

Town of Machias, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2020

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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, 2020, 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, 2020 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022, 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
February 9, 2022

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, 2020 compared with 2019. 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, 2020 was \$6,414,891.
- On a budget basis the Town ended the year with a positive budget variance of \$1,012,159.

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 \$23,710,941 as of June 30, 2020.

Net Position for the Period Ending June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,364,885	\$ 6,178,006	\$ 1,949,517	\$ 1,065,243	\$ 9,314,402	\$ 7,243,249
Capital assets	<u>9,058,488</u>	<u>8,649,159</u>	<u>11,551,871</u>	<u>11,874,761</u>	<u>20,610,359</u>	<u>20,523,920</u>
Total Assets	<u>16,423,373</u>	<u>14,827,165</u>	<u>13,501,388</u>	<u>12,940,004</u>	<u>29,924,761</u>	<u>27,767,169</u>
Deferred Outflows of resources	<u>330,381</u>	<u>243,089</u>	<u>-</u>	<u>-</u>	<u>330,381</u>	<u>243,009</u>
Current liabilities	553,795	807,184	821,815	720,824	1,375,610	1,528,008
Noncurrent liabilities	<u>3,912,846</u>	<u>3,384,496</u>	<u>1,141,296</u>	<u>718,069</u>	<u>5,054,142</u>	<u>4,102,565</u>
Total Liabilities	<u>4,466,641</u>	<u>4,191,680</u>	<u>1,963,111</u>	<u>1,438,893</u>	<u>6,429,752</u>	<u>5,630,573</u>
Deferred inflows of resources	<u>114,449</u>	<u>100,318</u>	<u>-</u>	<u>-</u>	<u>114,419</u>	<u>100,318</u>
Net Position						
Net investment in capital assets	7,698,317	7,157,243	10,155,845	10,488,303	17,854,162	17,645,546
Restricted	2,892,613	2,150,375	849,850	845,892	3,742,463	2,996,267
Unrestricted	<u>1,581,734</u>	<u>1,470,638</u>	<u>532,582</u>	<u>166,916</u>	<u>2,114,316</u>	<u>1,637,554</u>
Total Net Position	<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>

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 \$870,037 and recorded capital asset additions of \$956,476.

The Town recognized deferred property taxes of \$5,506 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 (\$51,042).

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, 2020 and 2019.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2020	2019	2020	2019	2020	2019
REVENUES						
Charges for services and other	\$ 240,478	\$ 220,638	\$ 1,094,505	\$ 1,144,095	\$ 1,334,983	\$ 1,364,733
Operating grants and contributions	5,630,865	5,402,578	-	-	5,630,865	5,402,578
Capital grants and contributions	540,870	2,523,837	466,830	701,679	1,007,700	3,225,516
Property taxes	2,859,308	2,868,266	-	-	2,859,308	2,868,266
Excise and miscellaneous taxes	295,989	301,172	-	-	295,989	301,172
Interest and lien charges	23,564	16,964	-	-	23,564	16,964
Grants and contributions not restricted to specific purpose	489,307	393,626	-	-	489,307	393,626
Unrestricted investment and interest income	69,515	59,807	282	(1,390)	69,797	58,417
Miscellaneous	14,865	13,104	15,490	600	30,355	13,704
Total Revenues	<u>10,164,761</u>	<u>11,799,992</u>	<u>1,577,107</u>	<u>1,844,984</u>	<u>11,741,868</u>	<u>13,644,976</u>
EXPENSES						
General government	\$ 449,798	\$ 438,726	-	-	\$ 449,798	\$ 438,726
Police	260,157	263,791	-	-	260,157	263,791
Fire	397,876	379,034	-	-	397,876	379,034
Public Safety Building	8,360	8,361	-	-	8,360	8,361
Public works	506,086	536,395	-	-	506,086	536,395
Education	5,157,714	5,236,487	-	-	5,157,714	5,236,487
Adult education-general	85,973	65,769	-	-	85,973	65,769
On-behalf payments – State of Maine	322,498	243,651	-	-	322,498	243,651
Culture and recreation	57,340	50,210	-	-	57,340	50,210
General assistance	2,908	1,277	-	-	2,908	1,227
Airport	84,682	12,915	-	-	84,682	12,915
County tax	235,394	245,445	-	-	235,394	245,445
Tax incremental financing	4,745	11,515	-	-	4,745	11,515
Other	3,790	14,321	-	-	3,790	14,321
Grants and other contributions	556,507	572,645	-	-	556,507	572,645
School food service program	334,245	326,673	-	-	334,245	326,673
Interest on long-term debt	62,095	12,576	-	-	62,095	12,576
Capital outlay	110,935	24,575	-	-	110,935	24,575
Business-type Activities	-	-	1,669,191	1,585,417	1,669,191	1,585,417
Total Expenses	<u>8,641,103</u>	<u>8,444,316</u>	<u>1,669,191</u>	<u>1,585,417</u>	<u>10,310,294</u>	<u>10,029,733</u>
Excess(deficiency) before special items and transfers	1,523,658	3,355,676	(92,084)	259,567	1,431,574	3,615,243
Transfers	<u>(129,250)</u>	<u>(128,383)</u>	<u>129,250</u>	<u>128,383</u>	<u>-</u>	<u>-</u>
Change in net position	1,394,408	3,227,293	37,166	387,950	1,431,574	3,615,243
Net position, beginning of year	<u>10,778,256</u>	<u>9,010,066</u>	<u>11,501,111</u>	<u>11,113,161</u>	<u>22,279,367</u>	<u>20,123,227</u>
Restatement for OPEB reporting	<u>-</u>	<u>(1,459,103)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,459,103)</u>
Net position, beginning, restated	<u>10,778,256</u>	<u>7,550,963</u>	<u>11,501,111</u>	<u>11,113,161</u>	<u>22,279,367</u>	<u>18,664,124</u>
Net position, end 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>

