

Town of Machias, Maine

**ANNUAL FINANCIAL STATEMENTS**  
**(with required and other supplementary information)**

For the Year Ended June 30, 2021

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## **Independent Auditor's Report**

Board of Selectmen  
Town of Machias, Maine

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

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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Machias, Maine, as of June 30, 2021 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.

***Emphasis of a Matter- Adoption of GASB #84***

As discussed in Note 21 to the financial statements, the Town implemented GASB 84 accounting for fiduciary activities. Our opinion is not modified with respect to that matter.

***Other Matters***

*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 16 and 59 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other 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 other supplementary information on Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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.

The other supplementary information on 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 the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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.

Board of Selectmen

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, 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.

*Brantley Whibodian & Associates*

Bangor, Maine  
November 28, 2023

## **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, 2021 compared with 2020. 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 through the years has served as an economic and service center for many surrounding communities in Washington County.

The Town continues to be successful in obtaining grant funding and has undertaken several new projects. The Town's aging infrastructure continues to require extensive rehabilitation and/or reconstruction. Transportation is another problem area that must be addressed to ensure the Town's long-term business stability and growth. The rehabilitation of the local airport is an ongoing project and could provide an economic boost to the area as the project moves forward.

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, 2021 was \$6,249,803.
- On a budget basis the Town ended the year with a positive budget variance of \$554,669.

### **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 28-58.

#### **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 59-65.

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 \$26,085,823 as of June 30, 2021.

#### Net Position for the Period Ending June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 9,382,212	\$ 7,364,885	\$ 1,070,632	\$ 1,949,517	\$ 10,452,844	\$ 9,314,402
Capital assets	<u>9,335,744</u>	<u>9,058,488</u>	<u>11,261,299</u>	<u>11,551,871</u>	<u>20,597,043</u>	<u>20,610,359</u>
Total Assets	<u>18,717,956</u>	<u>16,423,373</u>	<u>12,331,931</u>	<u>13,501,388</u>	<u>31,049,887</u>	<u>29,924,761</u>
Deferred Outflows of resources	<u>502,887</u>	<u>330,381</u>	<u>-</u>	<u>-</u>	<u>502,887</u>	<u>330,381</u>
Current liabilities	1,049,832	553,795	60,290	821,815	1,110,122	1,375,610
Noncurrent liabilities	<u>3,137,484</u>	<u>3,912,846</u>	<u>1,059,541</u>	<u>1,141,296</u>	<u>4,197,025</u>	<u>5,054,142</u>
Total Liabilities	<u>4,187,316</u>	<u>4,466,641</u>	<u>1,119,831</u>	<u>1,963,111</u>	<u>5,307,147</u>	<u>6,429,752</u>
Deferred inflows of resources	<u>159,804</u>	<u>114,449</u>	<u>-</u>	<u>-</u>	<u>159,804</u>	<u>114,419</u>
Net Position						
Net investment in capital assets	8,308,597	7,698,317	10,342,404	10,155,845	18,651,001	17,854,162
Restricted	3,291,631	2,892,613	843,511	849,850	4,135,142	3,742,463
Unrestricted	<u>3,273,495</u>	<u>1,581,734</u>	<u>26,185</u>	<u>532,582</u>	<u>3,299,680</u>	<u>2,114,316</u>
Total Net Position	<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>

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 \$505,665 and recorded capital asset additions of \$782,921.

The Town recognized deferred property taxes of \$53,223 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 \$43,862.

# 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, 2021 and 2020.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2021	2020	2021	2020	2021	2020
<b>REVENUES</b>						
Charges for services and other	\$ 212,933	\$ 240,478	\$ 1,090,939	\$ 1,094,505	\$ 1,303,872	\$ 1,334,983
Operating grants and contributions	7,193,345	5,630,865	-	-	7,193,345	5,630,865
Capital grants and contributions	131,443	540,870	28,024	466,830	159,467	1,007,700
Property taxes	2,725,059	2,859,308	-	-	2,725,059	2,859,308
Excise and miscellaneous taxes	371,944	295,989	-	-	371,944	295,989
Interest and lien charges	26,857	23,564	-	-	26,857	23,564
Grants and contributions not restricted to specific purpose	647,149	489,307	-	-	647,149	489,307
Unrestricted investment and interest income (loss)	36,693	69,515	(13,919)	282	22,774	69,797
Miscellaneous	17,059	14,865	7,003	15,490	24,062	30,355
Total Revenues	<u>11,362,482</u>	<u>10,164,761</u>	<u>1,112,047</u>	<u>1,577,107</u>	<u>12,474,529</u>	<u>11,741,868</u>
<b>EXPENSES</b>						
General government	\$ 456,510	\$ 449,798	-	-	\$ 456,510	\$ 449,798
Police	278,723	260,157	-	-	278,723	260,157
Fire	435,703	397,876	-	-	435,703	397,876
Public Safety Building	-	8,360	-	-	-	8,360
Public works	523,135	506,086	-	-	523,135	506,086
Education	5,007,720	5,157,714	-	-	5,007,720	5,157,714
Adult education-general	81,419	85,973	-	-	81,419	85,973
On-behalf payments – State of Maine	324,212	322,498	-	-	324,212	322,498
Culture and recreation	74,441	57,340	-	-	74,441	57,340
General assistance	1,015	2,908	-	-	1,015	2,908
Airport	80,000	84,682	-	-	80,000	84,682
County tax	240,318	235,394	-	-	240,318	235,934
Tax incremental financing	33,760	4,745	-	-	33,760	4,745
Other	5,129	3,790	-	-	5,129	3,790
Grants and other contributions	2,013,817	556,507	-	-	2,013,817	556,507
School food service program	285,203	334,45	-	-	285,203	334,245
Interest on long-term debt	21,808	620,95	-	-	21,808	62,095
Capital outlay	107,841	110,935	-	-	107,841	110,935
Business-type Activities	-	-	1,608,066	1,669,191	1,608,066	1,669,191
Total Expenses	<u>9,970,754</u>	<u>8,641,103</u>	<u>1,608,066</u>	<u>1,669,191</u>	<u>11,578,820</u>	<u>10,310,294</u>
Excess(deficiency) before special items and transfers	1,391,728	1,523,658	(496,019)	(92,084)	895,709	1,431,574
Transfers	<u>(169,842)</u>	<u>(129,250)</u>	<u>169,842</u>	<u>129,250</u>	<u>-</u>	<u>-</u>
Change in net position	1,221,886	31,394,408	(326,177)	37,166	895,709	1,431,574
Net position, beginning of year	<u>12,172,664</u>	<u>10,778,256</u>	<u>11,538,277</u>	<u>11,501,111</u>	<u>23,710,941</u>	<u>22,279,367</u>
Reclassification of fiduciary funds	<u>1,479,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,479,173</u>	<u>-</u>
Net position, beginning, restated	<u>13,651,837</u>	<u>10,778,256</u>	<u>11,538,277</u>	<u>11,501,111</u>	<u>25,190,114</u>	<u>22,279,367</u>
Net position, end 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>\$3,710,941</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, 2021, the Town's net position for governmental activities increased by \$1,221,886.

Expenses of governmental activities include depreciation expense of \$505,665. 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, 2021 totaled \$3,824,761 an increase of \$56,441 from June 30, 2020. Of this amount, \$2,725,059 was from local property taxes.

Reclassifications of \$1,479,173 from fiduciary funds to special revenue fund for implementation of GASB 87.

#### **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, 2021, the Town's net position from business-type activities decreased by \$326,177.

#### **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 \$8,015,849, \$481,456 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 \$2,671,837. Excise taxes accounted for \$335,901 in total revenue.

On behalf payments amounted to \$324,212 during the year ended June 30, 2021. 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 \$10,636,776, \$1,278,090 higher than the previous year.

The Town capitalized \$782,921 of capital outlays in governmental activities.

### Capital Asset and Debt Administration

Capital Assets	Balance 6/30/20	Additions/ Completions	Retire- ments/reclass	Balance 6/30/21
<b>Governmental Activities</b>				
Land	\$ 717,074	\$ -	\$ -	\$ 717,074
Construction in progress	-	-	-	-
Buildings and Improvements	10,986,020	272,685	-	11,258,705
Infrastructure	1,881,008	119,361	-	2,000,369
Equipment, furniture and fixtures	820,181	242,785	(10,245)	1,052,721
Vehicles	<u>1,441,554</u>	<u>148,090</u>	<u>(41,595)</u>	<u>1,548,049</u>
Total capital assets	<u>15,845,837</u>	<u>782,921</u>	<u>(51,840)</u>	<u>16,576,918</u>
<i>Less accumulated depreciation</i>	<u>(6,787,349)</u>	<u>(505,665)</u>	<u>51,840</u>	<u>(7,241,174)</u>
Total capital assets, net	<u>\$ 9,058,488</u>	<u>\$ 277,256</u>	<u>\$ -</u>	<u>\$ 9,335,744</u>

**Town of Machias, Maine**

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

	<b>Balance 6/30/20</b>	<b>Additions/ Completions</b>	<b>Retire- ments/reclass</b>	<b>Balance 6/30/21</b>
<b>Business-Type Activities</b>				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	1,286,010	106,823	-	1,392,833
Lines and mains and buildings	15,533,666	-	-	15,533,666
Vehicles and equipment	<u>906,381</u>	<u>-</u>	<u>-</u>	<u>906,381</u>
Total capital assets	<u>17,727,057</u>	<u>106,823</u>	<u>-</u>	<u>17,833,880</u>
<i>Less accumulated depreciation</i>	<u>(6,175,186)</u>	<u>(397,395)</u>	<u>-</u>	<u>(7,241,174)</u>
Total capital assets, net	<u>\$11,551,871</u>	<u>\$(290,572)</u>	<u>\$ -</u>	<u>\$11,261,299</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, 2021 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Bonds and notes payable	\$2,409,052	\$ -	\$(395,635)	\$2,013,417
Compensated Absences	114,425	1,881	(20,076)	96,230
Capital lease obligations	89,728	-	(21,024)	68,704
Net pension liability	273,488	173,811	(138,085)	309,214
Net OPEB liability	<u>1,646,636</u>	<u>139,924</u>	<u>(88,597)</u>	<u>1,697,963</u>
Total	<u>\$4,533,329</u>	<u>\$315,616</u>	<u>\$(663,417)</u>	<u>\$4,185,528</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 \$233,893. Most of this variance resulted from increases in intergovernmental revenues and excise taxes.

Budgeted expenditures exceeded actual expenditures by \$659,115 with under-expended education contributing \$567,389. The Town overspent its town activities by \$16,699 and capital outlay \$16,458 for unanticipated costs and transfers by \$24,550 for unbudgeted sewer fund debt payment contributions

##### **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 2021-22 fiscal year has a slight increase but no change in the mil rate for taxation.

