,066</u>	<u>1,608,066</u>
Total Expenses	<u>10,783,318</u>	<u>9,970,754</u>	<u>1,617,692</u>	<u>1,608,066</u>	<u>12,401,010</u>	<u>11,578,820</u>
Excess(deficiency) before special items and transfers	1,721,426	1,391,728	(488,778)	(496,019)	1,232,648	895,709
Loss on sale of assets	(649)	-	-	-	(649)	-
Transfers	<u>(162,459)</u>	<u>(169,842)</u>	<u>162,459</u>	<u>169,842</u>	<u>-</u>	<u>-</u>
Change in net position	1,558,318	1,221,886	(326,319)	(326,177)	1,231,999	895,709
Net position, beginning of year	<u>14,873,723</u>	<u>12,172,664</u>	<u>11,212,100</u>	<u>11,538,277</u>	<u>26,085,823</u>	<u>23,710,941</u>
Reclassification of fiduciary funds	-	1,479,173	-	-	-	1,479,173
Net position, beginning, restated	<u>14,873,723</u>	<u>13,651,837</u>	<u>11,212,100</u>	<u>11,538,277</u>	<u>26,085,823</u>	<u>25,190,114</u>
Net position, end of year	<u>\$16,432,041</u>	<u>\$14,873,723</u>	<u>\$ 10,885,781</u>	<u>\$ 11,212,100</u>	<u>\$27,317,822</u>	<u>\$26,085,823</u>

Town of Machias, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

The narrative that follows considers the operations of governmental and business-type activities separately.

Governmental Activities

For the year ended June 30, 2022, the Town's net position for governmental activities increased by \$1,231,999.

Expenses of governmental activities include depreciation expense of \$518,739. Depreciation expense has been allocated and is included in various function/program expenses of the Town.

General revenues consist of all revenues that are not considered to be program revenues or charges for services. General revenues for the year ended June 30, 2022 totaled \$4,146,185 an increase of \$321,424 from June 30, 2021. Of this amount, \$2,813,949 was from local property taxes.

Reclassifications of \$1,479,173 from fiduciary funds to special revenue fund for implementation of GASB 87 occurred in year ended June 30, 2021.

Business-type Activities

As previously mentioned, the Town's business-type activities consist of its sewer, solid waste, ambulance and telcenter funds.

During the year ended June 30, 2022, the Town's net position from business-type activities decreased by \$326,319.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, its governmental funds reported a combined fund balance of \$9,096,867, \$1,081,018 higher than the previous year. An analysis of transactions affecting the change in the combined fund balance of the Town's governmental funds is as follows:

Town of Machias, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

Revenues include property taxes totaling \$2,900,279 or 23% of totals. Excise taxes accounted for \$313,388 in total revenue. Intergovernmental revenues were \$8,643,552 or 70% of overall totals.

On behalf payments amounted to \$359,461 during the year ended June 30, 2022. Additional information on these "on-behalf" payments can be found in the notes to the basic financial statements.

The intergovernmental revenues include federal and state subsidies and contributions and the school department.

Total governmental fund expenditures for the year were \$11,326,957, \$690,181 higher than the previous year.

The Town capitalized \$837,415 of capital outlays in governmental activities.

Capital Asset and Debt Administration

Capital Assets

	Balance 6/30/21	Additions/ Completions	Retire- ments/reclass	Balance 6/30/22
Governmental Activities				
Land	\$ 717,074	\$ -	\$ -	\$ 717,074
Construction in progress	-	-	-	-
Buildings and Improvements	11,258,705	554,468	-	11,813,173
Infrastructure	2,000,369	40,000	-	2,040,369
Equipment, furniture and fixtures	1,052,721	193,552	(16,493)	1,229,780
Vehicles	<u>1,548,049</u>	<u>49,395</u>	<u>-</u>	<u>1,597,444</u>
Total capital assets	<u>16,576,918</u>	<u>837,415</u>	<u>(16,493)</u>	<u>17,397,840</u>
<i>Less accumulated depreciation</i>	<u>(7,241,174)</u>	<u>(518,739)</u>	<u>15,844</u>	<u>(7,744,069)</u>
Total capital assets, net	<u>\$ 9,335,744</u>	<u>\$ 318,676</u>	<u>\$ (649)</u>	<u>\$ 9,653,771</u>

Town of Machias, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

	Balance 6/30/21	Additions/ Completions	Retire- ments/reclass	Balance 6/30/22
Business-Type Activities				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	1,392,833	52,902	-	1,445,735
Lines and mains and buildings	15,533,666	-	-	15,533,666
Vehicles and equipment	<u>906,381</u>	<u>38,069</u>	-	<u>944,450</u>
Total capital assets	<u>17,833,880</u>	<u>90,971</u>	-	<u>17,924,851</u>
<i>Less accumulated depreciation</i>	<u>(7,241,174)</u>	<u>(382,313)</u>	-	<u>(6,954,894)</u>
Total capital assets, net	<u>\$11,261,299</u>	<u>\$(291,342)</u>	\$ -	<u>\$10,969,957</u>

Additional information on the Town's capital assets can be found in Note 4.

Debt Administration

The Town's debt consists of bonds, notes, capital leases obligations, and compensated absences. A summary of the Town's debt activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Bonds and notes payable	\$2,013,417	\$ -	\$(370,371)	\$1,643,046
Compensated Absences	96,230	26,402		122,632
Finance lease obligations	68,704	-	(21,864)	46,840
Net pension liability	309,214	60,860	(155,970)	214,104
Net OPEB liability	<u>1,697,963</u>	<u>79,910</u>	<u>(68,790)</u>	<u>1,709,083</u>
Total	<u>\$4,185,528</u>	<u>\$167,172</u>	<u>\$(616,995)</u>	<u>\$3,735,705</u>

Additional information on the Town's long-term debt can be found in the notes to the basic financial statements.

Town of Machias, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

REQUIRED SUPPLEMENTARY INFORMATION

General Fund Budgetary Discussions

The Town recognizes revenues and expenditures on a budget basis that differs from how revenues and expenditures should be recognized under generally accepted accounting principles (GAAP).

Additional information about this difference can be found on pages 59 and 60 of the financial statements.

During the year, actual revenues exceeded budgeted revenues by \$1,205,998. Most of this variance resulted from increases in intergovernmental revenues and excise taxes.

Budgeted expenditures exceeded actual expenditures by \$56,764 with under-expended education contributing \$37,439. The Town overspent its town public works activities by \$56,760 and capital outlay \$9,850 for unanticipated costs.

Economic Factors and Next Year's Budgets and Rates

The Machias Board of Selectmen and the Town Manager do not anticipate any significant economic factors during the next fiscal year that would have an adverse effect upon the Town's financial position. The municipal budget for the 2022-23 fiscal year has a total increase in the mil rate for taxation.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the Town's finances. If you have questions about this report or need any additional information, contact the Town Manager or the Finance Director, at PO Box 418, Machias, Maine 04654 or call (207) 255-6621.

Town of Machias, Maine
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 6,746,654	\$ -	\$ 6,746,654
Investments	531,163	743,617	1,274,780
Taxes receivable	286,365	-	286,365
Accounts receivable	-	349,672	349,672
Internal balances	257,026	(257,026)	-
Due from other governmental agencies	2,298,657	1,450	2,300,107
Due from Maine Bond Bank	-	117,502	117,502
Other receivables	51,204	-	51,204
Inventories	13,401	-	13,401
Other assets	55,795	-	55,795
Capital assets not being depreciated	717,074	1,446,735	2,163,809
Capital assets being depreciated, net of accumulated depreciation	8,936,697	9,523,222	18,459,919
Total assets	<u>19,894,036</u>	<u>11,925,172</u>	<u>31,819,208</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	298,406	-	298,406
Deferred outflows related to pensions	370,996	-	370,996
Total deferred outflows of resources	<u>669,402</u>	<u>-</u>	<u>669,402</u>
LIABILITIES			
Accounts payable and accrued expenses	230,829	35,871	266,700
Due to other governmental agencies	19,595	22,987	42,582
Unearned revenues	-	3,160	3,160
Accrued summer teacher pay	662,642	-	662,642
Long-term liabilities			
Due within one year			
Accrued interest payable	5,883	-	5,883
Bonds and notes payable	275,509	86,658	362,167
Notes on financed assets payable	22,740	-	22,740
Due in more than one year			
Bonds and notes payable	397,706	883,173	1,280,879
Notes on financed assets payable	24,100	-	24,100
Net pension liability	214,104	-	214,104
Net OPEB liability	1,709,083	-	1,709,083
Compensated absences	115,090	7,542	122,632
Total liabilities	<u>3,677,281</u>	<u>1,039,391</u>	<u>4,716,672</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	296,111	-	296,111
Deferred inflows related to OPEB	142,593	-	142,593
Prepaid taxes	15,412	-	15,412
Total deferred inflows of resources	<u>454,116</u>	<u>-</u>	<u>454,116</u>
NET POSITION			
Net investment in capital assets	8,933,716	10,136,203	19,069,919
Restricted for			
Education	3,358,881	-	3,358,881
Machias Water Co.	-	623,448	623,448
Other purposes	668,169	233,565	901,734
Unrestricted (deficit)	3,471,275	(107,435)	3,363,840
Total net position	<u>\$ 16,432,041</u>	<u>\$ 10,885,781</u>	<u>\$ 27,317,822</u>

Town of Machias, Maine
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenue			Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 456,924	\$ 76,097	\$ 495	\$ -	\$ (380,332)	\$ -	\$ (380,332)
Police department	349,330	8,014	-	-	(341,316)	-	(341,316)
Fire department	466,126	75,549	-	50	(390,527)	-	(390,527)
Public works	582,991	-	69,433	-	(513,558)	-	(513,558)
Education	6,221,434	-	5,116,040	-	(1,105,394)	-	(1,105,394)
Adult education	85,110	-	55,109	-	(30,001)	-	(30,001)
On-behalf payments - State of Maine	359,461	-	359,461	-	-	-	-
Culture and recreation	57,262	64	6,109	-	(51,089)	-	(51,089)
General assistance	2,381	-	1,675	-	(706)	-	(706)
Airport	81,173	463	-	-	(80,710)	-	(80,710)
County tax	240,965	-	-	-	(240,965)	-	(240,965)
Tax incremental financing	36,967	-	-	-	(36,967)	-	(36,967)
Other	4,350	-	-	-	(4,350)	-	(4,350)
Grants and other contributions	1,193,878	-	1,563,718	-	369,840	-	369,840
School food service program	360,681	2,461	377,772	-	19,552	-	19,552
Interest on long-term debt	17,710	-	-	-	(17,710)	-	(17,710)
Capital outlay	266,575	-	-	-	379,474	-	379,474
Total governmental activities	10,783,318	162,648	7,549,812	646,099	(2,424,759)	-	(2,424,759)
Business-type activities							
Sewer fund	908,016	550,321	-	4,476	-	(353,219)	(353,219)
Solid waste	198,900	124,597	-	-	(74,303)	-	(74,303)
Ambulance fund	460,225	381,290	-	-	(78,935)	-	(78,935)
Telcenter	50,551	53,838	-	-	3,287	-	3,287
Total business-type activities	1,617,692	1,110,046	-	4,476	(503,170)	(503,170)	(503,170)
Total government	\$ 12,401,010	\$ 1,272,694	\$ 7,549,812	\$ 650,575	(2,424,759)	(503,170)	(2,927,929)
General revenues							
Taxes							
Property taxes					2,813,949	-	2,813,949
Excise taxes, licenses, permits and fees					342,616	-	342,616
Interest and lien charges					24,933	-	24,933
Grants and contributions not restricted to specific programs					960,826	-	960,826
Investment and interest earnings (loss)					(24,496)	14,292	(10,204)
Miscellaneous					28,357	100	28,457
Special item - gain/loss on sale of capital assets					(649)	-	(649)
Transfers					(162,459)	162,459	-
Total general revenues, transfers and special item					3,983,077	176,851	4,159,928
Change in net position					1,558,318	(326,319)	1,231,999
NET POSITION - BEGINNING					14,873,723	11,212,100	26,085,823
NET POSITION - ENDING					\$ 16,432,041	\$ 10,885,781	\$ 27,317,822