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, 2020, the Town's net position for governmental activities increased by \$1,394,408.

Expenses of governmental activities include depreciation expense of \$472,245. 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, 2020 totaled \$3,768,320 an increase of \$116,171 from June 30, 2019. Of this amount, \$2,859,308 was from local property taxes.

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, 2020, the Town's net position from business-type activities increased by \$37,166.

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 \$6,055,220, \$934,421 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 \$2,853,802. Excise taxes accounted for \$288,079 in total revenue.

On behalf payments amounted to \$322,498 during the year ended June 30, 2020. 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 \$9,358,686, \$1,597,293 lower than the previous year.

The Town capitalized \$539,065 of capital outlays in governmental activities.

Fiduciary funds

The Town maintained private purpose trust funds totaling \$1,394,067 at June 30, 2020 which increased by \$12,557 from 2019. The Town also had agency funds totaling \$85,106 at June 30, 2020

Capital Asset and Debt Administration

Capital Assets	Balance 6/30/19	Additions/ Completions	Retire- ments/reclass	Balance 6/30/20
Governmental Activities				
Land	\$ 565,074	\$ 152,000	\$ -	\$ 717,074
Construction in progress	3,260,993	-	(3,260,993)	-
Buildings and Improvements	7,210,432	3,777,608	(2,020)	10,986,020
Infrastructure	1,881,008	-	-	1,881,008
Equipment, furniture and fixtures	920,922	124,061	(224,802)	820,181
Vehicles	<u>1,421,656</u>	<u>88,898</u>	<u>(69,000)</u>	<u>1,441,554</u>
Total capital assets	<u>15,260,085</u>	<u>4,142,567</u>	<u>(3,556,815)</u>	<u>15,845,837</u>
<i>Less accumulated depreciation</i>	<u>(6,610,926)</u>	<u>(472,245)</u>	<u>295,822</u>	<u>(6,787,349)</u>
Total capital assets, net	<u>\$ 8,649,159</u>	<u>\$ 3,670,322</u>	<u>\$ (3,260,993)</u>	<u>\$ 9,058,488</u>

Town of Machias, Maine

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

	Balance 6/30/19	Additions/ Completions	Retire- ments/reclass	Balance 6/30/20
Business-Type Activities				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	1,211,108	74,902	-	1,286,010
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>17,652,155</u>	<u>74,902</u>	<u>-</u>	<u>17,727,057</u>
<i>Less accumulated depreciation</i>	<u>(5,777,394)</u>	<u>(397,792)</u>	<u>-</u>	<u>(6,175,186)</u>
Total capital assets, net	<u>\$11,874,761</u>	<u>\$(322,890)</u>	<u>\$ -</u>	<u>\$11,551,871</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, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Bonds and notes payable	\$2,186,726	\$1,143,898	\$ (921,572)	\$2,409,052
Compensated Absences	103,246	11,179	-	114,425
Capital lease obligations	20,686	89,498	(20,456)	89,728
Net pension liability	262,534	131,910	(120,956)	273,488
Net OPEB liability	<u>1,529,373</u>	<u>178,369</u>	<u>(61,106)</u>	<u>1,646,636</u>
Total	<u>\$4,102,565</u>	<u>\$1,554,854</u>	<u>\$(1,124,090)</u>	<u>\$4,533,329</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 \$797,749. Most of this variance resulted from increases in intergovernmental revenues and excise taxes.