**Town of Machias, Maine**

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

**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, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and equivalents	\$ 6,249,803	\$ -	\$ 6,249,803
Investments	562,089	729,324	1,291,413
Taxes receivable	331,406	-	331,406
Accounts receivable	-	358,414	358,414
Internal balances	162,501	(162,501)	-
Due from other governmental agencies	1,972,065	9,316	1,981,381
Due from Maine Bond Bank	-	136,079	136,079
Other receivables	85,113	-	85,113
Inventories	4,370	-	4,370
Other assets	14,865	-	14,865
Capital assets not being depreciated	717,074	1,393,833	2,110,907
Capital assets being depreciated, net of accumulated depreciation	8,618,670	9,867,466	18,486,136
Total assets	<u>18,717,956</u>	<u>12,331,931</u>	<u>31,049,887</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to OPEB	321,305	-	321,305
Deferred outflows related to pensions	181,582	-	181,582
Total deferred outflows of resources	<u>502,887</u>	<u>-</u>	<u>502,887</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	474,388	30,443	504,831
Due to other governmental agencies	7,595	22,987	30,582
Unearned revenues	-	6,860	6,860
Accrued summer teacher pay	567,849	-	567,849
Long-term liabilities			
Due within one year			
Accrued interest payable	11,497	-	11,497
Bonds and notes payable	285,390	85,133	370,523
Capital leases payable	21,864	-	21,864
Due in more than one year			
Bonds and notes payable	673,053	969,841	1,642,894
Capital leases payable	46,840	-	46,840
Net pension liability	309,214	-	309,214
Net OPEB liability	1,697,963	-	1,697,963
Compensated absences	91,663	4,567	96,230
Total liabilities	<u>4,187,316</u>	<u>1,119,831</u>	<u>5,307,147</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	10,271	-	10,271
Deferred inflows related to OPEB	134,252	-	134,252
Prepaid taxes	15,281	-	15,281
Total deferred inflows of resources	<u>159,804</u>	<u>-</u>	<u>159,804</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,308,597	10,342,404	18,651,001
Restricted for			
Education	2,989,140	-	2,989,140
Machias Water Co.	-	602,131	602,131
Other purposes	302,491	241,380	543,871
Unrestricted	3,273,495	26,185	3,299,680
Total net position	<u>\$ 14,873,723</u>	<u>\$ 11,212,100</u>	<u>\$ 26,085,823</u>

See accompanying notes to basic financial statements.

**Town of Machias, Maine**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 456,510	\$ 71,621	\$ -	\$ -	\$ (384,889)	\$ -	\$ (384,889)
Police department	278,723	5,797	-	-	(272,926)	-	(272,926)
Fire department	435,703	123,351	-	-	(312,352)	-	(312,352)
Public works	523,135	962	78,028	-	(444,145)	-	(444,145)
Education	5,007,720	-	4,433,126	-	(574,594)	-	(574,594)
Adult education	81,419	-	51,419	-	(30,000)	-	(30,000)
On-behalf payments - State of Maine	324,212	-	324,212	-	-	-	-
Culture and recreation	74,441	81	1,263	-	(73,097)	-	(73,097)
General assistance	1,015	-	678	-	(337)	-	(337)
Airport	80,000	813	20,000	-	(59,187)	-	(59,187)
County tax	240,318	-	-	-	(240,318)	-	(240,318)
Tax incremental financing	33,760	-	-	-	(33,760)	-	(33,760)
Other	5,129	-	-	-	(5,129)	-	(5,129)
Grants and other contributions	2,013,817	-	2,053,949	-	40,132	-	40,132
School food service program	285,203	10,308	230,670	-	(44,225)	-	(44,225)
Interest on long-term debt	21,808	-	-	-	(21,808)	-	(21,808)
Capital outlay	107,841	-	-	131,443	23,602	-	23,602
Total governmental activities	9,970,754	212,933	7,193,345	131,443	(2,433,033)	-	(2,433,033)
Business-type activities							
Sewer fund	836,788	522,617	-	28,024	-	(286,147)	(286,147)
Solid waste	192,320	150,794	-	-	-	(41,526)	(41,526)
Ambulance fund	491,532	373,108	-	-	-	(118,424)	(118,424)
Telcenter	87,426	44,420	-	-	-	(43,006)	(43,006)
Total business-type activities	1,608,066	1,090,939	-	28,024	-	(489,103)	(489,103)
Total government	\$ 11,578,820	\$ 1,303,872	\$ 7,193,345	\$ 159,467	(2,433,033)	(489,103)	(2,922,136)
<b>General revenues</b>							
Taxes							
Property taxes					2,725,059	-	2,725,059
Excise taxes, licenses, permits and fees					371,944	-	371,944
Interest and lien charges					26,857	-	26,857
Grants and contributions not restricted to specific programs					647,149	-	647,149
Unrestricted investment and interest earnings (loss)					36,693	(13,919)	22,774
Miscellaneous					17,059	7,003	24,062
Transfers					(169,842)	169,842	-
Total general revenues and transfers					3,654,919	162,926	3,817,845
Change in net position					1,221,886	(326,177)	895,709
<b>NET POSITION - BEGINNING</b>					12,172,664	11,538,277	23,710,941
Reclassification of fiduciary funds (Note 21)					1,479,173	-	1,479,173
<b>NET POSITION - BEGINNING, RESTATED</b>					13,651,837	11,538,277	25,190,114
<b>NET POSITION - ENDING</b>					\$ 14,873,723	\$ 11,212,100	\$ 26,085,823

See accompanying notes to basic financial statements.

**Town of Machias, Maine  
Balance Sheet  
Governmental Funds  
June 30, 2021**

	<b>General Fund</b>	<b>Special Revenue Fund - School Categorical Grants</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,544,961	\$ 1,492,704	\$ -	\$ 212,138	\$ 6,249,803
Investments	299,022	-	-	263,067	562,089
Taxes receivable, net	331,406	-	-	-	331,406
Due from other funds	621,769	-	570,728	36,801	1,229,298
Receivable from other governments	764,596	959,170	82,186	166,113	1,972,065
Other receivables	-	-	59,500	25,613	85,113
Inventories	-	-	-	4,370	4,370
Prepaid expenses	9,040	5,825	-	-	14,865
Total assets	<u>\$ 6,570,794</u>	<u>\$ 2,457,699</u>	<u>\$ 712,414</u>	<u>\$ 708,102</u>	<u>\$ 10,449,009</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 187,927	\$ 248,135	\$ 22,194	\$ 7,189	\$ 465,445
Due to other funds	-	587,557	-	479,240	1,066,797
Payable to other governments	7,595	-	-	-	7,595
Accrued teacher pay	502,059	59,844	-	5,946	567,849
Other payables	8,942	-	-	-	8,942
Total liabilities	<u>706,523</u>	<u>895,536</u>	<u>22,194</u>	<u>492,375</u>	<u>2,116,628</u>
<b>Deferred inflows of resources</b>					
Prepaid property taxes	15,281	-	-	-	15,281
Unavailable property taxes	301,251	-	-	-	301,251
Total deferred inflows of resources	<u>316,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,532</u>
<b>Fund balances</b>					
<b>Nonspendable for</b>					
Inventories	-	-	-	4,370	4,370
Prepaid expenses- education	9,040	-	-	-	9,040
<b>Restricted for</b>					
Education	2,877,546	69,459	-	-	2,947,005
Scholarship funds	-	1,404,984	-	-	1,404,984
Student activity accounts	-	87,720	-	-	87,720
Town grants and other purposes	128,484	-	-	302,491	430,975
<b>Committed for</b>					
Other purposes	90,414	-	-	-	90,414
Capital projects	-	-	690,220	-	690,220
Unassigned (deficit)	-	-	-	(91,134)	(91,134)
Unassigned	2,442,255	-	-	-	2,442,255
Total fund balances	<u>5,547,739</u>	<u>1,562,163</u>	<u>690,220</u>	<u>215,727</u>	<u>8,015,849</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,570,794</u>	<u>\$ 2,457,699</u>	<u>\$ 712,414</u>	<u>\$ 708,102</u>	<u>\$ 10,449,009</u>

**Town of Machias, Maine**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2021**

Total fund balance, governmental funds	\$ 8,015,849
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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.	9,335,744
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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	301,251
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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	502,887
Deferred inflows related to pensions and OPEB	(144,523)

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Bonds Payable Compensated Absences, and Net Pension 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.

	(3,137,485)
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Net Position of Governmental Activities in the Statement of Net Position	\$ 14,873,723
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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, 2021**

	<b>General Fund</b>	<b>Special Revenue Fund - School Categorical Grants</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Property taxes	\$ 2,671,837	\$ -	\$ -	\$ -	\$ 2,671,837
Excise taxes	335,901	-	-	-	335,901
Interest and lien charges	26,857	-	-	-	26,857
Licenses, permits and fees	23,225	-	-	-	23,225
Intergovernmental					
Town	738,538	-	28,200	333,913	1,100,651
Education	4,484,545	2,052,947	-	-	6,537,492
On-behalf payments - State of Maine	324,212	-	-	-	324,212
Charges for services	36,568	-	-	10,308	46,876
Interfund charges for services	131,795	-	-	-	131,795
Investment and interest earnings	34,416	26,342	-	2,277	63,035
Donations	2,000	-	-	-	2,000
Miscellaneous	24,193	-	-	-	24,193
Total revenues	<u>8,834,087</u>	<u>2,079,289</u>	<u>28,200</u>	<u>346,498</u>	<u>11,288,074</u>
<b>EXPENDITURES</b>					
Current					
General government	433,597	-	-	-	433,597
Police department	320,188	-	-	-	320,188
Fire department	266,228	-	-	-	266,228
Public works	348,447	-	-	-	348,447
Town utilities	161,334	-	-	-	161,334
Education	5,354,191	-	-	-	5,354,191
Adult education	81,419	-	-	-	81,419
On-behalf payments - State of Maine	324,212	-	-	-	324,212
Town activities, facilities and social services	67,366	-	-	-	67,366
General assistance	1,015	-	-	-	1,015
Airport	4,406	-	-	-	4,406
County tax	240,318	-	-	-	240,318
Tax increment financing	33,760	-	-	-	33,760
Other services	5,129	-	-	-	5,129
Federal, state and local grants	-	2,013,817	-	-	2,013,817
School food service program	-	-	-	285,203	285,203
Debt service					
Principal	333,023	-	-	-	333,023
Interest and other charges	34,798	-	-	-	34,798
Capital outlay	16,458	-	208,578	103,289	328,325
Total expenditures	<u>8,025,889</u>	<u>2,013,817</u>	<u>208,578</u>	<u>388,492</u>	<u>10,636,776</u>
Excess (deficiency) of revenues over expenditures	<u>808,198</u>	<u>65,472</u>	<u>(180,378)</u>	<u>(41,994)</u>	<u>651,298</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	27,500	56,187	83,687
Transfers out	(253,529)	-	-	-	(253,529)
Total other financing sources (uses)	<u>(253,529)</u>	<u>-</u>	<u>27,500</u>	<u>56,187</u>	<u>(169,842)</u>
Net change in fund balances	<u>554,669</u>	<u>65,472</u>	<u>(152,878)</u>	<u>14,193</u>	<u>481,456</u>
<b>FUND BALANCES - BEGINNING</b>	<u>4,986,928</u>	<u>23,660</u>	<u>843,098</u>	<u>201,534</u>	<u>6,055,220</u>
Reclassification of funds (Note 21)	<u>6,142</u>	<u>1,473,031</u>	<u>-</u>	<u>-</u>	<u>1,479,173</u>
Fund balances - beginning, restated	<u>4,993,070</u>	<u>1,496,691</u>	<u>843,098</u>	<u>201,534</u>	<u>7,534,393</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 5,547,739</u>	<u>\$ 1,562,163</u>	<u>\$ 690,220</u>	<u>\$ 215,727</u>	<u>\$ 8,015,849</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, 2021**

Net change in fund balances - total governmental funds: \$ 481,456

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	\$ 782,921	
Depreciation	<u>(505,665)</u>	277,256

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.