Town of Machias, Maine
Balance Sheet
Governmental Funds
June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund - School Funds</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 5,248,083	\$ 1,494,445	\$ -	\$ 4,126	\$ 6,746,654
Investments	282,529	-	-	248,634	531,163
Taxes receivable, net	286,365	-	-	-	286,365
Due from other funds	813,553	-	611,084	36,801	1,461,438
Receivable from other governments	679,715	1,485,087	118,131	15,724	2,298,657
Other receivables	-	-	26,499	24,705	51,204
Inventories	-	-	-	13,401	13,401
Prepaid expenses	53,476	2,319	-	-	55,795
Total assets	<u>\$ 7,363,721</u>	<u>\$ 2,981,851</u>	<u>\$ 755,714</u>	<u>\$ 343,391</u>	<u>\$ 11,444,677</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 127,970	\$ 54,346	\$ 31,329	\$ 3,666	\$ 217,311
Due to other funds	-	1,161,437	-	42,975	1,204,412
Payable to other governments	19,595	-	-	-	19,595
Accrued teacher pay	550,651	102,274	-	9,717	662,642
Other payables	13,517	-	-	-	13,517
Total liabilities	<u>711,733</u>	<u>1,318,057</u>	<u>31,329</u>	<u>56,358</u>	<u>2,117,477</u>
Deferred inflows of resources					
Prepaid property taxes	15,412	-	-	-	15,412
Unavailable property taxes	214,921	-	-	-	214,921
Total deferred inflows of resources	<u>230,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,333</u>
Fund balances					
Nonspendable for					
Inventories	-	-	-	13,401	13,401
Prepaid expenses- education	53,476	-	-	-	53,476
Restricted for					
Education	3,262,172	169,350	-	-	3,431,522
Scholarship funds	-	1,383,029	-	-	1,383,029
Student activity accounts	-	111,415	-	-	111,415
Town grants and other purposes	380,111	-	-	288,058	668,169
Committed for					
Other purposes	89,096	-	-	-	89,096
Capital projects	-	-	724,385	-	724,385
Unassigned (deficit)	-	-	-	(14,426)	(14,426)
Unassigned	2,636,800	-	-	-	2,636,800
Total fund balances	<u>6,421,655</u>	<u>1,663,794</u>	<u>724,385</u>	<u>287,033</u>	<u>9,096,867</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,363,721</u>	<u>\$ 2,981,851</u>	<u>\$ 755,714</u>	<u>\$ 343,391</u>	<u>\$ 11,444,677</u>

Town of Machias, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Total fund balance, governmental funds	\$ 9,096,867
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	9,653,771
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.

Deferred inflows related to property taxes	214,921
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Certain deferred outflows of resources, deferred inflows of resources, and internal balances related to pensions are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Deferred outflows related to pensions and OPEB	669,402
Deferred inflows related to pensions and OPEB	(438,704)

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Bonds Payable Compensated Absences, and Net Pension and OPEB Liability), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

	(2,764,216)
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Net Position of Governmental Activities in the Statement of Net Position	\$ 16,432,041
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Town of Machias, Maine
Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Special Revenue Fund - School Funds	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 2,900,279	\$ -	\$ -	\$ -	\$ 2,900,279
Excise taxes	313,388	-	-	-	313,388
Interest and lien charges	24,933	-	-	-	24,933
Licenses, permits and fees	29,167	-	-	-	29,167
Intergovernmental					
Town	1,065,230	-	381,897	612,374	2,059,501
Education	5,171,149	1,412,902	-	-	6,584,051
On-behalf payments - State of Maine	359,461	-	-	-	359,461
Charges for services	33,598	-	-	2,461	36,059
Interfund charges for services	92,398	-	-	-	92,398
Investment and interest earnings (loss)	(10,062)	20,394	-	(14,433)	(4,101)
Donations and other	5,792	150,817	-	-	156,609
Miscellaneous	18,689	-	-	-	18,689
Total revenues	<u>10,004,022</u>	<u>1,584,113</u>	<u>381,897</u>	<u>600,402</u>	<u>12,570,434</u>
EXPENDITURES					
Current					
General government	450,516	-	-	-	450,516
Police department	375,243	-	-	-	375,243
Fire department	279,752	-	-	-	279,752
Public works	432,691	-	-	-	432,691
Town utilities	179,852	-	-	-	179,852
Education	6,030,074	-	-	-	6,030,074
Adult education	85,110	-	-	-	85,110
On-behalf payments - State of Maine	359,461	-	-	-	359,461
Town activities, facilities and social services	50,187	-	-	-	50,187
General assistance	2,381	-	-	-	2,381
Airport	5,578	-	-	-	5,578
County tax	240,965	-	-	-	240,965
Tax increment financing	36,967	-	-	-	36,967
Other services	4,350	-	-	-	4,350
Federal, state and local grants	-	1,313,012	-	-	1,313,012
Student activity and scholarships	-	169,470	-	-	169,470
School food service program	-	-	-	360,681	360,681
Debt service					
Principal	285,229	-	-	-	285,229
Interest and other charges	23,324	-	-	-	23,324
Capital outlay	9,850	-	397,662	234,602	642,114
Total expenditures	<u>8,851,530</u>	<u>1,482,482</u>	<u>397,662</u>	<u>595,283</u>	<u>11,326,957</u>
Excess (deficiency) of revenues over expenditures	<u>1,152,492</u>	<u>101,631</u>	<u>(15,765)</u>	<u>5,119</u>	<u>1,243,477</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	49,930	66,187	116,117
Transfers out	(278,576)	-	-	-	(278,576)
Total other financing sources (uses)	<u>(278,576)</u>	<u>-</u>	<u>49,930</u>	<u>66,187</u>	<u>(162,459)</u>
Net change in fund balances	873,916	101,631	34,165	71,306	1,081,018
FUND BALANCES - BEGINNING	<u>5,547,739</u>	<u>1,562,163</u>	<u>690,220</u>	<u>215,727</u>	<u>8,015,849</u>
FUND BALANCES - ENDING	<u>\$ 6,421,655</u>	<u>\$ 1,663,794</u>	<u>\$ 724,385</u>	<u>\$ 287,033</u>	<u>\$ 9,096,867</u>

Town of Machias, 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, 2022

Net change in fund balances - total governmental funds: \$ 1,081,018

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlays	\$ 837,415	
Depreciation	<u>(518,739)</u>	318,676

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (649)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes. (86,331)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt repayments	\$ 307,093	
Accrued interest payable	<u>5,614</u>	312,707

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net change in pension related liability, deferred inflows and outflows	(1,316)	
Net change in OPEB related liability, deferred inflows and outflows	(42,360)	
Compensated absences not reflected on Governmental funds	<u>(23,427)</u>	

Change in net position of governmental activities \$ 1,558,318

Town of Machias, Maine
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds				Total
	Sewer Fund	Solid Waste Facility	Ambulance Fund	Other Proprietary Fund - Telcenter	
ASSETS					
Current assets					
Investments	\$ 743,617	\$ -	\$ -	\$ -	\$ 743,617
Accounts receivable, net	157,324	-	192,348	-	349,672
Due from other funds	33,361	-	35,752	7,073	76,186
Due from Maine Bond Bank	117,502	-	-	-	117,502
Receivables from other governments	-	1,450	-	-	1,450
Total current assets	<u>1,051,804</u>	<u>1,450</u>	<u>228,100</u>	<u>7,073</u>	<u>1,288,427</u>
Non-current assets					
Capital assets not being depreciated	1,446,735	-	-	-	1,446,735
Capital assets being depreciated, net of accumulated depreciation	9,382,570	67,910	30,455	42,287	9,523,222
Total non-current assets	<u>10,829,305</u>	<u>67,910</u>	<u>30,455</u>	<u>42,287</u>	<u>10,969,957</u>
Total assets	<u>11,881,109</u>	<u>69,360</u>	<u>258,555</u>	<u>49,360</u>	<u>12,258,384</u>
LIABILITIES					
Current liabilities					
Accounts payable	35,871	-	-	-	35,871
Due to other funds	-	235,782	97,430	-	333,212
Payable to other governments	22,987	-	-	-	22,987
Other accrued expenses	-	-	-	3,160	3,160
Bonds and notes payable	71,745	-	-	14,913	86,658
Total current liabilities	<u>130,603</u>	<u>235,782</u>	<u>97,430</u>	<u>18,073</u>	<u>481,888</u>
Non-current liabilities					
Compensated absences	-	4,243	3,299	-	7,542
Bonds and notes payable	867,940	-	-	15,233	883,173
Total non-current liabilities	<u>867,940</u>	<u>4,243</u>	<u>3,299</u>	<u>15,233</u>	<u>890,715</u>
Total liabilities	<u>998,543</u>	<u>240,025</u>	<u>100,729</u>	<u>33,306</u>	<u>1,372,603</u>
NET POSITION					
Net investment in capital assets	10,025,698	67,910	30,454	12,141	10,136,203
Restricted capital replacement	189,948	-	-	43,617	233,565
Restricted for Machias Water Co.	623,448	-	-	-	623,448
Unrestricted (deficit)	43,472	(238,575)	127,372	(39,704)	(107,435)
Total net position (deficit)	<u>\$ 10,882,566</u>	<u>\$ (170,665)</u>	<u>\$ 157,826</u>	<u>\$ 16,054</u>	<u>\$ 10,885,781</u>

Town of Machias, Maine
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds			Other Proprietary Fund - Telcenter	Total
	Sewer Fund	Solid Waste Facility	Ambulance Fund		
REVENUES					
Charges for services and interest	\$ 550,322	\$ 124,597	\$ 381,289	\$ 53,838	\$ 1,110,046
OPERATING EXPENSES					
Personal services	15,080	105,673	365,273	14,431	500,457
Contractual services	220,461	48,619	15,086	1,243	285,409
Utilities	92,094	8,474	12,098	11,145	123,811
Repairs and maintenance	139,090	11,630	10,714	3,461	164,895
Other supplies and expenses	77,912	8,519	34,064	-	120,495
Insurance claims and expenses	12,818	1,175	6,378	1,198	21,569
Depreciation	331,818	14,809	16,613	19,073	382,313
Total operating expenses	<u>889,273</u>	<u>198,899</u>	<u>460,226</u>	<u>50,551</u>	<u>1,598,949</u>
Operating income (loss)	<u>(338,951)</u>	<u>(74,302)</u>	<u>(78,937)</u>	<u>3,287</u>	<u>(488,903)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue (loss)	14,292	-	-	-	14,292
Miscellaneous revenue	-	-	100	-	100
Capital grants and contributions	4,476	-	-	-	4,476
Capital grant expenses	(777)	-	-	-	(777)
Interest expense	(17,966)	-	-	-	(17,966)
Total non-operating revenues (expenses)	<u>25</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>125</u>
Income (loss) before transfers	<u>(338,926)</u>	<u>(74,302)</u>	<u>(78,837)</u>	<u>3,287</u>	<u>(488,778)</u>
Transfers in	98,509	65,000	25,380	-	188,889
Transfers out	-	-	(26,430)	-	(26,430)
Total transfers	<u>98,509</u>	<u>65,000</u>	<u>(1,050)</u>	<u>-</u>	<u>162,459</u>
Change in net position	(240,417)	(9,302)	(79,887)	3,287	(326,319)
Total net position (deficit) - beginning	<u>11,122,983</u>	<u>(161,363)</u>	<u>237,713</u>	<u>12,767</u>	<u>11,212,100</u>
Total net position (deficit) - ending	<u>\$ 10,882,566</u>	<u>\$ (170,665)</u>	<u>\$ 157,826</u>	<u>\$ 16,054</u>	<u>\$ 10,885,781</u>

Town of Machias, Maine
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2022

	Proprietary Fund Types - Enterprise				Totals
	Sewer	Solid Waste Facility	Ambulance Fund	Other Proprietary Fund-Telcenter	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from user charges and tenants	\$ 542,526	\$ 124,162	\$ 397,827	\$ 50,138	\$ 1,114,653
Payments for administrative services	(270,759)	(153,226)	(386,003)	(16,872)	(826,860)
Payments to suppliers for goods and services	(309,096)	(29,993)	(56,876)	(14,606)	(410,571)
Interfund activity	20,457	(5,943)	84,071	(4,060)	94,525
Net cash provided (used) by operating activities	<u>(16,872)</u>	<u>(65,000)</u>	<u>39,019</u>	<u>14,600</u>	<u>(28,253)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest and fees paid	(17,966)	-	-	-	(17,966)
Donation and other	30,576	-	100	-	30,676
Transfers in (out) net	98,509	65,000	(1,050)	-	162,459
Net cash provided (used) by noncapital financing activities	<u>111,119</u>	<u>65,000</u>	<u>(950)</u>	<u>-</u>	<u>175,169</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds and leases	(70,543)	-	-	(14,600)	(85,143)
Acquisition and construction of capital assets	(23,704)	-	(38,069)	-	(61,773)
Net cash (used) by capital and related financial activities	<u>(94,247)</u>	<u>-</u>	<u>(38,069)</u>	<u>(14,600)</u>	<u>(146,916)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	-	-	-
CASH AND CASH EQUIVALENTS, BEGINNING	-	-	-	-	-
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash used by operating activities					
Operating income (loss)	\$ (338,951)	\$ (74,302)	\$ (78,937)	\$ 3,287	\$ (488,903)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	331,818	14,809	16,613	19,073	382,313
(Increase) decrease in the following assets					
Accounts receivable	(7,796)	(432)	16,538	-	8,310
Interfund receivables	20,457	(5,943)	57,641	(4,060)	68,095
Increase (decrease) in the following liabilities					
Compensated absences payable	-	2,241	734	-	2,975
Interfund payables	-	-	26,430	-	26,430
Accounts payable and other accrued liabilities	(22,400)	(1,373)	-	(3,700)	(27,473)
Net cash provided (used) by operating activities	<u>\$ (16,872)</u>	<u>\$ (65,000)</u>	<u>\$ 39,019</u>	<u>\$ 14,600</u>	<u>\$ (28,253)</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Machias, Maine, was incorporated in 1784 under the laws of the State of Maine. The Town operates under a selectmen-manager form of government and provides the following services: general government services, public safety, public works, sewer, health and welfare, education, library and recreation.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the Town are described below.