Budgeted expenditures exceeded actual expenditures by \$524,465.

The fire department was overspent by \$8,392 mostly because of extra payroll costs.

The School Department had the following budget change approved to cover the overspent career and technical education cost center:

Career and technical education	+\$12,000
Regular instruction	(2,000)
Contingency	(10,000)

Town of Machias, Maine

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

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 2020-21 fiscal year has a total decrease in the mil rate for taxation.

REQUEST FOR INFORMATION

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

Town of Machias, Maine
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 5,115,313	\$ -	\$ 5,115,313
Investments	557,361	742,217	1,299,578
Taxes receivable	378,602	-	378,602
Accounts receivable	-	334,131	334,131
Internal balances	112,902	(112,902)	-
Due from other governmental agencies	989,698	36,071	1,025,769
Due from Maine Bond Bank	-	950,000	950,000
Other receivables	102,982	-	102,982
Inventories	8,144	-	8,144
Other assets	99,883	-	99,883
Capital assets not being depreciated	717,074	1,287,010	2,004,084
Capital assets being depreciated, net of accumulated depreciation	8,341,414	10,264,861	18,606,275
Total assets	<u>16,423,373</u>	<u>13,501,388</u>	<u>29,924,761</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	155,198	-	155,198
Deferred outflows related to pensions	175,183	-	175,183
Total deferred outflows of resources	<u>330,381</u>	<u>-</u>	<u>330,381</u>
LIABILITIES			
Accounts payable and accrued expenses	471,880	54,065	525,945
Due to other governmental agencies	10,404	22,987	33,391
Unearned revenues	14,042	4,175	18,217
Accrued summer teacher pay	553,795	-	553,795
Bond anticipation note payable	-	740,588	740,588
Long-term liabilities			
Due within one year			
Accrued interest payable	24,486	-	24,486
Bonds and notes payable	311,700	83,634	395,334
Capital leases payable	21,024	-	21,024
Due in more than one year			
Bonds and notes payable	958,743	1,054,976	2,013,719
Capital leases payable	68,704	-	68,704
Net pension liability	273,488	-	273,488
Net OPEB liability	1,646,636	-	1,646,636
Compensated absences	111,739	2,686	114,425
Total liabilities	<u>4,466,641</u>	<u>1,963,111</u>	<u>6,429,752</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	46,045	-	46,045
Deferred inflows related to OPEB	56,889	-	56,889
Prepaid taxes	11,515	-	11,515
Total deferred inflows of resources	<u>114,449</u>	<u>-</u>	<u>114,449</u>
NET POSITION			
Net investment in capital assets	7,698,317	10,155,845	17,854,162
Restricted for			
Education	2,489,787	-	2,489,787
Machias Water Co.	-	616,051	616,051
Other purposes	402,826	233,799	636,625
Unrestricted	1,581,734	532,582	2,114,316
Total net position	<u>\$ 12,172,664</u>	<u>\$ 11,538,277</u>	<u>\$ 23,710,941</u>

See accompanying notes to basic financial statements.