53,223

Some deferred outflows of resources and deferred inflows of resources related to pensions reported in the statement of activities do not require the use of current financial resources and these are not reported in governmental funds:

Deferred outflows related to pensions and OPEB	\$ 172,506	
Deferred inflows related to pensions and OPEB	<u>(41,589)</u>	130,917

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	\$ 333,024	
Accrued interest payable	<u>12,989</u>	346,013

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 pension and OPEB expense		(87,055)
Compensated absences not reflected on Governmental funds		<u>20,076</u>

Change in net position of governmental activities	\$	<u><u>1,221,886</u></u>
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**Town of Machias, Maine**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<b>Enterprise Funds</b>				
	<b>Sewer Fund</b>	<b>Solid Waste Facility</b>	<b>Ambulance Fund</b>	<b>Other Proprietary Fund - Telcenter</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets					
Investments	\$ 729,324	\$ -	\$ -	\$ -	\$ 729,324
Accounts receivable, net	149,528	-	208,886	-	358,414
Due from other funds	53,818	-	93,393	3,013	150,224
Due from Maine Bond Bank	136,079	-	-	-	136,079
Receivables from other governments	8,300	1,016	-	-	9,316
Total current assets	<u>1,077,049</u>	<u>1,016</u>	<u>302,279</u>	<u>3,013</u>	<u>1,383,357</u>
Non-current assets					
Capital assets not being depreciated	1,393,833	-	-	-	1,393,833
Capital assets being depreciated, net of accumulated depreciation	9,714,388	82,719	8,999	61,360	9,867,466
Total non-current assets	<u>11,108,221</u>	<u>82,719</u>	<u>8,999</u>	<u>61,360</u>	<u>11,261,299</u>
Total assets	<u>12,185,270</u>	<u>83,735</u>	<u>311,278</u>	<u>64,373</u>	<u>12,644,656</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	29,072	1,371	-	-	30,443
Due to other funds	-	241,725	71,000	-	312,725
Payable to other governments	22,987	-	-	-	22,987
Other accrued expenses	-	-	-	6,860	6,860
Bonds and notes payable	70,544	-	-	14,589	85,133
Total current liabilities	<u>122,603</u>	<u>243,096</u>	<u>71,000</u>	<u>21,449</u>	<u>458,148</u>
Non-current liabilities					
Compensated absences	-	2,002	2,565	-	4,567
Bonds and notes payable	939,684	-	-	30,157	969,841
Total non-current liabilities	<u>939,684</u>	<u>2,002</u>	<u>2,565</u>	<u>30,157</u>	<u>974,408</u>
Total liabilities	<u>1,062,287</u>	<u>245,098</u>	<u>73,565</u>	<u>51,606</u>	<u>1,432,556</u>
<b>NET POSITION</b>					
Net investment in capital assets	10,234,072	82,719	8,998	16,615	10,342,404
Restricted capital replacement	197,763	-	-	43,617	241,380
Restricted for Machias Water Co.	602,131	-	-	-	602,131
Unrestricted (deficit)	89,017	(244,082)	228,715	(47,465)	26,185
Total net position (deficit)	<u>\$ 11,122,983</u>	<u>\$ (161,363)</u>	<u>\$ 237,713</u>	<u>\$ 12,767</u>	<u>\$ 11,212,100</u>

**Town of Machias, Maine**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Enterprise Funds</b>				
	<b>Sewer Fund</b>	<b>Solid Waste Facility</b>	<b>Ambulance Fund</b>	<b>Other Proprietary Fund - Telcenter</b>	<b>Total</b>
<b>REVENUES</b>					
Charges for services and interest	\$ 522,617	\$ 150,794	\$ 373,108	\$ 44,420	\$ 1,090,939
<b>OPERATING EXPENSES</b>					
Personal services	19,676	108,626	379,390	12,661	520,353
Contractual services	206,529	46,414	12,219	1,313	266,475
Utilities	81,650	6,985	11,954	10,062	110,651
Repairs and maintenance	105,416	5,757	10,562	27,102	148,837
Other supplies and expenses	75,719	7,842	28,956	-	112,517
Insurance claims and expenses	13,201	1,695	7,478	965	23,339
Depreciation	306,098	15,001	40,973	35,323	397,395
Total operating expenses	808,289	192,320	491,532	87,426	1,579,567
Operating income (loss)	(285,672)	(41,526)	(118,424)	(43,006)	(488,628)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue (loss)	(13,919)	-	-	-	(13,919)
Miscellaneous revenue	-	-	-	7,003	7,003
Capital grants and contributions	28,024	-	-	-	28,024
Capital grant expenses	(10,300)	-	-	-	(10,300)
Interest expense	(18,199)	-	-	-	(18,199)
Total non-operating revenues (expenses)	(14,394)	-	-	7,003	(7,391)
Income (loss) before transfers	(300,066)	(41,526)	(118,424)	(36,003)	(496,019)
Transfers in	97,565	60,000	24,277	-	181,842
Transfers out	-	-	(12,000)	-	(12,000)
Total transfers	97,565	60,000	12,277	-	169,842
Change in net position	(202,501)	18,474	(106,147)	(36,003)	(326,177)
Total net position (deficit) - beginning	11,325,484	(179,837)	343,860	48,770	11,538,277
Total net position (deficit) - ending	\$ 11,122,983	\$ (161,363)	\$ 237,713	\$ 12,767	\$ 11,212,100



**Town of Machias, Maine**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Proprietary Fund Types - Enterprise				Totals
	Sewer	Solid Waste Facility	Ambulance Fund	Other Proprietary Fund-Telcenter	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Received from user charges and tenants	\$ 523,872	\$ 151,070	\$ 347,574	\$ 47,105	\$ 1,069,621
Payments for administrative services	(239,409)	(110,320)	(384,304)	(13,626)	(747,659)
Payments to suppliers for goods and services	(242,630)	(59,568)	(65,971)	(38,477)	(406,646)
Interfund activity	(28,139)	(41,182)	90,424	12,265	33,368
Net cash provided (used) by operating activities	13,694	(60,000)	(12,277)	7,267	(51,316)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition and construction of capital assets	(151,530)	-	-	-	(151,530)
Net cash provided (used) by investing activities	(151,530)	-	-	-	(151,530)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interest and fees paid	(18,199)	-	-	-	(18,199)
Donation and other	19,724	-	-	-	19,724
Transfers in (out) net	97,565	60,000	12,277	7,003	176,845
Principal paid on bonds and leases	(69,365)	-	-	(14,270)	(83,635)
Bond and short term note proceeds	108,111	-	-	-	108,111
Net cash provided (used) by financing activities	137,836	60,000	12,277	(7,267)	202,846
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	-	-	-	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	-	-	-	-	-
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income to net cash used by operating activities</b>					
Operating income (loss)	\$ (285,672)	\$ (41,526)	\$ (118,424)	\$ (43,006)	\$ (488,628)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	306,098	15,001	40,973	35,323	397,395
(Increase) decrease in the following assets					
Accounts receivable	1,252	276	(25,535)	-	(24,007)
Interfund receivables	(28,139)	(41,182)	90,424	12,265	33,368
Increase (decrease) in the following liabilities					
Compensated absences payable	-	(684)	2,565	-	1,881
Interfund payables	-	-	-	-	-
Accounts payable and other accrued liabilities	20,155	8,115	(2,280)	2,685	28,675
Net cash provided (used) by operating activities	<u>\$ 13,694</u>	<u>\$ (60,000)</u>	<u>\$ (12,277)</u>	<u>\$ 7,267</u>	<u>\$ (51,316)</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**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.

**A. 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.

**B. 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.

**C. 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, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)**

**1. 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 Categorical Grants*

The special revenue fund – school categorical grants 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.

**2. 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, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)**

**2. 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.

**D. 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, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. 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.

**E. FINANCIAL STATEMENT AMOUNTS**

**1. 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.

**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.

**3. 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, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**4. 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.

**5. 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, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**6. 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 capital leases payable, net pension liability, net 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.

**7. 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.

**8. 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.

**9. 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, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**9. 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.

**10. 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.

**11. Revenue Recognition - Property Taxes**

Property taxes were levied on assessed values of April 1, 2020 and were due on November 16, 2020 and April 19, 2021, respectively. Interest was charged at 8% 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 November 16, 2020, a 2% discount was applied.



**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**11. Revenue Recognition - Property Taxes (Continued)**

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2021, and during the first sixty days of the next fiscal year are recognized as revenue in 2021. 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	\$127,418,100
Personal property	<u>5,879,300</u>
	\$133,297,400
Tax rate (per \$1,000)	<u>20.70</u>
Commitment	\$ 2,759,256
Less collections, discounts and abatements	<u>(2,536,457)</u>
Receivable at June 30, 2021	<u>\$ 222,799</u>
Collection rate	92%

**12. Recent Accounting Standard Adoptions**

During the year ended June 30, 2021, the Town implemented GASB Statement No. 84, Fiduciary Activities. This statement improves financial reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The effect of this Statement on the Town's financial statements is described in Note 21.

**13. Recent Accounting Pronouncements**

In June 2017, the Governmental Accounting Standards Board (GASB) issued 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. The statement is effective for periods beginning after December 15, 2021. The effect of this Statement on the Town's financial statements is not known at this time.

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**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, 2021, the Town reported deposits of \$6,249,803 with bank balances of \$5,944,312. 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>\$ 6,249,803</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, 2021 are as follows:

Money market accounts	\$ 18,598	Level 1
US Treasury Bills and Notes	98,227	Level 2
Federal National Mortgage	202,394	Level 1
Federal Home Loan Mortgage Corp	370,063	Level 1
Common stock, Machias Water Co.	<u>602,131</u>	Level 3
Total investments	<u>\$1,291,413</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, 2021, 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 \$602,131 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, 2021**

**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	\$ -	\$ 202,394
Federal Home Loan Mortgage Corp	120,960	249,103
US Treasury Notes	-	98,227
	<u>\$120,960</u>	<u>\$ 549,724</u>

Investments have been reported as follows:

Reported in governmental funds	\$ 562,089
Reported in proprietary funds	<u>729,324</u>
Total investments	<u>\$1,291,413</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, 2020 the Town's interest has been valued at \$602,131 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, 2021 is \$20,660 based on an estimate of 9% of total receivables.