FINANCIAL REPORTING ENTITY

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Town. Additionally, the Town is required to consider other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no entities that should be included as part of these financial statements.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information of all activities of the Town, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities of the Town include the sewer fund, solid waste facility fund, the ambulance fund, and the Telcenter fund, a property held for leasing to businesses for the purpose of economic development.

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

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary, and fiduciary activities. The governmental and proprietary statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column, when applicable. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Town has presented the following major governmental funds:

General Fund

The general fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund- School Funds

The special revenue fund – school funds is used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. This fund includes federal and state grants for specific education purposes as well as student activity and scholarship funds.

Capital Projects Fund

The capital projects fund is used to account for all resources for the acquisition or construction of capital facilities or items by the Town.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, in essentially the same manner as a private entity. The accounting objectives are determinations of net income, financial position and cash flow.

The Town has presented the following major proprietary funds:

Sewer Fund

Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt for the sewer fund. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary, to ensure integrity of the fund.

Solid Waste Fund

Activities of the fund include solid waste disposal and maintenance of the facility. Costs are financed from user charges and Town contributions.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds (Continued)

Ambulance Fund

Activities of the fund include medical transportation services and repairs and maintenance of vehicles. Costs are financed from user charges and Town contributions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, and supplies. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and the fund financial statements for proprietary funds and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities, whether current or non-current, are included on the statement of net position and the operating statements present increases, revenues, and decreases, expenses, in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and compensated absences expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, intergovernmental revenues and charges for services. All other governmental fund revenues are recognized when received.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING

The Town utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the Town's operations.

Payments made by the State of Maine to the Maine Public Employees Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund in accordance with generally accepted accounting principles.

Generally, appropriations for the general fund and the enterprise funds lapse at year end, except for balances approved to be carried forward by Board of Selectmen. In accordance with legal requirements of the State of Maine all education balances are continued.

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the special revenue funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the Town's fiscal year.

FINANCIAL STATEMENT AMOUNTS

Cash, Cash Equivalents, and Investments

For purposes of the statements of net position and cash flows, the Town considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Additional information is presented in Note 2.

Investments are carried at fair value. Additional information, including the composition of investments, is presented in Note 2.

Inventories

Inventories of food and supplies in the school lunch program are valued at cost, determined on a first in, first out (FIFO) basis.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statement of net position. Any residual balances between the governmental activities and fiduciary funds are reported in the statement of net position as "due to/from fiduciary funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT AMOUNTS (CONTINUED)

Interfund Transfers

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the governmental funds on the fund financial statements. For the purposes of the government-wide statement of activities, all interfund transfers between individual funds within governmental activities and individual funds within business-type activities have been eliminated.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 years
Sewer systems	50-100 years
Roads and parking lots	20-50 years
Machinery and equipment	3-50 years
Vehicles	3-25 years

The Town elected to utilize the infrastructure transition option in the implementation of GASB Statement #34 which does not require the Town to retroactively capitalize certain infrastructure assets.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT AMOUNTS (CONTINUED)

Long-term Liabilities

The accounting treatment of long-term liabilities 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 liabilities to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term liabilities consist of notes, bonds and financed purchased fixed assets payable, net pension and other post-retirement benefits obligations (OPEB) liability and compensated absences liability.

Long-term liabilities 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 fund is the same in the fund statements as it is in the government-wide statements.

The Town's policy regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick leave. The liability for these governmental compensated absences is recorded on 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.

Pensions and Other Post-Retirement Benefits Obligations (OPEB)

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

Use of Estimates

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

Government-wide Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements.

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.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT AMOUNTS (CONTINUED)

Government-wide Net Position (Continued)

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

Governmental Fund Balances

Fund balance represents the difference between assets and liabilities in the fund financial statements. Fund balance must be properly reported within one of the five fund balance categories listed below:

Nonspendable, such as fund balances associated with inventories or prepaid expenses. The nonspendable fund balance may also include amounts that are required to be maintained intact, such as the corpus of an endowment fund.

Restricted fund balance category includes amounts that can be used only for the specific purposes stipulated by constitution, grantors or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, which is the passage of a resolution by simple majority vote of the Town Meeting.

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Funds may be assigned by simple majority vote of the Town Meeting, upon passage of a budget ordinance in which fund balances are used to balance the budget, or by the Board of Selectmen, under authority granted by the Town's fund balance policy.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Town has formally adopted a fund balance policy that addresses the requirements of GASB 54. For expenditures that qualify for multiple categories, amounts will be first spent from restricted fund balance, followed by committed fund balance, then assigned fund balance, and finally unassigned fund balance.

Revenue Recognition - Property Taxes

Property taxes were levied on assessed values of April 1, 2021 and were due on October 15, 2021 and March 15, 2022, respectively. Interest was charged at 6% per annum as authorized by Maine Law on amounts not paid by the due date. Upon the expiration of eight months, and within one year from the date of original commitment, a tax lien is recorded for all delinquent taxes on real estate. If taxes were paid in full by October 15, 2021, a 2% discount was applied.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT AMOUNTS (CONTINUED)

Revenue Recognition - Property Taxes (Continued)

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2022, and during the first sixty days of the next fiscal year are recognized as revenue in 2022. Receivables estimated to be collectible after the sixty-day period are recorded as deferred inflows of resources in the general fund.

Assessed value	
Real estate	\$131,881,650
Personal property	<u>5,739,700</u>
	\$137,631,350
Tax rate (per \$1,000)	<u>20.70</u>
Commitment	\$ 2,848,763
Less collections, discounts and abatements	<u>(2,667,760)</u>
Receivable at June 30, 2022	<u>\$ 181,003</u>
Collection rate	94%

Recent Accounting Pronouncements

The Town implemented the Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This statement improves financial reporting by increasing the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. There was no effect on the financial statements as a result of implementing for the year ended June 30, 2022.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2022, the Town reported deposits of \$6,749,654 with bank balances of \$7,021,452. All of the Town's bank balances were collateralized by FDIC insurance and other collateral, and therefore, none were exposed to custodial credit risk.

Deposits have been reported as follows:

Reported in governmental funds	<u>\$ 6,749,654</u>
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Investments

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The trust and agency fund is also authorized to invest in various instruments in accordance with laws of the State of Maine.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town's investments at June 30, 2022 are as follows:

Money market accounts	\$ 17,053	Level 1
US Treasury Bills and Notes	211,697	Level 2
Federal National Mortgage	188,714	Level 1
Federal Home Loan Mortgage Corp	233,868	Level 1
Common stock, Machias Water Co.	<u>623,448</u>	Level 3
Total investments	<u>\$1,247,780</u>	

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments. The Town does not have an investment policy for custodial credit risk. As of June 30, 2022, the Town has no investments subject to custodial credit risk.

Concentration of Credit Risk: The Town's investment in common stock meets the criteria to be classified as a concentration of credit risk investment. The investment of \$623,448 in the Machias Water Company makes up approximately 48% of the Town's total investments. The Town does not have a policy related to concentration of credit risk.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk: The Town does not have a policy related to investment rate risk. The Town is required to disclose the interest rate risk of its debt investments as follows:

	Due in less than one year	Due in 1-5 years
Federal National Mortgage	\$ -	\$ 188,714
Federal Home Loan Mortgage Corp	97,328	136,540
US Treasury Notes	<u>59,438</u>	<u>152,259</u>
	<u>\$ 156,766</u>	<u>\$ 477,513</u>

Investments have been reported as follows:

Reported in governmental funds	\$ 531,163
Reported in proprietary funds	<u>743,617</u>
Total investments	<u>\$1,274,780</u>

On November 14, 1992 the Town's sewer enterprise fund received 186 shares of stock of the Machias Water Company and purchased another 26 shares in 2001 representing a 46.50% ownership interest. The Town values its interest on the equity method based on the water company's book values at the end of its fiscal year which is December 31. At December 31, 2021 the Town's interest has been valued at \$623,448 and is included in the proprietary funds.

NOTE 3. ACCOUNTS RECEIVABLE

The proprietary fund - ambulance fund records an allowance for uncollectible receivables based on a percentage of Medicaid covered charges for services. The allowance for the year ended June 30, 2022 is \$159,495 based on an estimate of 46% of total receivables.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance 6/30/21	Additions/ Completions	Retirements/ Reclassifications	Balance 6/30/22
Governmental Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 717,074	\$ -	\$ -	\$ 717,074
Total capital assets not being depreciated	<u>717,074</u>	<u>-</u>	<u>-</u>	<u>717,074</u>
<i>Capital assets being depreciated</i>				
Buildings and land improvements	11,258,705	554,468	-	11,813,173
Infrastructure	2,000,369	40,000	-	2,040,369
Equipment, furniture and fixtures	1,052,721	193,552	(16,493)	1,229,780
Vehicles	1,548,049	49,395	-	1,597,444
Total capital assets being depreciated	<u>15,859,844</u>	<u>837,415</u>	<u>(16,493)</u>	<u>16,680,766</u>
Less accumulated depreciation for:				
Buildings and land improvements	(4,776,435)	(254,366)	-	(5,030,801)
Infrastructure	(662,027)	(68,012)	-	(730,039)
Equipment, furniture and fixtures	(663,113)	(84,503)	15,844	(731,772)
Vehicles	(1,139,599)	(111,858)	-	(1,251,457)
Total accumulated depreciation	<u>(7,241,174)</u>	<u>(518,739)</u>	<u>15,844</u>	<u>(7,744,069)</u>
Total capital assets being depreciated, net	<u>8,618,670</u>	<u>318,676</u>	<u>(649)</u>	<u>8,936,697</u>
Governmental activities capital assets, net	<u>\$ 9,335,744</u>	<u>\$ 318,676</u>	<u>\$ (649)</u>	<u>\$ 9,653,771</u>
Business-Type Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	1,392,833	52,902	-	1,445,735
Total capital assets not being depreciated	<u>1,393,833</u>	<u>52,902</u>	<u>-</u>	<u>1,446,735</u>
<i>Capital assets being depreciated</i>				
Infrastructure and buildings	15,533,666	-	-	15,533,666
Vehicles and equipment	906,381	38,069	-	944,450
Total capital assets being depreciated	<u>16,440,047</u>	<u>38,069</u>	<u>-</u>	<u>16,478,116</u>
Less accumulated depreciation				
Infrastructure and buildings	(5,902,096)	(358,370)	-	(6,260,466)
Vehicles and equipment	(670,485)	(23,943)	-	(694,428)
Total accumulated depreciation	<u>(6,572,581)</u>	<u>(382,313)</u>	<u>-</u>	<u>(6,954,894)</u>
Total capital assets being depreciated, net	<u>9,867,466</u>	<u>(344,244)</u>	<u>-</u>	<u>9,523,222</u>
Business-type activities capital assets, net	<u>\$ 11,261,299</u>	<u>\$ (291,342)</u>	<u>\$ -</u>	<u>\$ 10,969,957</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2022, was charged as direct expense to programs as follows:

<i>Governmental activities</i>	
General government	\$ 6,357
Police	17,237
Fire	10,956
Public works	160,209
Recreation	7,075
Airport	75,595
Education	<u>241,310</u>
Total depreciation expense – Governmental activities	<u>\$ 518,739</u>
<i>Business-type activities</i>	
Sewer	\$ 313,818
Solid waste	14,809
Ambulance	16,613
Telcenter	<u>19,073</u>
Total depreciation expense – business-type activities	<u>\$ 382,313</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2022:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Portion due within one year
Governmental Liabilities					
General Notes					
Machias Savings Bank, 2.06% school renovations note, dated July 10, 2013, due 2023	\$ 52,490	\$ -	\$ (26,043)	\$ 26,447	\$ 26,447
Machias Savings Bank, 2.49% road projects note, dated December 14, 2016, due 2027	145,448	-	(22,797)	122,651	23,332
Machias Savings Bank, 2.49% safety building note, dated December 14, 2016, due 2027	125,929	-	(19,738)	106,191	20,200
Machias Savings Bank, 2.39% school bus note, dated July 10, 2017, due 2022	17,313	-	(17,313)	-	-
Machias Savings Bank, 1.95% airport improvements note, dated October 12, 2018, due 2023	154,607	-	(49,968)	104,639	51,521
Machias Savings Bank, 3.09% equipment purchase and refinancing note, dated July 26, 2018, due 2023	275,251	-	(88,890)	186,361	91,707
Machias Savings Bank, 3.09% school bus note, dated July, 28, 2018, due 2023	35,570	-	(17,693)	17,877	17,877
Machias Savings Bank, 3.24% school gym roof note, dated August 30, 2019, due 2024	79,779	-	(25,743)	54,036	26,663
Machias Savings Bank, 3.24% school bus note, dated August 30, 2019, due 2025	<u>72,056</u>	<u>-</u>	<u>(17,043)</u>	<u>55,013</u>	<u>17,762</u>
Total general obligation bonds and notes	958,443	-	(285,228)	673,215	275,509
Purchased fixed assets payable	68,704	-	(21,864)	46,840	22,740
Net Pension Liability	309,214	60,860	(155,970)	214,104	N/A
Net OPEB Liability	1,697,963	79,910	(68,790)	1,709,083	N/A
Compensated Absences	<u>91,663</u>	<u>23,427</u>	<u>-</u>	<u>115,090</u>	<u>N/A</u>
Total governmental activities liabilities	<u>\$ 3,125,987</u>	<u>\$ 164,197</u>	<u>\$ (531,852)</u>	<u>\$ 2,758,332</u>	<u>\$ 298,249</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

	Balance June 30. 2021	Increases	Decreases/ Forgiveness	Balance June 30. 2022	Portion due within one year
Business-type Liabilities					
Proprietary Fund Bonds and Notes Payable					
Sewer Bonds					
Maine Municipal Bond Bank, 2.19% sewer rehabilitation project, dated July 26, 2002, due 2023	\$ 30,383	\$ -	\$ (15,003)	\$ 15,380	\$ 15,380
Maine Municipal Bond Bank, 1.40% sewer rehabilitation project, dated May 15, 2010, due 2029	146,868	-	(17,477)	129,391	17,723
Maine Municipal Bond Bank, 1.00% sewer rehabilitation project, dated June 5, 2020, due 2040	461,227	-	(22,163)	439,064	22,384
Rural Development Bond, 2.25% sewer rehabilitation project, dated January 25, 2012, due 2040	371,750	-	(15,900)	355,850	16,258
Telcenter Note Payable					
Machias Savings Bank, 2.19% roof note, dated December 14, 2016, due 2023	44,746	-	(14,600)	30,146	14,913
Total proprietary fund bonds and notes payable	1,054,974	-	(85,143)	969,831	86,658
Compensated Absences	4,567	2,975	-	7,542	N/A
Total proprietary activities liabilities	1,059,541	2,975	(85,143)	977,373	86,658
Total governmental activities and proprietary liabilities	<u>\$ 4,185,528</u>	<u>\$ 167,172</u>	<u>\$ (616,995)</u>	<u>\$ 3,735,705</u>	<u>\$ 284,907</u>

General obligation and proprietary fund bonds and notes payable

Future maturities of general obligation and proprietary bonds and notes payable are as follows:

Year ended June 30	General Obligations		Proprietary Obligations		Total
	Principal	Interest	Principal	Interest	
2023	\$ 275,509	\$ 19,426	\$ 86,659	\$ 17,245	\$ 398,839
2024	238,123	11,438	72,436	15,916	337,913
2025	64,651	4,032	58,054	14,725	141,462
2026	46,913	2,399	58,922	13,860	122,094
2027	48,019	1,292	59,801	12,976	122,088
2028-2032	-	-	253,309	48,985	302,294
2033-2037	-	-	232,353	28,879	261,232
2038-2040	-	-	148,297	8,722	157,019
	<u>\$ 673,215</u>	<u>\$ 38,587</u>	<u>\$ 969,831</u>	<u>\$ 161,308</u>	<u>\$ 1,842,941</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

In accordance with Maine law, no municipality shall incur debt for specific purposes in excess of certain percentages of State valuation of such municipality. At June 30, 2022, the Town was in compliance with these limitations.

Financed purchased fixed assets payable

The Town is the lessee of photocopiers under a financed purchased fixed asset lease expiring in 2024 and 2025. The liabilities under financed purchased fixed assets are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset acquired.

As of June 30, 2022, the Town had recorded \$118,212 in governmental activities equipment related to outstanding financed purchased fixed assets. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2022 is \$76,670.

Future payments under purchased fixed assets as of June 30, 2022 are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 22,740	\$ 1,352	\$ 24,092
2024	19,471	517	19,988
2025	<u>4,629</u>	<u>27</u>	<u>4,655</u>
	<u>\$ 46,840</u>	<u>\$ 1,896</u>	<u>\$ 48,735</u>

NOTE 6. INTERFUND TRANSACTIONS

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers.

Individual fund interfund receivable and payables balances at June 30, 2022 arising from these transactions and interfund transfers were as follows:

	<u>Receivable</u>	<u>Payable</u>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$813,553	\$ -	\$ -	\$ 278,576
Special revenue- school grants	-	1,161,437	-	-
Capital projects fund	611,084	-	49,930	-
Sewer fund	33,361	-	98,509	-
Solid waste fund	-	235,782	65,000	-
Ambulance fund	35,752	97,430	25,380	26,430
Non-major proprietary funds	7,073	-	-	-
Non-major governmental funds	<u>36,801</u>	<u>42,975</u>	<u>66,187</u>	<u>-</u>
	<u>\$1,537,624</u>	<u>\$1,537,624</u>	<u>\$ 305,006</u>	<u>\$ 305,006</u>

The outstanding balances between funds result mainly from short-term cash flow needs that are funded by the general fund, as it holds the Town's checking account. Transfers were used to move funds from the general fund in accordance with budgetary authorizations, including debt payments of \$98,509 to the proprietary funds, \$23,500 transfers to the capital projects funds from the general fund, a \$66,187 transfer to the other governmental fund - school lunch fund, transfer of \$26,430 from the ambulance fund to the capital projects fund, \$25,380 from the general fund to the ambulance fund and \$65,000 to the solid waste facility proprietary fund.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 7. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable, adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2022:

	Governmental Activities	Business-type Activities
Capital assets	\$ 17,397,840	\$ 17,924,851
Accumulated depreciation	(7,744,069)	(6,954,894)
Related bonds payable	(673,215)	(833,754)
Related purchased fixed assets payable	(46,840)	-
Total balance	\$ 8,933,716	\$ 10,136,203

NOTE 8. NET POSITION – RESTRICTED – EDUCATION

At June 30, 2022 the Town's restricted for education was comprised as follows:

General education	\$ 3,249,412
Adult education	12,760
CTE equipment	3,492
Early college – Bridge fund	122,605
Ellsmore donation	729
Field donation	5,250
Mini grant	3,258
MLTI	26,732
Transitions	370
MELMAC grant	6,914
Total	\$ 3,431,522

NOTE 9. FUND BALANCE – RESTRICTED – OTHER PURPOSES

At June 30, 2022 the Town's general fund balance restricted for other purposes was comprised as follows:

Tax increment financing	\$ 159,055
Airport Committee	933
ARPA federal funds	214,332
Healthy Maine Streets grant	5,791
Total	\$ 380,111

**Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022**

NOTE 10. FUND BALANCE – RESTRICTED – OTHER PURPOSES

At June 30, 2022 the Town's other governmental funds - special revenue fund balance restricted for Town grants and other purposes was comprised as follows:

Mill account	\$ 244,278
Revolving loan fund	8,021
Sewer grant	86
State and local roads	16,345
Maine Waste Management-transfer station Station 98	4,990
Thermal imaging camera	2,965
Downtown planning-donations	1,392
Seagull Motel / Nelson Park	8,784
Scholarship funds	1,022
	<u>175</u>
Total	<u>\$ 288,058</u>

NOTE 11. FUND BALANCES – COMMITTED FOR CAPITAL PROJECTS

At June 30, 2022, the Town's other governmental funds fund balances committed for capital projects were comprised of the following:

Airport improvement	\$ 243,089
Ambulance vehicle replacement	62,430
Boat dock	1,980
Dog park	219
Downtown revitalization	18,883
Economic development	713
E-911 signs	1,209
Fire department homeland security	314
Fire department ventilation	32,000
Fire truck replacement	9,954
Industrial development	53,157
Lawnmower	700
Marijuana licenses	70,750
Other – tax acquired property sales	43,404
Public safety building	16,879
Roads	53,596
Sewer expansion	75,323
Sewer overflow	3,367
School renovations	3,703
Sidewalk repair	3,000
Tennis court	3,600
Town office	<u>26,115</u>
Total committed for capital projects	<u>\$ 724,385</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 12. FUND BALANCES – COMMITTED FOR OTHER PURPOSES

At June 30, 2022, the Town's general fund balances committed for other purposes were comprised of the following:

Recreation – facilities and activities	\$ 895
Recreation – softball field	2,129
4 th of July	5,297
Concert series	2,400
Board account	3,871
250 th Anniversary celebration	1,052
Police academy	39,929
Debt service – public safety building	<u>35,924</u>
Total	<u>\$ 89,096</u>

NOTE 13. DEFINED BENEFIT PENSION PLAN

Plan Description

The Town participates in the State Employee and Teacher (SET) Plan, which is a cost-sharing, multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits Provided

Benefit terms are established in Maine statute. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 0.93%.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Retirement benefits are funded by contributions from employee and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or by the MPERS Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Maine statute requires the State to contribute a portion of the School Unit's contractually required contributions. SET plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education (DOE) is required to contribute 14.29% of compensation for non-federally funded employees. The Town is required to contribute 3.84% of compensation to cover the normal costs for non-federally funded employees. The Town is also required to contribute 18.73% of compensation for federally funded employees.

The contributions for the year ended June 30, 2022 were as follows:

	<u>Covered Payroll</u>	<u>Contribution Percentage</u>	<u>Contribution Amount</u>
Employee contribution	\$ 2,836,058	7.65%	\$ 216,958
State DOE contribution for non-federally funded employees	2,515,476	14.29%	359,461
Employer contribution for normal costs of non- federally funded employees	2,515,476	3.84%	96,594
Employer contribution for federally funded employees	320,583	18.73%	60,045

Proportionate Share of the Net Pension Liability

At June 30, 2022, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 214,104
State's proportionate share of the net pension liability associated with the Town	<u>1,410,408</u>
Total	<u>\$1,624,512</u>

**Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022**

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Proportionate Share of the Net Pension Liability (Continued)

The net pension liability was measured as of June 30, 2021, and the total collective pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportionate share percentage of the collective net pension liability was 0.025313%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.018944% at the prior measurement date of June 30, 2020.

Special Funding Situation – SET Plan

The Town participates in the SET Plan as a non-employer contributing entity in that the State pays the Initial Unfunded Actuarial Liability (IUAL) associated with the teachers and the local teacher districts pay the normal cost contributions as determined by the actuary.

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2021
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
Assumptions	
Investment Rate of Return	6.50% per annum, compounded annually
Inflation Rate	2.75%
Annual Salary Increases, Including Inflation	2.75% - 11.48%
Cost of Living Benefit Increases	2.20%

Mortality rates are based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used in the June 30, 2021 valuation for the Plan were based on the results of an actuarial experience study for the period June 30, 2015 through June 30, 2020

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	6.0%
US Government	2.3
Private Equity	7.6
Real Assets:	
Real Estate	5.2
Infrastructure	5.3
Natural Resources	5.0
Traditional Credit	3.0
Alternative Credit	7.2
Diversifiers	5.9

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2021 for the SET plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity Analysis

The following presents the Town's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Proportionate share net pension liability	\$ 562,261	\$ 214,104	\$ (75,772)

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Items Summary

For the year ended June 30, 2022, the Town recognized pension expense of \$158,153 related to the SET Plan. Additionally, the Town recognized revenue of \$359,461 for support provided by the State. For the year ended June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SET Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 3,173	\$ 4,377
Changes of assumptions	145,972	-
Net difference between expected and actual investment earnings	-	291,734
Changes in proportion	67,135	-
Contributions to plan subsequent to measurement date	<u>154,716</u>	<u>-</u>
Total	<u>\$ 370,996</u>	<u>\$ 296,111</u>

\$154,716 reported as deferred outflows related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	Amount
2023	\$ 26,450
2024	41,305
2025	(66,269)
2026	<u>(81,317)</u>
	<u>\$(79,831)</u>

Pension Plan Fiduciary Net Position

The MPERS fiduciary net position has been determined using the same basis used to determine the net pension liability, deferred outflows and inflows of resources related to pension, and pension expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.maineopers.org

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 14. DEFERRED COMPENSATION PLAN

The Town also provides a 457 Deferred Compensation Plan and other retirement plans. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Town contributes 6-10% of base pay for participating employees depending on years of continuous service. Employees may elect to contribute any % they wish of earnings up to the annual maximums. The Town made contributions of \$25,393 and employees elected to defer \$25,420 for a contribution of \$50,813 for the year ended June 30, 2022.