Town of Machias, Maine
Statement of Activities
For the Year Ended June 30, 2020

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	\$ 449,798	\$ 60,394	\$ 309	\$ -	\$ (389,095)	\$ -	\$ (389,095)
Police department	260,157	28,506	-	-	(231,651)	-	(231,651)
Fire department	397,876	108,452	-	10,500	(278,924)	-	(278,924)
Public safety building	8,360	-	-	-	(8,360)	-	(8,360)
Public works	506,086	1,120	67,354	-	(437,612)	-	(437,612)
Education	5,157,714	-	4,381,680	-	(776,034)	-	(776,034)
Adult education	85,973	-	59,029	-	(26,944)	-	(26,944)
On-behalf payments - State of Maine	322,498	-	322,498	-	-	-	-
Culture and recreation	57,340	83	4,867	-	(52,390)	-	(52,390)
General assistance	2,908	-	2,036	-	(872)	-	(872)
Airport	84,682	773	78	-	(83,831)	-	(83,831)
County tax	235,394	-	-	-	(235,394)	-	(235,394)
Tax incremental financing	4,745	-	-	-	(4,745)	-	(4,745)
Other	3,790	-	-	-	(3,790)	-	(3,790)
Grants and other contributions	556,507	-	566,596	-	10,089	-	10,089
School food service program	334,245	41,150	226,418	-	(66,677)	-	(66,677)
Interest on long-term debt	62,095	-	-	-	(62,095)	-	(62,095)
Capital outlay	110,935	-	-	530,370	419,435	-	419,435
Total governmental activities	<u>8,641,103</u>	<u>240,478</u>	<u>5,630,865</u>	<u>540,870</u>	<u>(2,228,890)</u>	<u>-</u>	<u>(2,228,890)</u>
Business-type activities							
Sewer fund	867,268	531,344	-	466,830	-	130,906	130,906
Solid waste	201,633	137,007	-	-	-	(64,626)	(64,626)
Ambulance fund	523,353	394,036	-	-	-	(129,317)	(129,317)
Telcenter	76,937	32,118	-	-	-	(44,819)	(44,819)
Total business-type activities	<u>1,669,191</u>	<u>1,094,505</u>	<u>-</u>	<u>466,830</u>	<u>-</u>	<u>(107,856)</u>	<u>(107,856)</u>
Total government	<u>\$ 10,310,294</u>	<u>\$ 1,334,983</u>	<u>\$ 5,630,865</u>	<u>\$ 1,007,700</u>	<u>(2,228,890)</u>	<u>(107,856)</u>	<u>(2,336,746)</u>
General revenues							
Taxes							
Property taxes							
					2,859,308	-	2,859,308
Excise taxes, licenses, permits and fees					295,989	-	295,989
Interest and lien charges					23,564	-	23,564
Grants and contributions not restricted to specific programs					489,307	-	489,307
Unrestricted investment and interest earnings					69,515	282	69,797
Miscellaneous					14,865	15,490	30,355
Transfers					<u>(129,250)</u>	<u>129,250</u>	<u>-</u>
Total general revenues and transfers					<u>3,623,298</u>	<u>145,022</u>	<u>3,768,320</u>
Change in net position					1,394,408	37,166	1,431,574
NET POSITION - BEGINNING					<u>10,778,256</u>	<u>11,501,111</u>	<u>22,279,367</u>
NET POSITION - ENDING					<u>\$ 12,172,664</u>	<u>\$ 11,538,277</u>	<u>\$ 23,710,941</u>

**Town of Machias, Maine
Balance Sheet
Governmental Funds
June 30, 2020**

	General Fund	Special Revenue Fund - School Categorical Grants	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,906,790	\$ -	\$ -	\$ 208,523	\$ 5,115,313
Investments	296,572	-	-	260,789	557,361
Taxes receivable, net	378,602	-	-	-	378,602
Due from other funds	581,721	-	723,478	36,850	1,342,049
Receivable from other governments	316,899	324,965	303,499	44,335	989,698
Other receivables	-	-	84,000	18,982	102,982
Inventories	-	-	-	8,144	8,144
Prepaid expenses	99,883	-	-	-	99,883
Total assets	<u>\$ 6,580,467</u>	<u>\$ 324,965</u>	<u>\$ 1,110,977</u>	<u>\$ 577,623</u>	<u>\$ 8,594,032</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 112,972	\$ 66,906	\$ 267,879	\$ 14,591	\$ 462,348
Due to other funds	699,122	174,178	-	355,847	1,229,147
Payable to other governments	10,404	-	-	-	10,404
Unearned grant revenue	-	14,042	-	-	14,042
Accrued teacher pay	501,965	46,179	-	5,651	553,795
Other payables	7,132	-	-	-	7,132
Total liabilities	<u>1,331,595</u>	<u>301,305</u>	<u>267,879</u>	<u>376,089</u>	<u>2,276,868</u>
Deferred inflows of resources					
Prepaid property taxes	11,515	-	-	-	11,515
Deferred lease revenue	2,400	-	-	-	2,400
Unavailable property taxes	248,029	-	-	-	248,029
Total deferred inflows of resources	<u>261,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,944</u>
Fund balances					
Nonspendable for					
Inventories	-	-	-	8,144	8,144
Prepaid expenses- education	99,883	-	-	-	99,883
Long term receivables	-	-	-	-	-
Restricted for					
Education	2,366,245	23,660	-	-	2,389,905
Town grants and other purposes	102,566	-	-	300,260	402,826
Committed for					
Other purposes	87,347	-	-	-	87,347
Capital projects	-	-	843,098	-	843,098
Unassigned (deficit)	-	-	-	(106,870)	(106,870)
Unassigned	2,330,887	-	-	-	2,330,887
Total fund balances	<u>4,986,928</u>	<u>23,660</u>	<u>843,098</u>	<u>201,534</u>	<u>6,055,220</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,580,467</u>	<u>\$ 324,965</u>	<u>\$ 1,110,977</u>	<u>\$ 577,623</u>	<u>\$ 8,594,032</u>

Town of Machias, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total fund balance, governmental funds	\$ 6,055,220
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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.	9,058,488
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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	248,028
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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	330,381
Deferred inflows related to pensions and OPEB	(102,934)

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.