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021, was as follows:

	<b>Balance 6/30/20</b>	<b>Additions/ Completions</b>	<b>Retirements/ Reclassifications</b>	<b>Balance 6/30/21</b>
<b>Governmental Activities</b>				
<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	10,986,020	272,685	-	11,258,705
Infrastructure	1,881,008	119,361	-	2,000,369
Equipment, furniture and fixtures	820,181	242,785	(10,245)	1,052,721
Vehicles	<u>1,441,554</u>	<u>148,090</u>	<u>(41,595)</u>	<u>1,548,049</u>
Total capital assets being depreciated	<u>15,128,763</u>	<u>782,921</u>	<u>(51,840)</u>	<u>15,859,844</u>
Less accumulated depreciation for:				
Buildings and land improvements	(4,526,311)	(250,124)	-	(4,776,435)
Infrastructure	(595,348)	(66,679)	-	(662,027)
Equipment, furniture and fixtures	(613,149)	(60,209)	10,245	(663,113)
Vehicles	<u>(1,052,541)</u>	<u>(128,653)</u>	<u>41,595</u>	<u>(1,139,599)</u>
Total accumulated depreciation	<u>(6,787,349)</u>	<u>(505,665)</u>	<u>51,840</u>	<u>(7,241,174)</u>
Total capital assets being depreciated, net	<u>8,341,414</u>	<u>277,256</u>	<u>-</u>	<u>8,618,670</u>
Governmental activities capital assets, net	<u>\$ 9,058,488</u>	<u>\$ 277,256</u>	<u>\$ -</u>	<u>\$ 9,335,744</u>
<b>Business-Type Activities</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	<u>1,286,010</u>	<u>106,823</u>	<u>-</u>	<u>1,392,833</u>
Total capital assets not being depreciated	<u>1,287,010</u>	<u>106,823</u>	<u>-</u>	<u>1,393,833</u>
<i>Capital assets being depreciated</i>				
Infrastructure and buildings	15,533,666	-	-	15,533,666
Vehicles and equipment	<u>906,381</u>	<u>-</u>	<u>-</u>	<u>906,381</u>
Total capital assets being depreciated	<u>16,440,047</u>	<u>-</u>	<u>-</u>	<u>16,440,047</u>
Less accumulated depreciation				
Infrastructure and buildings	(5,553,258)	(348,838)	-	(5,902,096)
Vehicles and equipment	<u>(621,928)</u>	<u>(48,557)</u>	<u>-</u>	<u>(670,485)</u>
Total accumulated depreciation	<u>(6,175,186)</u>	<u>(397,395)</u>	<u>-</u>	<u>(6,572,581)</u>
Total capital assets being depreciated, net	<u>10,264,861</u>	<u>(397,395)</u>	<u>-</u>	<u>9,867,466</u>
Business-type activities capital assets, net	<u>\$ 11,551,871</u>	<u>\$ (290,572)</u>	<u>\$ -</u>	<u>\$ 11,261,299</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 4. CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the year ended June 30, 2021, was charged as direct expense to programs as follows:

<i>Governmental activities</i>	
General government	\$ 6,357
Police	17,237
Fire	9,111
Public works	157,069
Recreation	7,075
Airport	75,594
Education	<u>233,222</u>
Total depreciation expense – Governmental activities	<u>\$ 505,665</u>
<i>Business-type activities</i>	
Sewer	\$ 306,098
Solid waste	15,001
Ambulance	40,973
Telcenter	<u>35,323</u>
Total depreciation expense – business-type activities	<u>\$ 397,395</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 5. LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities for the year ended June 30, 2021:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Portion due within one year
<b>Governmental Liabilities</b>					
<b>General Notes</b>					
Machias Savings Bank, 2.06% school renovations note, dated July 10, 2013, due 2023	\$ 77,885	\$ -	\$ (25,395)	\$ 52,490	\$ 26,042
Machias Savings Bank, 2.29% school bus note and equipment note, dated August 25, 2016, due 2023	34,317	-	(34,317)	-	-
Machias Savings Bank, 2.49% road projects note, dated December 14, 2016, due 2027	167,635	-	(22,187)	145,448	22,757
Machias Savings Bank, 2.49% safety building note, dated December 14, 2016, due 2027	145,139	-	(19,210)	125,929	19,703
Machias Savings Bank, 2.39% school bus note, dated July 10, 2017, due 2022	34,414	-	(17,101)	17,313	17,313
Machias Savings Bank, 1.95% airport improvements note, dated October 12, 2018, due 2023	203,033	-	(48,426)	154,607	49,956
Machias Savings Bank, 3.09% equipment purchase and refinancing note, dated July 26, 2018, due 2023	361,398	-	(86,147)	275,251	88,921
Machias Savings Bank, 3.09% school bus note, dated July, 28, 2018, due 2023	52,724	-	(17,154)	35,570	17,685
Machias Savings Bank, 3.24% school gym roof note, dated August 30, 2019, due 2024	105,000	-	(25,221)	79,779	25,815
Machias Savings Bank, 3.24% school bus note, dated August 30, 2019, due 2025	<u>88,898</u>	<u>-</u>	<u>(16,842)</u>	<u>72,056</u>	<u>17,198</u>
Total general obligation bonds and notes	1,270,443	-	(312,000)	958,443	285,390
<b>Capital Leases Payable</b>	89,728	-	(21,024)	68,704	21,864
<b>Net Pension Liability</b>	273,488	173,811	(138,085)	309,214	N/A
<b>Net OPEB Liability</b>	1,646,636	139,924	(88,597)	1,697,963	N/A
<b>Compensated Absences</b>	<u>111,739</u>	<u>-</u>	<u>(20,076)</u>	<u>91,663</u>	<u>N/A</u>
Total governmental activities liabilities	<u>\$ 3,392,034</u>	<u>\$ 313,735</u>	<u>\$ (579,782)</u>	<u>\$ 3,125,987</u>	<u>\$ 307,254</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 5. LONG-TERM LIABILITIES (CONTINUED)**

	Balance June 30. 2020	Increases	Decreases/ Forgiveness	Balance June 30. 2021	Portion due within one year
<b>Business-type Liabilities</b>					
<b>Proprietary Fund Bonds and Notes Payable</b>					
Sewer Bonds					
Maine Municipal Bond Bank, 2.19% sewer rehabilitation project, dated July 26, 2002, due 2023	\$ 45,017	\$ -	\$ (14,634)	\$ 30,383	\$ 15,003
Maine Municipal Bond Bank, 1.40% sewer rehabilitation project, dated May 15, 2010, due 2029	164,105	-	(17,237)	146,868	17,477
Maine Municipal Bond Bank, 1.00% sewer rehabilitation project, dated June 5, 2020, due 2040	483,170	-	(21,943)	461,227	22,163
Rural Development Bond, 2.25% sewer rehabilitation project, dated January 25, 2012, due 2040	387,301	-	(15,551)	371,750	15,900
Telcenter Note Payable					
Machias Savings Bank, 2.19% roof note, dated December 14, 2016, due 2023	<u>59,016</u>	<u>-</u>	<u>(14,270)</u>	<u>44,746</u>	<u>14,589</u>
Total proprietary fund bonds and notes payable	1,138,609	-	(83,635)	1,054,974	85,133
<b>Compensated Absences</b>	<u>2,686</u>	<u>1,881</u>	<u>-</u>	<u>4,567</u>	<u>N/A</u>
Total proprietary activities liabilities	<u>1,141,295</u>	<u>1,881</u>	<u>(83,635)</u>	<u>1,059,541</u>	<u>85,133</u>
Total governmental activities and proprietary liabilities	<u>\$ 4,533,329</u>	<u>\$ 315,616</u>	<u>\$ (663,417)</u>	<u>\$ 4,185,528</u>	<u>\$ 392,387</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	
2022	\$ 285,390	\$ 27,968	\$ 85,133	\$ 18,728	\$ 417,219
2023	275,517	19,426	86,659	17,244	398,846
2024	238,034	11,438	72,447	15,916	337,835
2025	64,495	4,187	58,054	14,725	141,461
2026	46,913	2,399	58,922	13,859	122,093
2027-2031	48,094	1,217	268,765	54,056	372,132
2032-2036	-	-	228,766	32,472	261,238
2037-2040	-	-	196,228	13,036	209,264
	<u>\$ 958,443</u>	<u>\$ 66,635</u>	<u>\$ 1,054,974</u>	<u>\$ 180,036</u>	<u>\$ 2,260,089</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**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, 2021, the Town was in compliance with these limitations.

**Capital Leases Payable**

The Town is the lessee of photocopiers under a capital lease expiring in 2024 and 2025. The liabilities under capital leases 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, 2021, the Town had recorded \$118,212 in governmental activities equipment related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2021 is \$53,028.

Minimum future lease payments under capital leases as of June 30, 2021 are:

2022	\$ 24,092
2023	24,092
2024	19,988
2025	<u>4,655</u>
	72,827
Less amount representing interest	<u>(4,123)</u>
Present value of minimum lease payments	<u>\$ 68,704</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, 2021 arising from these transactions and interfund transfers were as follows:

	Receivable	Payable	Transfers in	Transfers out
General fund	\$621,769	\$ -	\$ -	\$ 253,529
Special revenue- school grants	-	587,557	-	-
Capital projects fund	570,728	-	27,500	-
Sewer fund	53,818	-	97,565	-
Solid waste fund	-	241,725	60,000	-
Ambulance fund	93,393	71,000	24,277	12,000
Non-major proprietary funds	3,013	-	-	-
Non-major governmental funds	<u>36,801</u>	<u>479,240</u>	<u>56,187</u>	<u>-</u>
	<u>\$1,379,522</u>	<u>\$1,379,522</u>	<u>\$ 265,529</u>	<u>\$ 265,529</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 \$97,565 to the proprietary funds, \$13,500 transfers to the capital projects funds from the general fund, a \$56,187 transfer to the other governmental fund - school lunch fund, transfer of \$12,000 from the ambulance fund to the capital projects fund and \$60,000 to the solid waste facility proprietary fund.