NOTE 15. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN OBLIGATIONS – LIFE INSURANCE

Plan Description

The Town participates in the State Employee and Teacher (SET) Group Life Insurance Plan, which is a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits Provided

The Group Life Insurance Plans (the Plans) provide basic group life insurance benefits, during retirement, to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions and Funding Policy

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

The State of Maine made contributions to the SET plan on-behalf of the Town of \$5,683 for the year ended June 30, 2022. The School Unit and employees are not required to contribute to the SET plan.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

**NOTE 15. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN OBLIGATIONS – LIFE INSURANCE
(CONTINUED)**

Proportionate Share of the Net OPEB Liability

The System separately accounts for the two groups within the SET plan, state employees being one group, and teachers the second group. Amounts disclosed for the SET plan reflect only the teachers' group portion, where applicable.

The total portion of the net OPEB liability that was associated with the Town are as follows:

	SET Plan
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>24,258</u>
Total	<u>\$ 24,258</u>

The net OPEB liability for the Town was measured as of June 30, 2021, and the total collective OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. Because of the special funding situation in which the State pays the total dollar amount of each year's annual required contribution, the Town's proportion of the OPEB liability was 0% at the end of the measurement period.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2021
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Assumptions	
Investment rate of return	6.50%
Inflation rate	2.75%
Annual salary increases	2.80%-13.03%

Mortality rates are based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2021 actuarial valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

**NOTE 15. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN OBLIGATIONS – LIFE INSURANCE
(CONTINUED)**

Long-term Expected Rate of Return

Assets of the plans are pooled for investment purposes and are allocated to each plan based on each plan's fiduciary net position. The long-term expected rate of return on the plans' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Public equities	6.0%
Real estate	5.2%
Traditional credit	3.2%
U.S. government securities	2.3%

Discount Rate

The discount rate used to measure the collective total OPEB liability was 6.5% for 2021. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Expense

For the year ended June 30, 2022, the Town recognized OPEB expense of \$305 related to the SET Plan and recognized revenue of \$305 for support provided by the State.

OPEB Plan Fiduciary Net Position

The MPERS fiduciary net position has been determined using the same basis used to determine the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.maineopers.org.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 16. OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN OBLIGATIONS – HEALTH INSURANCE - MEABT

Plan Description

The Town's School Department offers a post-retirement benefit plan providing health insurance to retiring employees. The State sponsors a single-employer defined benefit OPEB plan administered by the Maine Education Association Benefits Trust (MEABT). The State Legislature has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Plan Membership

At June 30, 2021, membership consisted of::

Inactive members currently receiving benefits	28
Inactive members entitled to but not yet receiving benefits	-
Active employees	<u>81</u>
Total	<u>109</u>

Benefits Provided

Healthcare insurance benefits are provided for retirees and their dependents. The employee must have participated in the MEABT health plan for the 12 months prior to retirement, and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits. The retiree is eligible for a State subsidy of 55% of the blended single premium for the retiree only. Under State law, the blended premium is determined by blending rates for active members and retired members. The retiree pays 45% of the blended premium rate for coverage elected. Spouses must contribute 100% of the blended premium amounts. Thus, the total premium is paid for by both the State and the retiree (and/or spouse).

Net OPEB Liability

The Department's total Plan OPEB liability of \$1,636,580 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

**NOTE 16. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN OBLIGATIONS – HEALTH INSURANCE
- MEABT (CONTINUED)**

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation for the Plan was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2021
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
Assumptions	
Inflation rate	2.00%
Annual salary increases	2.80%-13.03%
Healthcare cost trend rates - non-Medicare decreasing to	6.21% in 2021 3.25% in 2040
Healthcare cost trend rates – Medicare increasing to	0.00% in 2021 3.25% in 2040

Mortality rates for the Plan were based on the 2010 Public Plan Teacher Benefits Weighted Retiree Mortality Table.

The actuarial assumptions used in the June 30, 2021 valuation are the teacher assumptions that were used by the Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation at June 30, 2021 and are based on the experience study covering the period June 30, 2015 through June 30, 2020.

Discount Rate

Using the Bond Buyer 20-Bond GO Index, the discount rate used to measure the total OPEB liability was 2.16%. This rate is assumed to be an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher for pay as you go plans.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, beginning of year	\$ 1,599,824
Changes for the year:	
Service Cost	26,276
Interest	35,525
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	12,444
Benefit payments	<u>(37,489)</u>
Net changes	<u>36,756</u>
Balance, end of year	<u>\$ 1,636,580</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

**NOTE 16. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN OBLIGATIONS – HEALTH INSURANCE
- MEABT (CONTINUED)**

Discount Rate and Healthcare Rate Sensitivity Analysis

The following is a sensitive analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability calculated using the discount rate of 2.16% as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Total OPEB liability	\$1,916,072	\$1,636,580	\$1,411,202

The table below presents the total OPEB liability of the School Unit calculated using the healthcare rates disclosed above as well as what the total OPEB liability would be if it were calculated using a healthcare rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Total OPEB liability	\$1,383,384	\$1,636,580	\$1,956,315

For the year ended June 30, 2022, The Department recognized OPEB expense of \$81,288 related to the Plan. At June 30, 2022, The Department reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 75,291
Changes in assumptions	223,845	26,127
Contributions paid subsequent to the measurement date	<u>47,660</u>	<u>-</u>
Total deferred outflows and inflows of resources	<u>\$ 271,505</u>	<u>\$101,418</u>

\$47,660 reported as deferred outflows related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30:			
2023		\$	19,487
2024			19,487
2025			19,484
2026			28,198
2027			17,108
Thereafter			<u>18,663</u>
Total			<u>\$ 122,427</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

**NOTE 17. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN OBLIGATIONS – HEALTH INSURANCE
- MMEHT**

Plan Description

The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees (hereafter referred to as the Health Plan). The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

Plan Membership

At June 30, 2021, the following employees were covered by the Health Plan benefit terms:

Inactive employees currently receiving benefits	-
Inactive employee entitled to but not yet receiving benefits	-
Active employees	<u>12</u>
Total	<u>12</u>

Benefits Provided

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

Contributions

Retirees and/or their spouses participating in the Health Plan are responsible for 100% of the premium for coverage selected.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 17. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN OBLIGATIONS – HEALTH INSURANCE – MMEHT (CONTINUED)

Actuarial Assumptions and Other Inputs

The total Health Plan OPEB liability was measured as of January 1, 2022 and was determined by an actuarial valuation as of that date. The actuarial assumptions used in the January 1, 2022 valuation were based on the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2022 and based on the experience study covering the period from June 30, 2016 through June 30, 2020.

The total Health Plan OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods in the measurements, unless otherwise specified:

Discount rate	2.06% per annum in 2022 and 2.12% per annum in 2021
Healthcare cost trend rates	
Pre-Medicare medical	6.25%
Pre-Medicare drug	13.10%
Medicare medical	5.00%
Medicare drug	9.90%
Administrative and claims expense	3.00% per annum
Salary increase rate	2.75% per annum

The mortality rates are based on 112.1% and 118.5% of 2010 public plan-General Benefits-weighted Healthy retiree mortality table, respectively, for males and females.

Discount Rate

Since the plan is pay-as-you-go and is not funded, the discount rate was based on a 20-year, tax-exempt general obligation municipal bond index. This rate is assumed to be an index rate for 20-year, tax-exempt general obligation bonds with an average rating of AAAa or higher, for pay-as-you-go plans.

Discount Rate and Healthcare Rate Sensitivity Analysis

The following presents the total OPEB liability of the Town if it were calculated using a discount rate that is one percent higher or lower than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 86,083	\$ 72,503	\$ 61,501

The following presents the total OPEB liability of the Town if it were calculated using a healthcare cost trend rate that is one percent higher or lower than the current healthcare cost trend rate:

	1% Decrease	Current rate	1% Increase
Total OPEB Liability	\$ 60,176	\$ 72,503	\$88,447

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

**NOTE 17. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN OBLIGATIONS – HEALTH INSURANCE
– MMEHT (CONTINUED)**

Changes in the Total Health Plan OPEB Liability

	Total OPEB Liability
Balance, beginning of year	\$ 98,139
Changes for the year:	
Service Cost	8,042
Interest	2,250
Changes of benefit terms	-
Differences between expected and actual experience	(26,034)
Changes in assumptions	(9,814)
Benefit payments	(80)
Net changes	(25,636)
Balance, end of year	\$ 72,503

Change in assumptions reflects a change in the discount rate from 2.12% to 2.06%.

For the year ended June 30, 2022, The Town recognized OPEB expense of \$8,842 related to the Health Plan. At June 30, 2022, The Town reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,717	\$28,566
Changes in assumptions	24,784	12,609
Contributions made subsequent to measurement date	400	-
Total deferred outflows and inflows of resources	\$ 26,901	\$41,175

\$400 reported as deferred outflows related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred inflows and outflows will be recognized as OPEB expense as follows:

Year ended June 30:	
2023	\$ (1,450)
2024	(1,450)
2025	(1,450)
2026	(1,453)
2027	(2,975)
Thereafter	(5,896)
Total	\$(14,674)

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 18. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, injuries to employees, and natural disasters. The Town maintains membership in various risk pools to mitigate these risks to an acceptable level and to limit the Town's exposure to losses.

The Town is 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, individual stop loss coverage for member Town's for claims in excess of \$500,000 with an excess limit of \$2,000,000.

The Town is also a member of the Maine Municipal Association - Property and Casualty Pool ("Pool"). As with the Fund above, the Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$2,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

The Town is also a member of the Maine Municipal Association - Unemployment Compensation 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 unemployment compensation coverage and develop a comprehensive loss control program. The Town contributes to MSMA based on the first \$12,000 of wages for unemployment compensation. Each member has its reserve, which is determined by the actuary. The annual rate set by the Fund's actuary is based on the member's reserve and on estimated future claims. Each member is responsible for its own excess of claims over reserve.

The School Department is a member of the Maine School Management Association - Unemployment Compensation Trust Fund ("MSMA"). MSMA was created to formulate, develop and administer a program of modified self-funding for MSMA's membership, obtain lower costs for unemployment compensation coverage and develop a comprehensive loss control program. The School Department contributes to MSMA based on the first \$12,000 of wages for unemployment compensation. Each member has its reserve, which is determined by the actuary. If the reserve is higher than is determined by the actuary, excess contributions are returned to the member. The annual rate set by MSMA's actuary is based on the member's reserve and on estimated future claims. Each member is responsible for its own excess of claims over reserve.

NOTE 19. TAX ABATEMENTS

The Town enters into property tax abatement agreements with local businesses under Title 30-A Chapter 206 Development Districts, Subchapter 1, Development Districts for Municipalities and Plantations and Subchapter 3, Municipal Affordable Housing Development Districts. Under this law, municipalities may grant property tax abatements of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or new job creation in the Town. IMK Properties received a 29 percent property tax abatement for the construction of a new multi-use building. Machias Savings Bank received a 41 percent property tax abatement for undertaking the renovation and rehabilitation of a building and parking in the Town and for a training facility. For the fiscal year ended June 30, 2022, the Town abated property taxes totaling \$36,967 under this program, including the following tax abatement agreement.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 20. DEFICIT FUND BALANCE

The Town has a deficit fund balance of \$14,426 in its other governmental fund – school lunch. The Town plans to address this deficit in future budgets.

NOTE 21. CONTINGENCIES

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

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

NOTE 22. ENVIRONMENTAL LIABILITIES

The Town was fined by the Department of Environmental Protection \$22,987 for a wastewater discharge violation which occurred on June 12, 2013. This liability has been recorded in both the government-wide and the fund financial statements.

NOTE 23. JOINTLY GOVERNED ORGANIZATION

The Town and various entities in the region jointly operate a vocational education school. A separate legal entity known as Coastal Washington County Institute of Technology was established by State law and is governed by an eighteen-member board, of which two members represents the Town. Complete financial statements for CWCIT can be obtained from Coastal Washington County Institute of Technology; 192 Court St., Machias, ME 04654-1205.