	(3,416,519)
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Net Position of Governmental Activities in the Statement of Net Position	\$ 12,172,664
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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, 2020

	General Fund	Special Revenue Fund - School Categorical Grants	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 2,853,802	\$ -	\$ -	\$ -	\$ 2,853,802
Excise taxes	288,079	-	-	-	288,079
Interest and lien charges	21,504	-	-	-	21,504
Licenses, permits and fees	21,036	-	-	-	21,036
Intergovernmental					
Town	558,745	-	323,065	410,723	1,292,533
Education	4,440,709	566,596	-	-	5,007,305
On-behalf payments - State of Maine	322,498	-	-	-	322,498
Charges for services	54,194	-	23,000	41,150	118,344
Interfund charges for services	111,699	-	-	-	111,699
Investment and interest earnings	65,222	-	-	4,293	69,515
Donations	10,500	-	-	-	10,500
Miscellaneous	22,146	-	-	-	22,146
Total revenues	<u>8,770,134</u>	<u>566,596</u>	<u>346,065</u>	<u>456,166</u>	<u>10,138,961</u>
EXPENDITURES					
Current					
General government	427,548	-	-	-	427,548
Police department	243,627	-	-	-	243,627
Fire department	403,147	-	-	-	403,147
Public works	352,791	-	-	-	352,791
Education	4,959,856	-	-	-	4,959,856
Adult education	85,973	-	-	-	85,973
On-behalf payments - State of Maine	322,498	-	-	-	322,498
Recreation and social services	51,560	-	-	-	51,560
General assistance	2,908	-	-	-	2,908
Airport	8,668	-	-	-	8,668
County tax	235,394	-	-	-	235,394
Tax increment financing	4,745	-	-	-	4,745
Other services	3,790	-	-	-	3,790
Federal, state and local grants	-	556,507	-	-	556,507
School food service program	-	-	-	334,245	334,245
Debt service					
Principal	394,424	-	-	-	394,424
Interest and other charges	37,609	-	-	-	37,609
Capital outlay- long term debt financed	178,396	-	105,000	-	283,396
Capital outlay	-	-	466,687	183,313	650,000
Total expenditures	<u>7,712,934</u>	<u>556,507</u>	<u>571,687</u>	<u>517,558</u>	<u>9,358,686</u>
Excess (deficiency) of revenues over expenditures	<u>1,057,200</u>	<u>10,089</u>	<u>(225,622)</u>	<u>(61,392)</u>	<u>780,275</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long term debt	88,898	-	105,000	-	193,898
Proceeds from capital leases	89,498	-	-	-	89,498
Transfers in	-	-	48,000	46,187	94,187
Transfers out	(223,437)	-	-	-	(223,437)
Total other financing sources (uses)	<u>(45,041)</u>	<u>-</u>	<u>153,000</u>	<u>46,187</u>	<u>154,146</u>
Net change in fund balances	1,012,159	10,089	(72,622)	(15,205)	934,421
FUND BALANCES - BEGINNING	<u>3,974,769</u>	<u>13,571</u>	<u>915,720</u>	<u>216,739</u>	<u>5,120,799</u>
FUND BALANCES - ENDING	<u>\$ 4,986,928</u>	<u>\$ 23,660</u>	<u>\$ 843,098</u>	<u>\$ 201,534</u>	<u>\$ 6,055,220</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, 2020

Net change in fund balances - total governmental funds: \$ 934,421

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	\$ 881,574	
Depreciation	<u>(472,245)</u>	409,329

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.

5,506

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	\$ 87,292	
Deferred inflows related to pensions and OPEB	<u>(10,117)</u>	77,175

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 proceeds	\$ (283,396)	
Debt repayments	415,141	
Accrued interest payable	<u>(24,486)</u>	107,259

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		(128,217)
Compensated absences not reflected on Governmental funds		<u>(11,065)</u>