**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**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, 2021:

	Governmental Activities	Business-type Activities
Capital assets	\$ 16,576,917	\$ 17,833,882
Accumulated depreciation	(7,241,173)	(6,572,583)
Related bonds payable	(958,443)	(918,895)
Related capital leases payable	(68,704)	-
Total balance	<u>\$ 8,308,597</u>	<u>\$ 10,342,404</u>

**NOTE 8. NET POSITION – RESTRICTED – EDUCATION**

At June 30, 2021 the Town's restricted for education was comprised as follows:

General education	\$ 2,873,825
Adult education	12,760
Adult education – continuity of service	1,126
CTE equipment	3,052
Early college – Bridge fund	47,694
Ellsmore donation	1,795
Field donation	5,250
Mini grant	3,258
Transitions	370
MELMAC grant	<u>6,914</u>
Total	<u>\$ 2,956,044</u>

**NOTE 9. FUND BALANCE – RESTRICTED – OTHER PURPOSES**

At June 30, 2021 the Town's general fund balance restricted for other purposes was comprised as follows:

Tax increment financing	\$ 121,760
Airport Committee	933
Healthy Maine Streets grant	<u>5,791</u>
Total	<u>\$ 128,484</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 10. FUND BALANCE – RESTRICTED – OTHER PURPOSES**

At June 30, 2021 the Town's other governmental funds - special revenue fund balance restricted for Town grants and other purposes was comprised as follows:

Mill account	\$ 258,454
Revolving loan fund	8,021
Sewer grant	86
State and local roads	16,345
Maine Waste Management-transfer station	4,990
Station 98	3,141
Thermal imaging camera	1,473
Downtown planning-donations	8,784
Seagull Motel / Nelson Park	1,022
Scholarship funds	<u>175</u>
Total	<u>\$ 302,491</u>

**NOTE 11. FUND BALANCES – COMMITTED FOR CAPITAL PROJECTS**

At June 30, 2021, the Town's other governmental funds fund balances committed for capital projects were comprised of the following:

Airport improvement	\$ 233,089
Ambulance vehicle replacement	36,000
Boat dock	1,980
Dog park	219
Downtown revitalization	17,624
Economic development	12,649
E-911 signs	1,209
Fire department homeland security	314
Fire department ventilation	32,000
Fire truck replacement	3,276
Industrial development	53,157
Lawnmower	700
Marijuana licenses	49,750
Other – tax acquired property sales	36,262
Public safety building	46,287
Roads	53,596
Sewer expansion	75,323
Sewer overflow	3,367
School renovations	3,703
Tennis court	3,600
Town office	<u>26,115</u>
Total committed for capital projects	<u>\$ 690,220</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 12. FUND BALANCES – COMMITTED FOR OTHER PURPOSES**

At June 30, 2021, 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 <sup>th</sup> of July	5,121
Board account	3,871
250 <sup>th</sup> Anniversary celebration	1,052
Police academy	39,929
Debt service – public safety building	<u>37,417</u>
Total	<u>\$ 90,414</u>

**NOTE 13. DEFINED BENEFIT PENSION PLANS**

**Maine Public Employees Retirement System**

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's State Employee and Teacher (SET) Plan. The SET plan is a cost-sharing multiple employer defined benefit plan with a special funding situation, established by the Maine State legislature. The State of Maine is a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

**Pension Benefits**

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 1.92%.

**Contributions**

Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or by the System's 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.

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 13. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Contributions - SET Plan**

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 14.33% of compensation for non-federally funded employees. The Town is required to contribute 4.16% of compensation to cover the normal costs for non-federally funded employees. The Town is also required to contribute 19.12% of compensation for federally funded employees.

The contributions for the year ended June 30, 2021 were as follows:

	Covered Payroll	Contribution Percentage	Contribution Amount
Employee contribution	\$ 2,596,982	7.65%	\$ 198,669
State DOE contribution for non-federally funded employees	2,262,468	14.33%	324,212
Employer contribution for normal costs of non- federally funded employees	2,262,468	4.16%	94,119
Employer contribution for federally funded employees	334,514	19.12%	63,959

**Net Pension 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 collective net pension liability measured as of June 30, 2020 was as follows:

	SET Plan
Plan collective total pension liability	\$ 9,636,587,340
Less plan net position	<u>(8,004,335,042)</u>
Plan collective net pension liability	<u>\$ 1,632,252,298</u>

At June 30, 2021, 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	\$ 309,214
State's proportionate share of the net pension liability associated with the Town	<u>2,832,702</u>
Total	<u>\$3,141,916</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 13. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Net Pension Liability (Continued)**

The net pension liability was measured as of June 30, 2020, 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 0.018944%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.018657% at the prior measurement date of June 30, 2019.

**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 Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2020, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

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

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Methods and Assumptions (Continued)**

Amortization

The IUAL of the SET Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements. All other gains, losses, and changes are amortized over twenty-year periods beginning on the date as of which they occur.

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 are as follows:

Investment Rate of Return	6.75% per annum, compounded annually
Inflation Rate	2.75%
Annual Salary Increases, Including Inflation	2.75% plus merit component based on each employee's year of service.
Cost of Living Benefit Increases	2.20%
Mortality Rates	For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females is used. For all recipients of disability benefits, the RP2014 Dataset Disabled Annuitant Mortality Table, for males and females, is used.

The long-term expected rate of return on pension plan investments was determined using 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	30.0%	6.0%
US Government	7.5	2.3
Private Equity	15.0	7.6
Real Assets:		
Real Estate	10.0	5.2
Infrastructure	10.0	5.3
Natural Resources	5.0	5.0
Traditional Credit	7.5	3.0
Alternative Credit	5.0	7.2
Diversifiers	10.0	5.9

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2020 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.

The following table shows how the collective net pension liability as of June 30, 2020 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
SET Plan	\$ 2,830,804,610	\$ 1,632,252,298	\$ 633,284,276

**Pension Expense and Revenue**

For the year ended June 30, 2021, the Town recognized pension expense of \$151,016 related to the SET Plan, made up of the Town's proportionate share of plan pension expense \$50,542, pension expense related to specific liabilities of individual employers \$94,838, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$5,636, and recognized revenue of \$375,639 for support provided by the State.

For the year ended June 30, 2021, 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	\$ 9,891	\$ 6,551
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	12,819	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,902	3,720
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>155,970</u>	<u>-</u>
Total	<u>\$ 181,582</u>	<u>\$ 10,271</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 13. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Deferred Outflows and Inflows of Resources (Continued)**

\$155,970 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, 2022. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

<b>Year ended June 30</b>	<b>Amount</b>
2022	\$ (7,932)
2023	629
2024	11,381
2025	<u>11,263</u>
	<u>\$ 15,341</u>

**Further Information Available**

Further information, schedules, as well as the actuarial valuation reports for each of the Maine Public Employee Retirement System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at [www.maineopers.org/Publications/Publications.htm#Annual Reports](http://www.maineopers.org/Publications/Publications.htm#Annual Reports).

**Deferred Compensation Plan – ICMA**

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 \$29,765 and employees elected to defer \$29,316 for a contribution of \$59,081 for the year ended June 30, 2021.



**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 14. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB)**

**A. MAINE PUBLIC EMPLOYEE RETIREMENT SYSTEM – GROUP LIFE INSURANCE**

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

**Other Post-Employment Benefits (OPEB)**

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**

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 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 collective net OPEB liability measured as of June 30, 2020 was as follows:

	<u>SET Plan</u>
Plan collective total OPEB liability	\$ 106,910,772
Less plan net fiduciary position	<u>(67,029,368)</u>
Plan collective net OPEB liability	<u>\$ 39,881,404</u>

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

	<u>SET Plan</u>
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>55,419</u>
Total	<u>\$ 55,419</u>

The net OPEB liability for the Town was measured as of June 30, 2020, 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 proportionate share percentage of the collective net OPEB liability for the SET Plan was 0.0%, and the entire net OPEB liability is reported by the State of Maine.

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 14. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)**

**OPEB Expense and Revenue**

For the year ended June 30, 2021, the Town recognized OPEB expense of \$6,137 related to the SET Plan and recognized revenue of \$6,223 for support provided by the State, and recognized offsetting revenue and expense of \$6,223 for payments made by the State on-behalf of the Town pursuant to the special funding situation of the SET Plan.

**Actuarial Assumptions, Discount Rate, and OPEB Plan Fiduciary Net Position**

Information on the OPEB plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net OPEB liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and OPEB Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at [www.maineopers.org/Publications/Publications.htm#Annual Reports](http://www.maineopers.org/Publications/Publications.htm#Annual Reports).

**B. EMPLOYEE HEALTH PLAN**

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.

**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.

*Employees Covered by Benefit Terms* – At June 30, 2020, the following employees were covered by the Health Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employee entitled to but not yet receiving benefits	-
Active employees	<u>11</u>
Total	<u>11</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 14. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)**

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

The Town's total Health Plan OPEB liability of \$98,139 was measured as of January 1, 2021, and was determined by an actuarial valuation as of that date.

Changes in the Total Health Plan OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 82,041
Changes for the year:	
Service Cost	7,006
Interest	2,439
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	6,730
Benefit payments	(77)
Net changes	16,098
Balance at June 30, 2021	\$ 98,139

Change in assumptions reflects a change in the discount rate from 2.74% to 2.12%. Also, medical and prescription drug projected trends were updated reflecting the Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends

For the year ended June 30, 2021, The Town recognized OPEB expense of \$12,476 related to the Health Plan. At June 30, 2021, 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	\$ 2,146	\$ 6,751
Changes in assumptions or other inputs	29,155	4,826
Employer contributions after the measurement date	370	-
Total	\$ 31,671	\$11,577

\$370 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, 2022. Other amounts reported as deferred inflows and outflows will be recognized as OPEB expense as follows:

Year ended June 30:	
2022	\$ 3,031
2023	3,031
2024	3,031
2025	3,031
2026	3,028
Thereafter	4,572
Total	\$ 19,724

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 14. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

**Actuarial Assumptions - Health Plan** - The total OPEB liability in the January 1, 2021 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, based on the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007, and version 2020\_b, applied to all periods included in the measurement, unless otherwise specified:

Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per capita 2029+	1.50%
Extra Trend due to Taste/Technology 2029+	1.10%
Expected health Share of GDP 2029	20.00%
Health Share of GDP Resistance Point	25.00%
Year for Limiting Cost Growth to GDP Growth	2040

Rates of mortality are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC\_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% of ages 111-120, and convergence to the ultimate rate in the year 2020.

As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2016

**Discount Rate - Health Plan** - The rate used to measure the total OPEB liability for the Health plan was 2.12% per annum. Since the plan is pay as you go and is not funded, the discount rate is based upon high quality AA/Aa or higher bond yields in effect for 20-year, tax exempt general obligation municipal bonds using the Bond Buyer index.

**Sensitivity of the Total Health Plan OPEB Liability to Changes in the Discount Rate** - The following presents the Town's total OPEB liability related to the Health Plan calculated using the discount rate of 2.12%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.12%) or 1 percentage-point higher (3.12%) than the current rate:

	1% Decrease 1.12%	Discount Rate 2.12%	1% Increase 3.12%
Total OPEB Liability	\$ 117,463	\$ 98,139	\$ 82,650
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 117,463</u>	<u>\$ 98,139</u>	<u>\$ 82,650</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 19.7%. A one percent increase in the discount rate decreases the NOL by approximately 15.8%.