NOTE 23. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 2, 2024, the date on which the financial statements were available to be issued. The Town's school department was approved after year end for a \$454,750 revolving renovation fund program bond to cover renovations to a school. \$306,592 of this bond will be forgiven.

Town of Machias, Maine
Budget and Actual (with Budget to GAAP Differences)
General Fund
For the year ended June 30, 2022

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Budget to GAAP Differences**	Actual Amounts, GAAP Basis
	Original	Changes	Final*			
REVENUES						
Property taxes, net	\$ 2,848,763	\$ -	\$ 2,848,763	\$ 2,900,279	\$ -	\$ 2,900,279
Excise taxes	276,535	-	276,535	313,388	-	313,388
Interest and lien costs	20,000	-	20,000	24,933	-	24,933
Licenses and permits	28,420	-	28,420	29,167	-	29,167
Intergovernmental						
Education	4,399,643	-	4,399,643	5,171,149	-	5,171,149
On-behalf payments - State of Maine	-	-	-	-	359,461	359,461
Town	678,415	-	678,415	1,065,230	-	1,065,230
Charges for services	30,223	-	30,223	33,598	-	33,598
Interfund charges for services	92,398	-	92,398	92,398	-	92,398
Interest earnings (loss)	38,000	-	38,000	(10,062)	-	(10,062)
Donation	-	-	-	5,792	-	5,792
Miscellaneous	26,166	-	26,166	18,689	-	18,689
Total revenues	<u>8,438,563</u>	<u>-</u>	<u>8,438,563</u>	<u>9,644,561</u>	<u>359,461</u>	<u>10,004,022</u>
EXPENDITURES						
Current						
General government	503,376	-	503,376	450,516	-	450,516
Police department	385,633	-	385,633	375,243	-	375,243
Fire department	295,091	(7,500)	287,591	279,752	-	279,752
Public safety building	-	-	-	-	-	-
Public works	381,931	(6,000)	375,931	432,691	-	432,691
Town utilities	180,336	-	180,336	179,852	-	179,852
Education	6,179,220	(111,707)	6,067,513	6,141,781	(111,707)	6,030,074
Adult education	85,110	-	85,110	85,110	-	85,110
On-behalf payments - State of Maine	-	-	-	-	359,461	359,461
Town activities, facilities and social services	50,367	-	50,367	50,187	-	50,187
General assistance	5,700	-	5,700	2,381	-	2,381
Airport	19,800	(10,000)	9,800	5,578	-	5,578
County tax	240,965	-	240,965	240,965	-	240,965
Tax increment financing	38,945	-	38,945	36,967	-	36,967
Other services	9,000	-	9,000	4,350	-	4,350
Debt service						
Principal	181,394	103,835	285,229	181,394	103,835	285,229
Interest and other charges	15,465	7,872	23,337	15,452	7,872	23,324
Capital outlay	-	-	-	9,850	-	9,850
Total expenditures	<u>8,572,333</u>	<u>(23,500)</u>	<u>8,548,833</u>	<u>8,492,069</u>	<u>359,461</u>	<u>8,851,530</u>
Excess (deficiency) of revenues over expenditures	<u>(133,770)</u>	<u>23,500</u>	<u>(110,270)</u>	<u>1,152,492</u>	<u>-</u>	<u>1,152,492</u>
OTHER FINANCING SOURCES (USES)						
Use of unrestricted carryover fund balances	100,000	-	100,000	-	-	-
Use of restricted carryover fund balances	307,142	-	307,142	-	-	-
Overlay	(84,472)	-	(84,472)	-	-	-
Transfers out	(188,900)	(23,500)	(212,400)	(278,576)	-	(278,576)
Total other financing sources and uses	<u>133,770</u>	<u>(23,500)</u>	<u>110,270</u>	<u>(278,576)</u>	<u>-</u>	<u>(278,576)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>873,916</u>	<u>-</u>	<u>873,916</u>
FUND BALANCES - BEGINNING				<u>5,547,739</u>	<u>-</u>	<u>5,547,739</u>
FUND BALANCES - ENDING				<u>\$ 6,421,655</u>	<u>\$ -</u>	<u>\$ 6,421,655</u>

* - Includes additional adult education budgeted revenues, reclassifications, and use of committed funds

** - Adjustments necessary to convert the general fund's net change in fund balances on the budget basis to a GAAP basis are provided below:

Net change in fund balances - budget basis	\$ 873,916
On behalf payments revenue	359,461
On behalf payments expenditures	(359,461)
Net change in fund balances - GAAP basis	<u>\$ 873,916</u>

Town of Machias, Maine
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2022

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Changes	Final*		
REVENUES					
Property taxes, net	\$ 2,848,763	\$ -	\$ 2,848,763	\$ 2,900,279	\$ 51,516
Excise taxes	276,535	-	276,535	313,388	36,853
Interest and lien costs	20,000	-	20,000	24,933	4,933
Licenses and permits	28,420	-	28,420	29,167	747
Intergovernmental					
Education	4,399,643	-	4,399,643	5,171,149	771,506
Town	678,415	-	678,415	1,065,230	386,815
Charges for services	30,223	-	30,223	33,598	3,375
Interfund charges for services	92,398	-	92,398	92,398	-
Investment earnings (loss)	38,000	-	38,000	(10,062)	(48,062)
Donation	-	-	-	5,792	5,792
Miscellaneous	26,166	-	26,166	18,689	(7,477)
Total revenues	<u>8,438,563</u>	<u>-</u>	<u>8,438,563</u>	<u>9,644,561</u>	<u>1,205,998</u>
EXPENDITURES					
Current					
General government	503,376	-	503,376	450,516	52,860
Police department	385,633	-	385,633	375,243	10,390
Fire department	295,091	(7,500)	287,591	279,752	7,839
Public works	381,931	(6,000)	375,931	432,691	(56,760)
Town utilities	180,336	-	180,336	179,852	484
Education	6,179,220	-	6,179,220	6,141,781	37,439
Adult education	85,110	-	85,110	85,110	-
Town activities, facilities and social services	50,367	-	50,367	50,187	180
General assistance	5,700	-	5,700	2,381	3,319
Airport	19,800	(10,000)	9,800	5,578	4,222
County tax	240,965	-	240,965	240,965	-
Tax increment financing	38,945	-	38,945	36,967	1,978
Other services	9,000	-	9,000	4,350	4,650
Debt service					
Principal	181,394	-	181,394	181,394	-
Interest and other charges	15,465	-	15,465	15,452	13
Capital outlay	-	-	-	9,850	(9,850)
Total expenditures	<u>8,572,333</u>	<u>(23,500)</u>	<u>8,548,833</u>	<u>8,492,069</u>	<u>56,764</u>
Excess (deficiency) of revenues over expenditures	<u>(133,770)</u>	<u>23,500</u>	<u>(110,270)</u>	<u>1,152,492</u>	<u>1,262,762</u>
OTHER FINANCING SOURCES (USES)					
Use of unrestricted carryover fund balances	100,000	-	100,000	-	100,000
Use of restricted carryover fund balances	307,142	-	307,142	-	307,142
Overlay	(84,472)	-	(84,472)	-	(84,472)
Transfers out	(188,900)	(89,687)	(278,587)	(278,576)	11
Total other financing sources and uses	<u>133,770</u>	<u>(89,687)</u>	<u>44,083</u>	<u>(278,576)</u>	<u>322,681</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (66,187)</u>	<u>\$ (66,187)</u>	873,916	<u>\$ 940,103</u>
FUND BALANCES - BEGINNING				<u>5,547,739</u>	
FUND BALANCES - ENDING				<u>\$ 6,421,655</u>	

* - Includes additional adult education budgeted revenues, reclassifications, and use of committed funds

Town of Machias, Maine
 Schedule of the Town's Proportionate Share of the Net Pension Liability
 State Employees and Teachers Plan
 Last 10 Fiscal Years*
 For the years ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability	0.025313%	0.018944%	0.018657%	0.019455%	0.017803%	0.013697%	0.014039%	0.011751%	0.014357%
Town's proportionate share of the net pension liability	\$ 214,104	\$ 309,214	\$ 273,488	\$ 262,534	\$ 258,595	\$ 241,962	\$ 189,543	\$ 126,950	\$ 228,255
State's proportionate share of the net pension liability associated with the Town	<u>1,410,408</u>	<u>2,832,702</u>	<u>2,487,064</u>	<u>2,291,484</u>	<u>2,504,131</u>	<u>3,074,740</u>	<u>2,450,872</u>	<u>2,086,549</u>	<u>3,057,002</u>
Total	<u>\$ 1,624,512</u>	<u>\$ 3,141,916</u>	<u>\$ 2,760,552</u>	<u>\$ 2,554,018</u>	<u>\$ 2,762,726</u>	<u>\$ 3,316,702</u>	<u>\$ 2,640,415</u>	<u>\$ 2,213,499</u>	<u>\$ 3,285,257</u>
Town's covered-employee payroll***	\$ 2,596,982	\$ 2,490,981	\$ 2,394,691	\$ 2,322,930	\$ 2,300,016	\$ 2,204,174	\$ 2,310,728	\$ 2,310,728	\$ 2,260,733
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.24%	12.41%	11.42%	11.30%	11.24%	10.98%	8.20%	5.49%	10.10%
Plan fiduciary net position as a percentage of the total pension liability**	92.12%	83.06%	84.52%	85.17%	83.35%	79.05%	83.55%	86.46%	76.85%

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

** Plan net position and collective net pension liability reflect only the teachers' group portion of the SET plan

*** Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

**** The Town's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For System employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

Town of Machias, Maine
 Schedule of Town Pension Contributions
 State Employees and Teachers Plan
 Last 10 Fiscal Years*
 For the years ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 155,970	\$ 138,085	\$ 120,956	\$ 118,559	\$ 99,029	\$ 90,209	\$ 75,753	\$ 78,454	\$ 22,528
Contributions in relation to the contractually required contribution**	(155,970)	(138,085)	(120,956)	(118,559)	(99,029)	(90,209)	(75,753)	(78,454)	(22,528)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll***	\$ 2,596,982	\$ 2,490,981	\$ 2,394,691	\$ 2,322,930	\$ 2,300,016	\$ 2,204,174	\$ 2,310,728	\$ 2,310,728	\$ 2,260,733
Contributions as a percentage of covered-employee payroll	6.01%	5.54%	5.05%	5.10%	4.31%	4.09%	3.28%	3.40%	1.00%

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

**Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

*** The Town's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For System employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

Notes to Schedule:

Changes of Benefit Terms: There were no changes of benefit terms in FY 2022
Changes in Benefit Assumptions: There were no changes of benefit assumptions in FY 2022

Town of Machias, Maine
Schedule of the Town's Proportionate Share of the Net OPEB Liability
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>24,258</u>	<u>55,419</u>	<u>47,033</u>	<u>46,090</u>	<u>38,991</u>
Total	<u><u>\$ 24,258</u></u>	<u><u>\$ 55,419</u></u>	<u><u>\$ 47,033</u></u>	<u><u>\$ 46,090</u></u>	<u><u>\$ 38,991</u></u>
Town's covered-employee payroll	\$ 1,021,000	\$ 931,000	\$ 1,016,973	\$ 863,973	\$ 962,371
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability **	81.88%	62.70%	62.29%	61.14%	60.11%

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

** Plan net position and collective net OPEB liability reflect only the teachers' group portion of the SET plan

Notes to schedule

Changes in Benefit Terms - None

Changes of Assumptions - The following are changes in actuarial assumptions used in valuations:

	2022	2021	2020	2019	2018
Discount rate	6.50%	6.50%	6.75%	6.75%	6.875%

Town of Machias, Maine
Schedule of Town OPEB Contributions
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,021,000	\$ 931,000	\$ 1,016,973	\$ 863,973	\$ 962,371
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

Town of Machias, Maine
Postretirement Employee Healthcare Plan -
Schedule of Changes in Total Town Health Plan Net OPEB Liability and Related Ratios
Last 10 Fiscal Years*
For the years ended June 30,

	2022	2021	2020	2019	2018
	Actuarial Valuation Date	Actuarial Valuation Date	Actuarial Valuation Date	Actuarial Valuation Date	Actuarial Valuation Date
	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018
Total OPEB Liability					
Service cost (BOY)	\$ 8,042	\$ 7,006	\$ 5,048	\$ 5,573	\$ 5,214
Interest (includes interest on service cost)	2,250	2,439	2,753	2,335	1,786
Changes of benefit terms	-	-	(1,482)	-	-
Differences between expected and actual experience	(26,034)	-	(8,681)	-	3,862
Changes in assumptions	(9,814)	6,730	22,765	(7,238)	9,842
Benefit payments, including refunds of member contributions	(80)	(77)	(891)	(857)	(49)
Net change in total OPEB liability	(25,636)	16,098	19,512	(187)	20,655
Total OPEB liability - beginning	98,139	82,041	62,529	62,716	42,061
Total OPEB liability - ending	\$ 72,503	\$ 98,139	\$ 82,041	\$ 62,529	\$ 62,716
Plan fiduciary net position					
Contributions - employer	80	77	891	857	49
Benefit payments, including refunds of member contributions	(80)	(77)	(891)	(857)	(49)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-	-
Net OPEB liability - ending	\$ 72,503	\$ 98,139	\$ 82,041	\$ 62,529	\$ 62,716
Covered employee payroll	\$ 569,506	\$ 481,091	\$ 481,091	\$ 488,088	\$ 488,088
Net OPEB liability as a percentage of covered employee payroll	<u>12.7%</u>	<u>20.4%</u>	<u>17.1%</u>	<u>12.8%</u>	<u>12.8%</u>

* The amounts presented for each fiscal year were determined as of January 1 of the calendar year.