Change in net position of governmental activities	\$	<u><u>1,394,408</u></u>
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Town of Machias, Maine
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds				
				Other Proprietary Fund - Telcenter	Total
	Sewer Fund	Solid Waste Facility	Ambulance Fund		
ASSETS					
Current assets					
Investments	\$ 742,217	\$ -	\$ -	\$ -	\$ 742,217
Accounts receivable, net	150,780	-	183,351	-	334,131
Due from other funds	25,679	-	171,817	15,279	212,775
Due from Maine Bond Bank	950,000	-	-	-	950,000
Receivables from other governments	34,779	1,292	-	-	36,071
Total current assets	1,903,455	1,292	355,168	15,279	2,275,194
Non-current assets					
Capital assets not being depreciated	1,287,010	-	-	-	1,287,010
Capital assets being depreciated, net of accumulated depreciation	10,020,487	97,720	49,972	96,682	10,264,861
Total non-current assets	11,307,497	97,720	49,972	96,682	11,551,871
Total assets	13,210,952	99,012	405,140	111,961	13,827,065
LIABILITIES					
Current liabilities					
Accounts payable	42,299	9,486	2,280	-	54,065
Due to other funds	-	266,677	59,000	-	325,677
Payable to other governments	22,987	-	-	-	22,987
Other accrued expenses	-	-	-	4,175	4,175
Short term bond anticipation note payable	740,588	-	-	-	740,588
Bonds and notes payable	69,365	-	-	14,269	83,634
Total current liabilities	875,239	276,163	61,280	18,444	1,231,126
Non-current liabilities					
Compensated absences	-	2,686	-	-	2,686
Bonds and notes payable	1,010,229	-	-	44,747	1,054,976
Total non-current liabilities	1,010,229	2,686	-	44,747	1,057,662
Total liabilities	1,885,468	278,849	61,280	63,191	2,288,788
NET POSITION					
Net investment in capital assets	9,970,485	97,720	49,972	37,668	10,155,845
Restricted capital replacement	190,182	-	-	43,617	233,799
Restricted for Machias Water Co.	616,051	-	-	-	616,051
Unrestricted (deficit)	548,766	(277,557)	293,888	(32,515)	532,582
Total net position (deficit)	\$ 11,325,484	\$ (179,837)	\$ 343,860	\$ 48,770	\$ 11,538,277

Town of Machias, Maine
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds				
	Sewer Fund	Solid Waste Facility	Ambulance Fund	Other Proprietary Fund - Telcenter	Total
REVENUES					
Charges for services and interest	\$ 531,344	\$ 137,007	\$ 394,036	\$ 32,118	\$ 1,094,505
OPERATING EXPENSES					
Personal services	17,115	106,004	407,568	12,510	543,197
Contractual services	208,800	52,600	14,244	1,840	277,484
Utilities	88,075	7,341	9,243	9,051	113,710
Repairs and maintenance	141,054	12,272	10,537	16,949	180,812
Other supplies and expenses	67,578	6,416	33,177	-	107,171
Insurance claims and expenses	13,393	1,602	7,611	1,264	23,870
Depreciation	306,098	15,398	40,973	35,323	397,792
Total operating expenses	842,113	201,633	523,353	76,937	1,644,036
Operating income (loss)	(310,769)	(64,626)	(129,317)	(44,819)	(549,531)
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	282	-	-	-	282
Miscellaneous revenue	-	-	15,490	-	15,490
Forgiveness of loan	466,830	-	-	-	466,830
Interest expense	(25,155)	-	-	-	(25,155)
Total non-operating revenues (expenses)	441,957	-	15,490	-	457,447
Income (loss) before transfers	131,188	(64,626)	(113,827)	(44,819)	(92,084)
Transfers in	81,250	60,000	-	-	141,250
Transfers out	-	-	(12,000)	-	(12,000)
Total transfers and special items	81,250	60,000	(12,000)	-	129,250
Change in net position	212,438	(4,626)	(125,827)	(44,819)	37,166
Total net position (deficit) - beginning	11,113,046	(175,211)	469,687	93,589	11,501,111
Total net position (deficit) - ending	\$ 11,325,484	\$ (179,837)	\$ 343,860	\$ 48,770	\$ 11,538,277