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 14. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)**

**Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates** - Changes in the healthcare trend rate affect the measurement of the Total OPEB Liability (TOL). Lower healthcare trend rates produce higher TOL and higher healthcare trend rates produce a lower TOL. The following table presents the Town's total OPEB liability related to the Plan calculated using the current healthcare cost trend rate, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 80,596	\$ 98,139	\$ 120,968
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 80,596</u>	<u>\$ 98,139</u>	<u>\$ 120,968</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 17.9%. A one percent increase in the healthcare trend rate increases the NOL by approximately 23.3%.

**MAINE EDUCATION ASSOCIATION BENEFITS TRUST – SCHOOL DEPARTMENT**

**Plan Description**

The Town's school department sponsors a post-retirement benefit plan providing an implicit rate subsidy of 45% based on the blended single premium for the retiring employee (hereafter referred to as the Plan). Under State law, the blended premium is determined by blending rates for active members and retired members. The Plan is a single-employer OPEB plan administered by the Maine Education Association Benefits Trust (MEABT).

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Benefits Provided**

Under the Plan, MEABT provides a partial premium rate subsidy for retirees that have participated in the MEA Benefits Trust 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). For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B.

*Employees Covered by Benefit Terms* – At June 30, 2020, the following employees were covered by the Plan benefit terms:

Inactive retirees or beneficiaries	26
Active employees	<u>81</u>
Total	<u>107</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 14. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)**

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

The Department's total Plan OPEB liability of \$1,599,824 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Changes in the Total Plan OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 1,564,595
Changes for the year:	
Service Cost	16,621
Interest	54,315
Changes of benefit terms	(100,900)
Differences between expected and actual experience	(100,389)
Changes in assumptions or other inputs	224,808
Benefit payments	<u>(59,226)</u>
Net changes	<u>35,229</u>
Balance at June 30, 2021	<u>\$ 1,599,824</u>

This is the first valuation performed. The changes that are provided in the deferred inflows and outflows are related to the change in the discount rate between the beginning of the measurement date (3.50%) and the end of the measurement date (2.21%). No other changes in assumptions were made.

For the year ended June 30, 2021, The Department recognized OPEB expense of (\$12,033) related to the Plan. At June 30, 2021, 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	\$ -	\$ 87,840
Changes in assumptions or other inputs	252,145	34,835
Employer contributions after measurement date	<u>37,489</u>	<u>-</u>
Total	<u>\$ 289,634</u>	<u>\$122,675</u>

\$37,489 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, 2021. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30:	
2022	\$ 17,931
2023	17,931
2024	17,931
2025	17,928
2026	26,642
Thereafter	<u>31,107</u>
Total	<u>\$ 129,470</u>

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 14. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)**

**Actuarial Assumptions - Plan** - The total OPEB liability in the June 30, 2020 actuarial valuation for the Plan was determined using assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

Mortality rates for the Plan were based on the 2010 Public Plan Teacher Benefits Weighted Employee Mortality Table, for males and females. The rates are generationally projected using the RPEC\_2020 model.

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

**Discount Rate - Plan** - The rate used to measure the total OPEB liability for the Plan was 2.21% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The 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.

**Sensitivity of the Total Plan OPEB Liability to Changes in the Discount Rate** - 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 following table presents the Department's total OPEB liability related to the Plan calculated using the discount rate of 2.21%, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage-point higher (3.21%) than the current rate:

	1% Decrease 1.21%	Discount Rate 2.21%	1% Increase 3.21%
Total OPEB Liability	\$ 1,878,740	\$ 1,599,824	\$ 1,375,332
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,878,740</u>	<u>\$ 1,599,824</u>	<u>\$ 1,375,332</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 17.4%. A one percent increase in the discount rate decreases the NOL by approximately 14.0%.

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 14. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)**

**Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates** - Changes in the healthcare trend rate affect the measurement of the Total OPEB Liability (TOL). Lower healthcare trend rates produce higher TOL and higher healthcare trend rates produce a lower TOL. The following table presents the Department's total OPEB liability related to the Plan calculated using the current healthcare cost trend rate, as well as what the Department's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB Liability	\$ 1,361,222	\$ 1,599,824	\$ 1,899,825
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$1,361,222</u>	<u>\$1,599,824</u>	<u>\$1,899,825</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 14.9%. A one percent increase in the healthcare trend rate increases the NOL by approximately 18.8%.

**NOTE 15. 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.



**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 15. PARTICIPATION IN PUBLIC ENTITY RISK POOL (CONTINUED)**

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 16. 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, 2021, the Town abated property taxes totaling \$24,919 under this program, including the following tax abatement agreement.

**NOTE 17. DEFICIT FUND BALANCE**

The Town has a deficit fund balance of \$91,134 in its other governmental fund – school lunch. The Town plans to address this deficit in future budgets.

**NOTE 18. 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 19. 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.

**Town of Machias, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**NOTE 20. 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 21. RESTATEMENT OF BEGINNING NET POSITION AND BEGINNING FUND BALANCE**

As a result of implementing GASB Statement No. 84, *Fiduciary Activities*, the Town restated its beginning net position on the government-wide statements and beginning fund balance of school department special revenue funds by \$1,473,031, to record the reclassification of private purpose trust scholarship funds of \$1,394,067 and agency funds of \$85,106. Reclassification of \$6,142 from school department special revenue funds to the general fund was for errors in a prior year carryover.

**NOTE 22. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 28, 2023, the date on which the financial statements were available to be issued.

**Town of Machias, Maine**  
**Budget and Actual (with Budget to GAAP Differences)**  
**General Fund**  
**For the year ended June 30, 2021**

	<b>Budgeted Amounts</b>			<b>Actual Amounts, Budgetary Basis</b>	<b>Budget to GAAP Differences**</b>	<b>Actual Amounts, GAAP Basis</b>
	<b>Original</b>	<b>Changes</b>	<b>Final*</b>			
<b>REVENUES</b>						
Property taxes, net	\$ 2,765,256	\$ -	\$ 2,765,256	\$ 2,671,837	\$ -	\$ 2,671,837
Excise taxes	276,635	-	276,635	335,901	-	335,901
Interest and lien costs	18,000	-	18,000	26,857	-	26,857
Licenses and permits	18,950	-	18,950	23,225	-	23,225
Intergovernmental						
Education	4,083,846	236,029	4,319,875	4,484,545	-	4,484,545
On-behalf payments - State of Maine	-	-	-	-	324,212	324,212
Town	656,206	-	656,206	738,538	-	738,538
Charges for services	27,999	-	27,999	36,568	-	36,568
Interfund charges for services	131,795	-	131,795	131,795	-	131,795
Interest earnings	35,000	-	35,000	34,416	-	34,416
Donation	-	-	-	2,000	-	2,000
Miscellaneous	26,266	-	26,266	24,193	-	24,193
Total revenues	<u>8,039,953</u>	<u>236,029</u>	<u>8,275,982</u>	<u>8,509,875</u>	<u>324,212</u>	<u>8,834,087</u>
<b>EXPENDITURES</b>						
Current						
General government	456,826	-	456,826	433,597	-	433,597
Police department	362,353	-	362,353	320,188	-	320,188
Fire department	302,744	-	302,744	266,228	-	266,228
Public works	365,294	(6,000)	359,294	348,447	-	348,447
Town utilities	183,302	-	183,302	161,334	-	161,334
Education	5,912,708	8,872	5,921,580	5,525,161	(170,970)	5,354,191
Adult education	81,419	-	81,419	81,419	-	81,419
On-behalf payments - State of Maine	-	-	-	-	324,212	324,212
Town activities, facilities and social services	50,667	-	50,667	67,366	-	67,366
General assistance	5,950	-	5,950	1,015	-	1,015
Airport	19,800	(9,500)	10,300	4,406	-	4,406
County tax	240,318	-	240,318	240,318	-	240,318
Tax increment financing	26,479	7,281	33,760	33,760	-	33,760
Other services	9,000	-	9,000	5,129	-	5,129
Debt service						
Principal	175,968	157,063	333,031	175,960	157,063	333,023
Interest and other charges	20,891	13,907	34,798	20,891	13,907	34,798
Capital outlay	-	-	-	16,458	-	16,458
Total expenditures	<u>8,213,719</u>	<u>171,623</u>	<u>8,385,342</u>	<u>7,701,677</u>	<u>324,212</u>	<u>8,025,889</u>
Excess (deficiency) of revenues over expenditures	<u>(173,766)</u>	<u>64,406</u>	<u>(109,360)</u>	<u>808,198</u>	<u>-</u>	<u>808,198</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Use of unrestricted carryover fund balances	100,000	-	100,000	-	-	-
Use of restricted carryover fund balances	323,239	7,281	330,520	-	-	-
Overlay	(92,181)	-	(92,181)	-	-	-
Transfers out	(157,292)	(71,687)	(228,979)	(253,529)	-	(253,529)
Total other financing sources and uses	<u>173,766</u>	<u>(64,406)</u>	<u>109,360</u>	<u>(253,529)</u>	<u>-</u>	<u>(253,529)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>554,669</u>	<u>-</u>	<u>554,669</u>
<b>FUND BALANCES - BEGINNING</b>				4,986,928	-	4,986,928
Reclassification of funds (Note 21)				6,142		6,142
<b>FUND BALANCES - BEGINNING, RESTATED</b>				4,993,070		4,993,070
<b>FUND BALANCES - ENDING</b>				<u>\$ 5,547,739</u>	<u>\$ -</u>	<u>\$ 5,547,739</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	\$ 554,669
On behalf payments revenue	324,212
On behalf payments expenditures	(324,212)
Capital outlay	(178,396)
Proceeds from debt	-
Net change in fund balances - GAAP basis	<u>\$ 376,273</u>

**Town of Machias, Maine**  
**Budget and Actual (with Variances)**  
**General Fund**  
**For the year ended June 30, 2021**