Notes to schedule:

Changes in Benefit Terms - None

Changes of Assumptions

	Actuarial Valuation Date	Actuarial Valuation Date	Actuarial Valuation Date	Actuarial Valuation Date	Actuarial Valuation Date
	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018
Discount Rate	2.06%	2.12%	2.74%	4.10%	3.44%
Healthcare cost trend rates (initially applied in FYE 2018 grading over 14 years to 4% per annum)					
Pre-Medicare Medical	6.25%	8.20%	8.50%	7.90%	
Pre-Medicare Drug	13.10%	8.45%	8.75%	9.20%	
Medicare Medical	5.00%	4.90%	5.00%	4.87%	
Medicare Drug	9.90%	8.45%	8.75%	9.20%	
Salary increase rate	2.75%	2.75%	2.75%	2.75%	

For 2018 through 2021, mortality rates were based on the RP 2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.
For 2022 and 2023, mortality rates were based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females.

Town of Machias, Maine
Postretirement Employee Healthcare Plan -
Schedule of Changes in Total School Department Health Plan Net OPEB Liability and Related Ratios
For the Year Ended June 30,

	2022 Actuarial Valuation Date June 30, 2021	2021 Actuarial Valuation Date June 30, 2020	2020 Actuarial Valuation Date June 30, 2019	2019 Actuarial Valuation Date June 30, 2018
<u>Total OPEB Liability</u>				
Service cost (BOY)	\$ 26,276	\$ 16,621	\$ 14,236	\$ 15,046
Interest (includes interest on service cost)	35,525	54,315	56,351	53,654
Changes of benefit terms	-	(100,900)	-	-
Differences between expected and actual experience	-	(100,389)	-	-
Changes in assumptions	12,444	224,808	77,612	(60,959)
Benefit payments, including refunds of member contributions	(37,489)	(59,226)	(50,448)	(48,704)
Net change in total OPEB liability	36,756	35,229	97,751	(40,963)
Total OPEB liability - beginning	1,599,824	1,564,595	1,466,844	1,507,807
Total OPEB liability - ending	\$ 1,636,580	\$ 1,599,824	\$ 1,564,595	\$ 1,466,844
<u>Plan fiduciary net position</u>				
Contributions - employer	37,489	59,226	50,448	48,704
Benefit payments, including refunds of member contributions	(37,489)	(59,226)	(50,448)	(48,704)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-
Net OPEB liability - ending	\$ 1,636,580	\$ 1,599,824	\$ 1,564,595	\$ 1,466,844
Covered employee payroll	\$ 3,659,469	\$ 3,570,213	\$ 3,675,042	\$ 3,576,683
Net OPEB liability as a percentage of covered employee payroll	44.7%	44.8%	42.6%	41.0%

Notes to schedule:

Changes in Benefit Terms - in 2020, implemented the Medicare Advantage plan

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2022	2021	2020	2019
Discount rate	2.16%	2.21%	3.50%	3.87%

Town of Machias, Maine
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Fund - School Food Service	Special Revenue Fund - Town	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,126	\$ -	\$ 4,126
Investments	-	248,634	248,634
Due from other funds	-	36,801	36,801
Receivable from other governments	15,724	-	15,724
Other receivable	22,082	-	22,082
Note receivable	-	2,623	2,623
Inventories	13,401	-	13,401
Total assets	<u>\$ 55,333</u>	<u>\$ 288,058</u>	<u>\$ 343,391</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,666	\$ -	\$ 3,666
Due to other funds	42,975	-	42,975
Accrued payroll liability	9,717	-	9,717
Total liabilities	<u>56,358</u>	<u>-</u>	<u>56,358</u>
Fund balances			
Nonspendable for inventory	13,401	-	13,401
Restricted for			
Town grants and other purposes	-	288,058	288,058
Unassigned (deficit)	(14,426)	-	(14,426)
Total fund balances	<u>(1,025)</u>	<u>288,058</u>	<u>287,033</u>
Total liabilities and fund balances	<u>\$ 55,333</u>	<u>\$ 288,058</u>	<u>\$ 343,391</u>

Town of Machias, Maine
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	<u>Special Revenue Fund - School Food Service</u>	<u>Special Revenue Fund - Town</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 377,772	\$ 234,602	\$ 612,374
Charges for services	2,461	-	2,461
Investment earnings (loss)	-	(14,433)	(14,433)
Total revenues	<u>380,233</u>	<u>220,169</u>	<u>600,402</u>
EXPENDITURES			
Current			
Food and supplies	235,151	-	235,151
Labor	125,530	-	125,530
Capital outlay	-	234,602	234,602
Total expenditures	<u>360,681</u>	<u>234,602</u>	<u>595,283</u>
Excess (deficiency) of revenues over expenditures	<u>19,552</u>	<u>(14,433)</u>	<u>5,119</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	66,187	-	66,187
Total other financing sources and uses	<u>66,187</u>	<u>-</u>	<u>66,187</u>
Net change in fund balances	85,739	(14,433)	71,306
FUND BALANCES (DEFICIT) - BEGINNING	<u>(86,764)</u>	<u>302,491</u>	<u>215,727</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ (1,025)</u>	<u>\$ 288,058</u>	<u>\$ 287,033</u>

Town of Machias, Maine

TOWN OF MACHIAS SCHOOL DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND

Year ended June 30, 2022

	Original Budget	Budget Changes*	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Local assessments	\$ 1,527,545	\$ -	\$ 1,527,545	\$ 1,527,545	\$ -
State subsidy	2,979,533	-	2,979,533	3,098,256	118,723
Intergovernmental	-	257,463	257,463	242,540	(14,923)
Tuition and fees	1,329,000	-	1,329,000	1,752,880	423,880
Other	36,000	-	36,000	15,809	(20,191)
Total revenues	<u>5,872,078</u>	<u>257,463</u>	<u>6,129,541</u>	<u>6,637,030</u>	<u>507,489</u>
EXPENDITURES					
Regular instruction					
Elementary	1,430,459	-	1,430,459	1,443,872	(13,413)
Early childhood	164,968	-	164,968	159,901	5,067
Secondary	796,734	(59,507)	737,227	725,290	11,937
Gifted and talented	96,309	-	96,309	84,546	11,763
Special education					
Elementary	483,279	47,036	530,315	463,395	66,920
Secondary	219,125	21,825	240,950	231,195	9,755
Administrative	44,495	52,045	96,540	94,083	2,457
Tutoring	5,716	-	5,716	892	4,824
Evaluation	23,153	48,830	71,983	62,356	9,627
IEP	22,527	-	22,527	21,110	1,417
Speech therapy	23,321	33,370	56,691	54,789	1,902
Occupational therapy	23,253	54,357	77,610	74,240	3,370
Career and technical education	831,946	-	831,946	808,375	23,571
Other Instruction					
Co-curricular - athletic elementary	44,450	-	44,450	44,337	113
Co-curricular - athletic secondary	106,506	-	106,506	98,194	8,312
Co-curricular - elementary	33,672	-	33,672	21,062	12,610
Co-curricular - secondary	69,682	-	69,682	44,647	25,035
Student and staff support					
Guidance and counseling - elementary	87,866	-	87,866	84,511	3,355
Guidance and counseling - secondary	118,317	-	118,317	117,393	924
Health services	49,351	-	49,351	45,887	3,464
Library and media - elementary	37,102	-	37,102	27,052	10,050
Library and media - secondary	41,057	-	41,057	36,332	4,725
System administration					
Office of superintendent	148,782	-	148,782	148,782	-
School board	29,670	-	29,670	27,325	2,345
School administration					
Office of principal - elementary	212,461	-	212,461	198,100	14,361
Office of principal - secondary	174,513	-	174,513	165,786	8,727
Transportation and buses	162,193	4,000	166,193	164,811	1,382
Facilities and maintenance					
Operation and maintenance of plant	583,117	59,507	642,624	642,060	564
Debt service	30,000	-	30,000	28,443	1,557
Vehicle Maintenance & Operation	8,509	-	8,509	11,130	(2,621)
Site improvement	500	-	500	-	500
Other					
Capital outlay	-	11,885	11,885	11,885	-
Contingency	10,000	(4,000)	6,000	-	6,000
Total expenditures	<u>6,113,033</u>	<u>269,348</u>	<u>6,382,381</u>	<u>6,141,781</u>	<u>240,600</u>
Excess (deficiency) of revenues over expenditures	<u>(240,955)</u>	<u>(11,885)</u>	<u>(252,840)</u>	<u>495,249</u>	<u>748,089</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(66,187)	-	(66,187)	(66,187)	-
Utilization of prior year surplus	307,142	11,885	319,027	-	(319,027)
Total other financing sources	<u>240,955</u>	<u>11,885</u>	<u>252,840</u>	<u>(66,187)</u>	<u>(319,027)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,062</u>	<u>\$ 429,062</u>

* Changes to approved budget for use of carryovers, use of revenues for budget and allowed cost center transfers for budget overages

Town of Machias, Maine
 Combining Balance Sheet - Special Revenue Funds - Town
 June 30, 2022

	Downtown Revolving Loan Fund	Station 98	Economic Development (Mill)	State Local Road Assistance	Sewer Grant	Maine Waste Management Grant	Downtown planning	Nelson Park	Scholarship Funds	Waterfront Grant	Thermal imaging camera	Totals
Investments	\$ -	\$ 2,965	\$ 244,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,392	\$ 248,634
Loans receivable	2,623	-	-	-	-	-	-	-	-	-	-	2,623
Due from other funds	5,399	-	-	16,345	86	4,990	8,784	1,022	175	-	-	36,801
Total assets	\$ 8,022	\$ 2,965	\$ 244,277	\$ 16,345	\$ 86	\$ 4,990	\$ 8,784	\$ 1,022	\$ 175	\$ -	\$ 1,392	\$ 288,058
FUND EQUITY												
Fund Balance	8,022	2,965	244,277	16,345	86	4,990	8,784	1,022	175	-	1,392	288,058
Restricted	-	-	-	-	-	-	-	-	-	-	-	-
Total fund equity	8,022	2,965	244,277	16,345	86	4,990	8,784	1,022	175	-	1,392	288,058
Total liabilities and fund equity	\$ 8,022	\$ 2,965	\$ 244,277	\$ 16,345	\$ 86	\$ 4,990	\$ 8,784	\$ 1,022	\$ 175	\$ -	\$ 1,392	\$ 288,058

Town of Machias, Maine
Statement of Receipts, Disbursements, and Changes in Balances
Special Revenue - School Activity Funds
June 30, 2022

	Balances			Balances
	July 1,	Receipts	Disbursements	June 30,
	2021			2022
Rose Gaffney School	\$ 29,043	\$ 42,399	\$ 46,587	\$ 24,855
Machias High School	54,507	99,124	71,241	82,390
Machias Vocational Center	<u>4,170</u>	<u>-</u>	<u>-</u>	<u>4,170</u>
Total	<u>\$ 87,720</u>	<u>\$ 141,523</u>	<u>\$ 117,828</u>	<u>\$ 111,415</u>

Town of Machias, Maine
Taxes receivable, Tax liens and Tax acquired property
General Fund
June 30, 2022

Taxes receivable	
2021	\$ 181,003
2020	1,625
2019 and prior	<u>6,718</u>
Total taxes receivable	<u>189,346</u>
Tax liens and tax acquired property	
2020	79,112
2019 and prior	<u>17,907</u>
Total tax liens and tax acquired property	<u>97,019</u>
Total taxes receivable, tax liens and tax acquired property	<u>\$ 286,365</u>

**Report on Compliance
With the Requirements of the
Maine School Finance Act**

Board of Selectmen
Town of Machias, Maine

We audited the financial statements of Town of Machias, Maine as of and for the year ended June 30, 2022, and have issued our report thereon dated July 2, 2024.

The management of Town of Machias, Maine is responsible for the Town's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Town's compliance with laws and regulations, noncompliance with which could have a material effect on the financial statements of Town of Machias, Maine.

Title 20-A Sec 6051 requires certain written assurances with respect to school audits. Our audit of compliance with laws and regulations consisted of, at a minimum, the following:

1. The audit has been conducted in accordance with applicable state and federal laws relating to financial and compliance audits as indicated in federal Office of Management and Budget circulars.
2. Budgetary controls were in place.
3. A determination of whether or not the annual financial data submitted to the department is correct.
4. A determination of whether or not the School Department has exceeded its authority to expend funds as provided by the total budget summary article.
5. The School Department has complied with applicable provisions of the Essential Services and Program Funding Act.
6. A determination of whether the School Department has complied with the applicable provisions of the unexpended balances requirements established under Section 15004.
7. The School Department has complied with transfer limitations between budget cost centers pursuant to section 1485, subsection 4.
8. The School Department has complied with budget content requirements pursuant to section 15693, subsection 1 and cost center summary budget format requirements pursuant to sections 1305C, 1485, 1701C and 2307.

The results of our tests indicate that, for the items tested, Town of Machias, Maine complied with those provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for the items not tested, Town of Machias, Maine was not in compliance with Maine laws and regulations.

Brantner Whibodeau & Associates

July 2, 2024

Town of Machias, Maine
 Reconciliation of Audit Adjustments to Annual Financial Data
 Submitted to Maine Education Financial System
 Year ended June 30, 2022

	General	Special Revenue		Totals
	Fund	Grants and other	Food service	
<i>June 30 balance as per MEFS</i>	\$ 3,396,935	\$ 1,662,052	\$ (75,334)	\$ 4,983,653
<i>Beginning balance adjustment</i>	(14,115)	-	-	(14,115)
Revenues adjustments				
Adjustments to revenues	(493)	-	65,278	64,785
Revenues not reported	-	171,212	-	171,212
Expenditures adjustments				
Adjustment to expenses	(66,187)	-	-	(66,187)
Expenses not reported	-	(169,470)	-	(169,470)
Adjust inventory	-	-	9,031	9,031
GAAP Basis Fund Balance (Deficit)	<u>\$ 3,316,140</u>	<u>\$ 1,663,794</u>	<u>\$ (1,025)</u>	<u>\$ 4,978,909</u>

Town of Machias, Maine
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal ALN Number	Pass-through Grantor Number	Disbursements/ Expenditures
<i>U.S. Department of Agriculture</i>			
<i>Passed through State of Maine Department of Education</i>			
Supply chain assistance - COVID-19 grant	10.560	013-05A-6670	\$ 1,228
Pandemic EBT administrative costs	10.649	013-05A-6184	13,370
<i>Child Nutrition Cluster</i>			
Fresh fruits and vegetables program	10.582	13-05A-3028-05	18,217
National School Lunch Program	10.555	13-05A-8025-05	209,201
National School Lunch Program - Donated Commodities	10.555	13-05A-8025-05	15,166
After school snack	10.555	13-05A-3020-05	3,999
Summer food service program (COVID-19 funds)	10.559	13-05A-3016-05	10,711
School breakfast program	10.553	13-05A-3014-05	108,287
<i>Total Child Nutrition Cluster</i>			<u>365,581</u>
Total U.S. Department of Agriculture			<u>380,179</u>
<i>U.S. Housing and Urban Development</i>			
<i>Passed through State of Maine Department of Economic and Community Development</i>			
Community Development Block Grants - State's program	14.228	2021 BA Grant	<u>180,000</u>
<i>U.S. Department of Environmental Protection</i>			
<i>Passed through Maine Department of Environmental Protection</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C230093-08	<u>48,425</u>
Total U.S. Environmental Protection Agency			<u>48,425</u>
<i>U.S. Department of Education</i>			
<i>Passed through State of Maine Department of Education</i>			
Title IA Grants to Local Educational Agencies	84.010	13-05A-3057-13	263,723
Career and technical education- Perkins Title IC	84.048	13-05A-3030-8	50,127
Rural Education Achievement Program	84.358	13-05A-3305	350
Title IIA teacher quality	84.367	13-05A-3042-11	51,159
Student support grant	84.424	13-05A-3345-13	389
Education Stabilization Fund-ESSER I (COVID-19 RELIEF)	84.425	13-05A-7006-90	48,296
Education Stabilization Fund-ESSER I (COVID-19 RELIEF)	84.425	13-05A-7041-90	442,157
ARP ESSER III (COVID-19) (2615)	84.425 U	13-05A-7006	303,623
<i>Special Education Cluster</i>			
Title VI, Part B - Local Entitlement	84.027	13-05A-3046-12	82,169
ARP IDEA 611 (Local Entitlement ARP)	84.027X	25-05A-7170	8,496
Part B Section 619- Preschool	84.173	13-05A-6241-23	2,355
ARP IDEA 619 (Local Entitlement Preschool ARP)	84.173X	25-05A-7171	1,386
<i>Total Special Education Cluster</i>			<u>94,406</u>
<i>Direct</i>			
Rural Education Achievement Program (V)	84.358	N/A	<u>11,273</u>
Total U.S. Department of Education			<u>1,265,503</u>
<i>U.S. Department of Transportation</i>			
<i>Direct</i>			
FAA grant - airport improvement program	20.106	AIP#3-23-0029-06-2011	<u>353,755</u>
Total expenditures of federal awards			<u>\$ 2,227,862</u>
<i>U.S. Department of Environmental Protection</i>			
<i>Capitalization Grants for Clean Water State Revolving Funds</i>			
Loan beginning balance			\$ 820,707
Loan draws			<u>48,425</u>
Loan ending balance			<u>\$ 869,132</u>

Town of Machias, Maine
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

PURPOSE OF THE SCHEDULE

The Uniform Guidance requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified by a Federal Assistance Listing number.

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The accompanying schedule includes all federal award programs of the Town for the fiscal year ended June 30, 2022. The reporting entity is defined in the Notes to the Financial Statements of Town of Machias, Maine.

2. BASIS OF PRESENTATION

The information in this schedule is presented in accordance with the requirements of requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

- a. Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
- b. The Uniform Guidance establishes the level of expenditures to be used in defining major federal financial award programs. Major programs for the Town have been identified in the Schedule of Findings and Questioned Costs

3. BASIS OF ACCOUNTING

The information presented in the Schedule of Expenditures of Federal Awards is presented on a basis consistent with the Town's general-purpose financial statements. The grants included are all accounted for on a modified accrual basis of accounting which is described in the notes to the general-purpose financial statements.

4. INDIRECT COST RATE

The Town has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

5. NONCASH AWARDS

The amount of \$15,166 is reported on the schedule as the value of commodities received by the Town during the current year and priced as prescribed by USDA and is included in the National School Lunch Program total.

6. CHILD NUTRITION CLUSTER

The Town commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Town assumes it expends federal monies first.

Town of Machias, Maine
Notes to Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2022

7. CLEAN WATER STATE REVOLVING LOAN FUND- DEP

The Town had \$371,750 outstanding on bond payable which is funded by federal awards at June 30, 2022. Of this total, \$87,654 is unspent bond proceeds held by the Maine Municipal Bond Bank to be drawn down as the funds are expended.

8. GRANT TRANSFERS

As described in the U.S. Department of Education Cross-Cutting Section, sections III.A.3, Activities Allowed or Unallowed – Transferability (SEAs and LEAs) and IV.3. Other Information – Transferability of the 2022 OMB Compliance Supplement, expenditures of funds should be included in the audit universe and total expenditures of the receiving program. For fiscal year 2022, the Town transferred Title IV, Part A (AL 84.424) expenditures to its Title I, Part A (AL 84.010) and Title II, Part A (AL 84.367) programs as submitted to the State of Maine Department of Education in its consolidated application and as denoted on the Schedule of Expenditures of Federal Awards. As such, Title IV, Part A (AL 84.424) expenditures were included as part of Title I, Part A (AL 84.010) and Title II, Part A (AL 84.367).



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Selectmen
Town of Machias, Maine

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Machias, Maine as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Machias, Maine's basic financial statements and have issued our report thereon dated July 2, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Machias, Maine's internal control over financial reporting (internal control) as a basis for designing 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 Town of Machias, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Machias, Maine's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We did identify a certain deficiency in internal control that we consider to be a material weakness which is described in the accompanying schedule of findings and questioned costs as item #2022-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Machias, 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is noted in the accompanying schedule of findings and questioned costs as item #2022-002.

We noted certain other matters that we have reported to management of Town of Machias, Maine, in a letter dated July 2, 2024.

Town of Machias, Maine's Response to Findings

Town of Machias, Maine's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Machias, Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Bartner Shibodeau & Associates

Bangor, Maine
July 2, 2024



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**Independent Auditor's Report on Compliance For Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Selectmen
Town of Machias, Maine

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Town of Machias, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Machias, Maine's major federal programs for the year ended June 30, 2022. Town of Machias, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Machias, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Machias, Maine and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with each major federal program. Our audit does not provide a legal determination of Town of Machias, Maine's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Machias, Maine.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Machias, Maine's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Machias, Maine's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Machias, Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Machias, Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Machias, Maine's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items #2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Town of Machias Maine's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Town of Machias Maine's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brantron Whibodian & Associates

Bangor, Maine
July 2, 2024

**Town of Machias, Maine
Schedule of Findings and Questioned Costs
Year ended June 30, 2022**

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP - *Unmodified opinion*

Internal control over financial reporting

- Material weakness(es) identified? - X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? - yes X none reported

Noncompliance material to financial statements noted? - yes X no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? - yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? - yes X none reported

Type of auditor’s report issued on compliance for major programs - *Unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? - X yes no

Identification of major programs

Federal Assistance Listing Name of Federal Program or Cluster Number(s)

84.010	Title IA disadvantaged fund
84.425	Education stabilization funds

Dollar threshold used to distinguish between Type A and Type B programs - \$750,000

Auditee qualified as low-risk auditee? - yes X no

Town of Machias, Maine
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2022

Section II — Financial Statement Findings

#2022-001	
<i>Criteria or specific requirement</i> <i>Condition</i>	Internal control over financial reporting and closing process. The Town and the School department needs to implement additional controls over year end closing procedures and the preparation of the financial statement. The lack of which results in material audit adjustments. Reconciliations required for financial statement preparation and information required for conversion of fund financial statements to government-wide financial statements and other adjusting entries are not always being performed appropriately and effectively.
<i>Context</i>	The overall year-end financial closing process and reconciliations to financial statements are not being performed timely and additionally the School department maintains independent accounting records, however, additional adjustments were needed to reconcile these sets of records.
<i>Effect</i>	The Town may not be able to identify an error or misstatement in the financial statements.
<i>Cause</i>	Lack of year end reconciliations and analysis of the overall reporting requirements including a lack of maintaining appropriate subsidiary records for year-end adjusting entries.
<i>Recommendation</i>	The Town should establish a system of control and records at year end as well as throughout the years to ensure these records are in agreement and financial statements are adjusted appropriately. The Town will need to take additional time in the year end closing process to identify any errors or misstatements in its own financial statements.
<i>Management's response</i>	<i>The Town will put in place a process for more accurate year-end closing and financial statement preparation. Management will work with the auditor to identify and correct problematic areas.</i>

Section III — Federal Award Findings and Questioned Costs

#2022-002	
<i>Information on federal programs</i> <i>Pass-through entity</i> <i>Finding type</i>	Reporting of year ended June 30, 2021 audit reporting package to Federal Audit Clearinghouse State of Maine Department of Education Compliance
<i>Criteria or specific requirement (including statutory, regulatory or other citation)</i> <i>Condition</i>	Uniform Guidance 2 CFR 200.512(a): The audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months plus 6 months extension after the end of the fiscal year —whichever comes first. The school department did not complete its corrective action plan in time to timely submit the reporting package to the federal audit clearinghouse.
<i>Cause and effect</i>	This specific timing requirement was not fully understood at time of audit report release for fiscal year ended June 30, 2021.

Town of Machias, Maine
Summary Schedule of Prior Audit Findings
Year ended June 30, 2022

#2021-001

Condition

The Town needs to implement additional controls over year end closing procedures and the preparation of the financial statement. The lack of which results in significant audit adjustments. Reconciliations required for financial statement preparation and information required for conversion of fund financial statements to government-wide financial statements and other adjusting entries are not always being performed appropriately and effectively.

Current Status

The Town did not fully correct.

#2021-002

Condition

The Town did not complete its audit in time to submit.

Current Status

Not corrected