	<b>Budgeted Amounts</b>			<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Changes</u>	<u>Final*</u>		
<b>REVENUES</b>					
Property taxes, net	\$ 2,765,256	\$ -	\$ 2,765,256	\$ 2,671,837	\$ (93,419)
Excise taxes	276,635	-	276,635	335,901	59,266
Interest and lien costs	18,000	-	18,000	26,857	8,857
Licenses and permits	18,950	-	18,950	23,225	4,275
Intergovernmental					
Education	4,083,846	236,029	4,319,875	4,484,545	164,670
Town	656,206	-	656,206	738,538	82,332
Charges for services	27,999	-	27,999	36,568	8,569
Interfund charges for services	131,795	-	131,795	131,795	-
Investment earnings	35,000	-	35,000	34,416	(584)
Miscellaneous	26,266	-	26,266	24,193	(2,073)
Total revenues	<u>8,039,953</u>	<u>236,029</u>	<u>8,275,982</u>	<u>8,509,875</u>	<u>233,893</u>
<b>EXPENDITURES</b>					
Current					
General government	456,826	-	456,826	433,597	23,229
Police department	362,353	-	362,353	320,188	42,165
Fire department	302,744	-	302,744	266,228	36,516
Public works	365,294	(6,000)	359,294	348,447	10,847
Town utilities	183,302	-	183,302	161,334	21,968
Education	5,912,708	179,842	6,092,550	5,525,161	567,389
Adult education	81,419	-	81,419	81,419	-
Town activities, facilities and social services	50,667	-	50,667	67,366	(16,699)
General assistance	5,950	-	5,950	1,015	4,935
Airport	19,800	(9,500)	10,300	4,406	5,894
County tax	240,318	-	240,318	240,318	-
Tax increment financing	26,479	7,281	33,760	33,760	-
Other services	9,000	-	9,000	5,129	3,871
Debt service					
Principal	175,968	-	175,968	175,960	8
Interest and other charges	20,891	-	20,891	20,891	-
Capital outlay	-	-	-	16,458	(16,458)
Total expenditures	<u>8,213,719</u>	<u>171,623</u>	<u>8,385,342</u>	<u>7,701,677</u>	<u>683,665</u>
Excess (deficiency) of revenues over expenditures	<u>(173,766)</u>	<u>64,406</u>	<u>(109,360)</u>	<u>808,198</u>	<u>917,558</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Use of unrestricted carryover fund balances	100,000	-	100,000	-	100,000
Use of restricted carryover fund balances	323,239	7,281	330,520	-	330,520
Overlay	(92,181)	-	(92,181)	-	(92,181)
Transfers out	(157,292)	(71,687)	(228,979)	(253,529)	(24,550)
Total other financing sources and uses	<u>173,766</u>	<u>(64,406)</u>	<u>109,360</u>	<u>(253,529)</u>	<u>313,789</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>554,669</u>	<u>\$ 554,669</u>
<b>FUND BALANCES - BEGINNING</b>				4,986,928	
Reclassification of funds (Note 21)				6,142	
<b>FUND BALANCES - BEGINNING, RESTATED</b>				4,993,070	
<b>FUND BALANCES - ENDING</b>				<u>\$ 5,547,739</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,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability	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	\$ 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>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>\$ 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***	\$ 2,490,981	\$ 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	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**	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,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 138,085	\$ 120,956	\$ 118,559	\$ 99,029	\$ 90,209	\$ 75,753	\$ 78,454	\$ 22,528
Contributions in relation to the contractually required contribution**	<u>(138,085)</u>	<u>(120,956)</u>	<u>(118,559)</u>	<u>(99,029)</u>	<u>(90,209)</u>	<u>(75,753)</u>	<u>(78,454)</u>	<u>(22,528)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll***	\$ 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	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 FY2021.

**Changes in Benefit Assumptions:** There were no changes of benefit assumptions in FY2021.

**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>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%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>55,419</u>	<u>47,033</u>	<u>46,090</u>	<u>38,991</u>
Total	<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	\$ 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%
Plan fiduciary net position as a percentage of the total OPEB liability **	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

**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>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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 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%

\* 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,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b><u>Total OPEB Liability</u></b>			
Service cost (BOY)	\$ 7,006	\$ 5,048	\$ 5,573
Interest (includes interest on service cost)	2,439	2,753	2,335
Changes of benefit terms	-	(1,482)	-
Differences between expected and actual experience	-	(8,681)	-
Changes in assumptions	6,730	22,765	(7,238)
Benefit payments, including refunds of member contributions	<u>(77)</u>	<u>(891)</u>	<u>(857)</u>
<b>Net change in total OPEB liability</b>	16,098	19,512	(187)
<b>Total OPEB liability - beginning</b>	82,041	62,529	62,716
<b>Total OPEB liability - ending</b>	<u>\$ 98,139</u>	<u>\$ 82,041</u>	<u>\$ 62,529</u>
<b><u>Plan fiduciary net position</u></b>			
Contributions - employer	77	891	857
Benefit payments, including refunds of member contributions	<u>(77)</u>	<u>(891)</u>	<u>(857)</u>
<b>Net change in plan fiduciary net position</b>	-	-	-
<b>Plan fiduciary net position - beginning</b>	-	-	-
<b>Plan fiduciary net position - ending</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net OPEB liability - ending</b>	<u>\$ 98,139</u>	<u>\$ 82,041</u>	<u>\$ 62,529</u>
Covered employee payroll	<u>\$ 481,091</u>	<u>\$ 481,091</u>	<u>\$ 488,088</u>
Net OPEB liability as a percentage of covered employee payroll	<u>20.4%</u>	<u>17.1%</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 -** Under the Health Plan, changes of assumptions and other inputs reflect the changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2021	2.12%
2020	2.74%
2019	4.10%

**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,**

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

Notes to schedule:

**Changes in Benefit Terms** - MEABT changes in Medicare plans reflect changes in the obligation

Fiscal Year	Impact on Obligation
2021	(\$100,900)

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

Fiscal Year	Rate
2021	2.12%
2020	3.50%
2019	3.87%
2018	3.58%

Additionally, the valuation method was changed from the Projected Unit Credit funding method in 2018 to the Entry Age Normal funding method in 2019

**Town of Machias, Maine**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	<b>Special Revenue Fund - School Food Service</b>	<b>Special Revenue Fund - Town</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 212,138	\$ -	\$ 212,138
Investments	-	263,067	263,067
Due from other funds	-	36,801	36,801
Receivable from other governments	166,113	-	166,113
Other receivable	22,990	-	22,990
Note receivable	-	2,623	2,623
Inventories	4,370	-	4,370
Total assets	<u>\$ 405,611</u>	<u>\$ 302,491</u>	<u>\$ 708,102</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 7,189	\$ -	\$ 7,189
Due to other funds	479,240	-	479,240
Accrued payroll liability	5,946	-	5,946
Total liabilities	<u>492,375</u>	<u>-</u>	<u>492,375</u>
Fund balances			
Nonspendable for inventory	4,370	-	4,370
Restricted for			
Town grants and other purposes	-	302,491	302,491
Unassigned (deficit)	(91,134)	-	(91,134)
Total fund balances	<u>(86,764)</u>	<u>302,491</u>	<u>215,727</u>
Total liabilities and fund balances	<u>\$ 405,611</u>	<u>\$ 302,491</u>	<u>\$ 708,102</u>

**Town of Machias, Maine**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>Special Revenue Fund - School Food Service</u>	<u>Special Revenue Fund - Town</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental	\$ 230,670	\$ 103,243	\$ 333,913
Charges for services	10,308	-	10,308
Investment earnings	-	2,277	2,277
Total revenues	<u>240,978</u>	<u>105,520</u>	<u>346,498</u>
<b>EXPENDITURES</b>			
Current			
Food and supplies	151,789	-	151,789
Labor	133,414	-	133,414
Capital outlay	-	103,289	103,289
Total expenditures	<u>285,203</u>	<u>103,289</u>	<u>388,492</u>
Excess (deficiency) of revenues over expenditures	<u>(44,225)</u>	<u>2,231</u>	<u>(41,994)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	56,187	-	56,187
Total other financing sources and uses	<u>56,187</u>	<u>-</u>	<u>56,187</u>
Net change in fund balances	11,962	2,231	14,193
<b>FUND BALANCES (DEFICIT) - BEGINNING</b>	<u>(98,726)</u>	<u>300,260</u>	<u>201,534</u>
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<u><u>\$ (86,764)</u></u>	<u><u>\$ 302,491</u></u>	<u><u>\$ 215,727</u></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, 2021

	Original Budget	Budget Changes*	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>					
Local assessments	\$ 1,557,042	\$ -	\$ 1,557,042	\$ 1,557,042	\$ -
State subsidy	2,685,093	-	2,685,093	2,701,873	16,780
Intergovernmental	-	236,029	236,029	246,591	10,562
Tuition and fees	1,353,404	-	1,353,404	1,465,374	111,970
Other	4,000	-	4,000	24,784	20,784
Total revenues	<u>5,599,539</u>	<u>236,029</u>	<u>5,835,568</u>	<u>5,995,664</u>	<u>160,096</u>
<b>EXPENDITURES</b>					
Regular instruction					
Elementary	1,461,804	-	1,461,804	1,337,675	124,129
Early childhood	156,116	-	156,116	146,159	9,957
Secondary	746,257	-	746,257	676,346	69,911
Gifted and talented	97,744	-	97,744	82,410	15,334
Special education					
Elementary	487,153	40,848	528,001	441,681	86,320
Secondary	160,029	19,808	179,837	184,484	(4,647)
Administrative	39,889	45,367	85,256	85,256	-
Tutoring	5,716	-	5,716	1,724	3,992
Evaluation	20,931	45,995	66,926	62,448	4,478
Speech therapy	21,541	32,959	54,500	52,881	1,619
Occupational therapy	21,063	51,052	72,115	72,010	105
Career and technical education	710,764	-	710,764	686,915	23,849
Other Instruction					
Co-curricular - athletic elementary	43,766	-	43,766	37,833	5,933
Co-curricular - athletic secondary	96,940	-	96,940	84,386	12,554
Co-curricular - elementary	28,921	-	28,921	11,795	17,126
Co-curricular - secondary	53,059	-	53,059	25,982	27,077
Student and staff support					
Guidance and counseling - elementary	89,024	-	89,024	83,113	5,911
Guidance and counseling - secondary	108,321	-	108,321	106,258	2,063
Health services	49,646	-	49,646	44,520	5,126
Library and media - elementary	33,140	-	33,140	27,041	6,099
Library and media - secondary	39,704	-	39,704	34,867	4,837
System administration					
Office of superintendent	137,934	-	137,934	137,932	2
School board	28,540	-	28,540	19,299	9,241
School administration					
Office of principal - elementary	210,539	-	210,539	198,527	12,012
Office of principal - secondary	167,423	-	167,423	141,599	25,824
Transportation and buses	190,920	-	190,920	158,369	32,551
Facilities and maintenance					
Operation and maintenance of plant	595,498	-	595,498	532,703	62,795
Debt service	30,000	-	30,000	28,443	1,557
Vehicle Maintenance & Operation	8,509	-	8,509	6,688	1,821
Site improvement	15,700	-	15,700	15,818	(118)
Other					
Contingency	10,000	-	10,000	-	10,000
Total expenditures	<u>5,866,591</u>	<u>236,029</u>	<u>6,102,620</u>	<u>5,525,162</u>	<u>577,458</u>
Excess (deficiency) of revenues over expenditures	<u>(267,052)</u>	<u>-</u>	<u>(267,052)</u>	<u>470,502</u>	<u>737,554</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(56,187)	-	(56,187)	(56,187)	-
Utilization of prior year surplus	323,239	-	323,239	-	(323,239)
Total other financing sources	<u>267,052</u>	<u>-</u>	<u>267,052</u>	<u>(56,187)</u>	<u>(323,239)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 414,315</u>	<u>\$ 414,315</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, 2021**

	<b>Downtown Revolving Loan Fund</b>	<b>Station 98</b>	<b>Economic Development (Mill)</b>	<b>State Local Road Assistance</b>	<b>Sewer Grant</b>	<b>Maine Waste Management Grant</b>	<b>Downtown planning</b>	<b>Nelson Park</b>	<b>Scholarship Funds</b>	<b>Waterfront Grant</b>	<b>Thermal imaging camera</b>	<b>Totals</b>
<b>ASSETS</b>												
Investments	\$ -	\$ 3,141	\$ 258,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,473	\$ 263,068
Loans receivable	2,620	-	-	-	-	-	-	-	-	-	-	2,620
Due from other funds	5,401	-	-	16,345	86	4,990	8,784	1,022	175	-	-	36,803
Total assets	<u>\$ 8,021</u>	<u>\$ 3,141</u>	<u>\$ 258,454</u>	<u>\$ 16,345</u>	<u>\$ 86</u>	<u>\$ 4,990</u>	<u>\$ 8,784</u>	<u>\$ 1,022</u>	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 1,473</u>	<u>\$ 302,491</u>
<b>FUND EQUITY</b>												
Fund Balance												
Restricted	<u>8,021</u>	<u>3,141</u>	<u>258,454</u>	<u>16,345</u>	<u>86</u>	<u>4,990</u>	<u>8,784</u>	<u>1,022</u>	<u>175</u>	<u>-</u>	<u>1,473</u>	<u>302,491</u>
Total fund equity	<u>8,021</u>	<u>3,141</u>	<u>258,454</u>	<u>16,345</u>	<u>86</u>	<u>4,990</u>	<u>8,784</u>	<u>1,022</u>	<u>175</u>	<u>-</u>	<u>1,473</u>	<u>302,491</u>
Total liabilities and fund equity	<u>\$ 8,021</u>	<u>\$ 3,141</u>	<u>\$ 258,454</u>	<u>\$ 16,345</u>	<u>\$ 86</u>	<u>\$ 4,990</u>	<u>\$ 8,784</u>	<u>\$ 1,022</u>	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 1,473</u>	<u>\$ 302,491</u>

**Town of Machias, Maine**  
**Statement of Receipts, Disbursements, and Changes in Balances**  
**Special Revenue - School Activity Funds**  
**June 30, 2021**

	<b>Balances</b>				<b>Balances</b>
	<b>July 1,</b>				<b>June 30,</b>
	<b>2020</b>	<b>Receipts</b>	<b>Disbursements</b>		<b>2021</b>
Rose Gaffney School	\$ 37,517	\$ 9,122	\$ 17,596	\$	29,043
Machias High School	43,420	44,355	33,268		54,507
Machias Vocational Center	<u>4,169</u>	<u>1</u>	<u>-</u>		<u>4,170</u>
<b>Total</b>	<b><u>\$ 85,106</u></b>	<b><u>\$ 53,478</u></b>	<b><u>\$ 50,864</u></b>	<b><u>\$</u></b>	<b><u>87,720</u></b>

**Town of Machias, Maine**  
**Taxes receivable, Tax liens and Tax acquired property**  
**General Fund**  
**June 30, 2021**

Taxes receivable	
2020	\$ 222,799
2019	807
2018 and prior	<u>5,911</u>
Total taxes receivable	<u>229,517</u>
Tax liens and tax acquired property	
2019	81,955
2018 and prior	<u>19,934</u>
Total tax liens and tax acquired property	<u>101,889</u>
Total taxes receivable, tax liens and tax acquired property	<u><u>\$ 331,406</u></u>





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**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, 2021, and have issued our report thereon dated November 28, 2023.

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 Thibodeau & Associates*

November 28, 2023

Town of Machias, Maine  
Reconciliation of Audit Adjustments to Annual Financial Data  
Submitted to Maine Education Financial System  
Year ended June 30, 2021

	General Fund	Special Revenue Grants and other	Food service	Totals
<b>June 30 balance as per MEFS</b>	\$ 2,847,563	\$ 22,933	\$ (116,454)	\$ 2,754,042
<b>Beginning balance adjustment</b>	32,681	1,525,063	26,836	1,584,580
<b>Revenues adjustments</b>				
Adjustments to revenues	231,307	82,369	6,629	320,305
<b>Expenditures adjustments</b>				
Adjustment to expenses	(224,964)	(68,202)	(3,774)	(296,940)
Rounding	(1)	-	(1)	(2)
<b>GAAP Basis Fund Balance (Deficit)</b>	<u>\$ 2,886,586</u>	<u>\$ 1,562,163</u>	<u>\$ (86,764)</u>	<u>\$ 4,361,985</u>



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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, 2021, 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 November 28, 2023.

**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 certain deficiencies in internal control that we consider to be material weaknesses which are described in the accompanying schedule of findings and questioned costs as item #2021-001 and #2021-002.

## **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 #2021-003.

We noted certain other matters that we have reported to management of Town of Machias, Maine, in a letter dated November 28, 2023.

## **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.

*Brantner Whibodian & Associates*

Bangor, Maine  
November 28, 2023



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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**

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, 2021. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Town of Machias, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Machias, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Machias, Maine's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Town of Machias, Maine, complied, in all material respects, with the 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, 2021.

## Report on Internal Control Over Compliance

Management of Town of Machias, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Machias, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Machias, Maine's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Brantner Whibodian & Associates*

Bangor, Maine  
November 28, 2023

**Town of Machias, Maine**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2021**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal ALN Number</b>	<b>Pass-through Grantor Number</b>	<b>Disbursements/ Expenditures</b>
<i>U.S. Department of Agriculture</i>			
<i>Passed through State of Maine Department of Education</i>			
Fresh fruits and vegetables program	10.582	13-05A-3028-05	\$ 3,063
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	13-05A-8025-05	13,805
Summer food service program (COVID-19 funds)	10.559	13-05A-3016-05	222,004
<i>Total Child Nutrition Cluster</i>			<u>235,809</u>
 Total U.S. Department of Agriculture			 <u>238,872</u>
<i>U.S. Department of Environmental Protection</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C230093-08	<u>80,119</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	286,210
Career and technical education- Perkins Title IC	84.048	13-05A-3030-8	47,000
Career and technical education- Perkins COVID-19 releif	84.048	13-05A-3040-8	8,102
Student support grant	84.424	13-05A-3345-13	22,295
Title IIA Supporting effective instruction state grants	84.367	13-05A-3042-11	18,184
Rural Education Achievement Program	84.358	13-05A-3305	34,030
Education Stabilization Fund-ESSER I (COVID-19)	84.425	13-05A-7006-90	142,583
Education Stabilization Fund-ESSER II (COVID-19)	84.425	13-05A-7041-90	128,930
<i>Special Education Cluster</i>			
Part B Section 619- Preschool	84.173	13-05A-6241-23	4,083
Title VI, Part B - Local Entitlement	84.027	13-05A-3046-12	90,406
<i>Total Special Education Cluster</i>			<u>94,489</u>
 <i>Passed through University of Maine System</i>			
Gaining Early Awareness and Readiness for Undergraduate	84.334	P334S140018	<u>49,654</u>
 Total U.S. Department of Education			 <u>831,477</u>
<i>U.S. Department of Homeland Security</i>			
<i>Passed through State of Maine Emergency Management Agency</i>			
Hazard Mitigation Grant Program	97.047	PDMC-PL-01-ME-2018-001	<u>72,146</u>
<i>U.S. Department of Transportation</i>			
Direct			
FAA grant - airport improvement program	20.106	AIP#3-23-0029-06-2011	<u>20,000</u>
<i>U.S. Department of Treasury</i>			
Coronavirus Relief Fund I	21.019	022-05A-7010-60-6306-7010CRF	483,346
Coronavirus Relief Fund II	21.019	022-05A-7015-60-6306-7015CRF2	507,437
Coronavirus Relief Fund - Adult education	21.019	022-05A-7015-60-6306-7015CRF2	6,605
<i>Total U.S. Department of Treasury</i>			<u>997,388</u>
 Total expenditures of federal awards			 <u>\$ 2,240,002</u>
 <i>U.S. Department of Homeland Security</i>			
<i>Passed through State of Maine Emergency Management Agency</i>			
Hazard Mitigation Grant Program			\$ 740,588
Loan draws			<u>80,119</u>
 Loan ending balance			 <u>\$ 820,707</u>

**Town of Machias, Maine**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2021**

**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, 2021. 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 elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**5. NONCASH AWARDS**

The amount of \$13,805 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, 2021**

**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, 2021. Of this total, \$136,079 is unspent bond proceeds held by the Maine Municipal Bond Bank to be drawn down as the funds are expended.

**Town of Machias, Maine**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2021**

**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)**

21.019	Coronavirus relief 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, 2021**

**Section II — Financial Statement Findings**

<b>#2021-001</b>	
<i>Criteria or specific requirement</i>	Internal control over financial reporting and closing process.
<i>Condition</i>	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 and School department 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>

<b>#2021-002</b>	
<i>Criteria or specific requirement</i>	Internal control food service claims for reimbursement
<i>Condition</i>	The School Department's food service program did not submit accurate meal counts in its claims for reimbursement of funds to the State of Maine Department of Education. The meal count claim forms omitted many meals served.
<i>Context</i>	The food service procedures failed to detect that the counts were not including remote students in the claim form amounts submitted. Checks to worksheets prepared of counts were not being performed.
<i>Effect</i>	Food service fund did not receive a material amount of reimbursement that it was entitled to.
<i>Cause</i>	Lack of checks of data and knowledge of reporting requirements including a lack of maintaining appropriate subsidiary records.
<i>Recommendation</i>	The School Department should establish a system to verify the claim form counts submitted are complete and match to the subsidiary meal count records.
<i>Management's response</i>	The School Lunch program has already implemented revised procedures for recording meals served. The school no longer uses non-state issues tally forms. If in a remote learning environment, our food service director will be using all state required reporting documents to accurately document meals served. Currently, we are using the MealTime Software program. We require mandatory training for our staff who manage the POS software program which requires cross training in a reimbursable meal. We have also recently implemented a double check by cross references the number of meals cooked vs meals served to further ensure accuracy in meal claiming.

**Town of Machias, Maine**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2021**

**Section III — Federal Award Findings and Questioned Costs**

**#2021-003**

<i>Information on federal programs</i> <i>Pass-through entity</i> <i>Finding type</i>	Reporting of year ended June 30, 2020 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, 2020.

**Town of Machias, Maine**  
**Summary Schedule of Prior Audit Findings**  
**Year ended June 30, 2021**

**#2020-001**

*Condition*

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 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 School Department did not fully correct.

**#2020-002**

*Condition*

The school department did not complete its corrective action plan in time to timely submit the reporting package to the federal audit clearinghouse.

*Current Status*

Not corrected