Town of Machias, Maine
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2020

	Proprietary Fund Types - Enterprise				Totals
	Sewer	Solid Waste Facility	Ambulance Fund	Other Proprietary Fund-Telcenter	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from user charges and tenants	\$ 562,431	\$ 136,706	\$ 405,699	\$ 34,443	\$ 1,139,279
Payments for administrative services	(30,508)	(107,493)	(429,423)	(13,774)	(581,198)
Payments to suppliers for goods and services	(511,894)	(79,665)	(50,677)	(27,840)	(670,076)
Interfund activity	(30,027)	(9,548)	70,911	21,133	52,469
Net cash provided (used) by operating activities	(9,998)	(60,000)	(3,490)	13,962	(59,526)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest paid	(25,155)	-	-	-	(25,155)
Donation and other	-	-	15,490	-	15,490
Transfers in (out)	81,250	60,000	(12,000)	-	129,250
Net cash provided (used) by noncapital financing activities	56,095	60,000	3,490	-	119,585
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds and leases	(46,095)	-	-	(13,962)	(60,057)
Bond and short term note proceeds	40,716	-	-	-	40,716
Acquisition and construction of capital assets	(40,718)	-	-	-	(40,718)
Net cash (used) by capital and related financial activities	(46,097)	-	-	(13,962)	(60,059)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	-	-	-
CASH AND CASH EQUIVALENTS, BEGINNING	-	-	-	-	-
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash used by operating activities					
Operating income (loss)	\$ (310,769)	\$ (64,626)	\$ (129,317)	\$ (44,819)	\$ (549,531)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	306,098	15,398	40,973	35,323	397,792
(Increase) decrease in the following assets					
Accounts receivable	31,086	(301)	11,663	-	42,448
Interfund receivables	(16,166)	-	58,911	21,133	63,878
Increase (decrease) in the following liabilities					
Compensated absences payable	-	113	-	-	113
Interfund payables	(13,860)	(9,548)	12,000	-	(11,408)
Accounts payable and other accrued liabilities	(6,387)	(1,036)	2,280	2,325	(2,818)
Net cash provided (used) by operating activities	<u>\$ (9,998)</u>	<u>\$ (60,000)</u>	<u>\$ (3,490)</u>	<u>\$ 13,962</u>	<u>\$ (59,526)</u>

Town of Machias, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,394,067	85,106
LIABILITIES		
Due to student groups	-	85,106
NET POSITION		
Held in trust for scholarships and other purposes	<u>\$ 1,394,067</u>	<u>\$ -</u>

Town of Machias, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Interest	\$ 26,873
Contributions	352
Total additions	<u>27,225</u>
DEDUCTIONS	
Scholarships	<u>14,667</u>
Change in net position	12,557
NET POSITION - BEGINNING	1,396,448
Restate beginning balances	<u>(14,938)</u>
NET POSITION - BEGINNING, RESTATED	<u>1,381,510</u>
NET POSITION - ENDING	<u><u>\$ 1,394,067</u></u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

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, 2020

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.

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.

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.

**Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Proprietary Funds (Continued)

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.

3. Fiduciary Funds (not included in the government-wide statements)

The Town has presented the following fiduciary funds:

Private Purpose Trust Funds

Private purpose funds are funds held by the Town in a trustee capacity and are accounted for in essentially the same manner as a proprietary fund. Private purpose trusts for the Town account for various scholarship accounts. Capital maintenance of private purpose funds is critical.

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity and include student activities funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

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.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

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.

E. 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.

F. 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.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

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".

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, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

6. Long-term Debt

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in 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 debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary 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, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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, 2019 and were due on October 15, 2019 and March 16, 2020, 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 October 15, 2019, a 2% discount was applied.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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, 2020, and during the first sixty days of the next fiscal year are recognized as revenue in 2020. 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	\$127,786,100
Personal property	<u>6,128,800</u>
	\$133,906,900
Tax rate (per \$1,000)	<u>21.70</u>
Commitment	\$ 2,905,780
Less collections, discounts and abatements	<u>(2,661,547)</u>
Receivable at June 30, 2020	<u>\$ 244,233</u>
Collection rate	92%

12. Recent and New Governmental Accounting Pronouncements and Statements

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.

In January 2017, the Governmental Accounting Standards Board (GASB) issued 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 statement is effective for periods beginning after December 15, 2020. 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, 2020

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, 2020, the Town reported deposits of \$6,594,486 with bank balances of \$6,731,537. 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	\$ 5,115,313
Reported in fiduciary funds	<u>1,479,173</u>
Total deposits	<u>\$ 6,594,486</u>

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, 2020 are as follows:

Money market accounts	\$ 292,025	Level 1
US Treasury Bills and Notes	99,852	Level 2
Federal National Mortgage	172,452	Level 1
Federal Home Loan Mortgage Corp	118,200	Level 1
Common stock, Machias Water Co.	<u>616,051</u>	Level 3
Total investments	<u>\$1,298,580</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, 2020, 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 \$617,816 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, 2020

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	\$ 172,452	\$ -
Federal Home Loan Mortgage Corp	-	118,200
US Treasury Notes	-	99,852
	<u>\$172,452</u>	<u>\$ 218,052</u>

Investments have been reported as follows:

Reported in governmental funds	\$ 557,363
Reported in proprietary funds	<u>742,217</u>
Total investments	<u>\$1,299,580</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, 2019 the Town's interest has been valued at \$616,051 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, 2020 is \$18,134 based on an estimate of 9% of total receivables.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance 6/30/19	Additions/ Completions	Retirements/ Reclassifications	Balance 6/30/20
Governmental Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 565,074	\$ 152,000	\$ -	\$ 717,074
Construction in progress	<u>3,260,993</u>	<u>-</u>	<u>(3,260,993)</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,826,067</u>	<u>152,000</u>	<u>(3,260,993)</u>	<u>717,074</u>
<i>Capital assets being depreciated</i>				
Buildings and land improvements	7,210,432	3,777,608	(2,020)	10,986,020
Infrastructure	1,881,008	-	-	1,881,008
Equipment, furniture and fixtures	920,922	124,061	(224,802)	820,181
Vehicles	<u>1,421,656</u>	<u>88,898</u>	<u>(69,000)</u>	<u>1,441,554</u>
Total capital assets being depreciated	<u>11,434,018</u>	<u>3,990,567</u>	<u>(295,822)</u>	<u>15,128,763</u>
Less accumulated depreciation for:				
Buildings and land improvements	(4,310,748)	(217,583)	2,020	(4,526,311)
Infrastructure	(532,648)	(62,700)	-	(595,348)
Equipment, furniture and fixtures	(783,800)	(54,151)	224,802	(613,149)
Vehicles	<u>(983,730)</u>	<u>(137,811)</u>	<u>69,000</u>	<u>(1,052,541)</u>
Total accumulated depreciation	<u>(6,610,926)</u>	<u>(472,245)</u>	<u>295,822</u>	<u>(6,787,349)</u>
Total capital assets being depreciated, net	<u>4,823,092</u>	<u>3,518,322</u>	<u>-</u>	<u>8,341,414</u>
Governmental activities capital assets, net	<u>\$ 8,649,159</u>	<u>\$ 3,670,322</u>	<u>\$(3,260,993)</u>	<u>\$ 9,058,488</u>
Business-Type Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	<u>1,211,108</u>	<u>74,902</u>	<u>-</u>	<u>1,286,010</u>
Total capital assets not being depreciated	<u>1,212,108</u>	<u>74,902</u>	<u>-</u>	<u>1,287,010</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	(5,204,044)	(349,214)	-	(5,553,258)
Vehicles and equipment	<u>(573,350)</u>	<u>(48,578)</u>	<u>-</u>	<u>(621,928)</u>
Total accumulated depreciation	<u>(5,777,394)</u>	<u>(397,792)</u>	<u>-</u>	<u>(6,175,186)</u>
Total capital assets being depreciated, net	<u>10,662,653</u>	<u>(397,792)</u>	<u>-</u>	<u>10,264,861</u>
Business-type activities capital assets, net	<u>\$ 11,874,761</u>	<u>\$ (322,890)</u>	<u>\$ -</u>	<u>\$ 11,551,871</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2020, was charged as direct expense to programs as follows:

<i>Governmental activities</i>	
General government	\$ 6,357
Police	14,633
Fire	6,113
Public Safety Building	8,360
Public works	147,529
Recreation	5,780
Airport	76,014
Education	<u>207,459</u>
Total depreciation expense – Governmental activities	<u>\$ 472,245</u>
<i>Business-type activities</i>	
Sewer	\$ 306,098
Solid waste	15,398
Ambulance	40,973
Telcenter	<u>35,323</u>
Total depreciation expense – business-type activities	<u>\$ 397,792</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2020:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Portion due within one year
Governmental Liabilities					
General Obligation Bonds and Notes					
General Bonds					
Maine Municipal Bond Bank, 4.6% school renovation bond, dated December 22, 2009, due 2020	\$ 91,168	\$ -	\$ (91,168)	\$ -	\$ -
General Notes					
Machias Savings Bank, 2.06% school renovations note, dated July 10, 2013, due 2023	102,716	-	(24,831)	77,885	25,505
Machias Savings Bank, 1.75% road projects note, dated September 10, 2014, due 2023	22,836	-	(22,836)	-	-
Machias Savings Bank, 2.99% school bus note, dated March 1, 2017, due 2020	17,385	-	(17,385)	-	-
Machias Savings Bank, 2.29% school bus note and equipment note, dated August 25, 2016, due 2023	68,184	-	(33,867)	34,317	34,317
Machias Savings Bank, 2.49% road projects note, dated December 14, 2016, due 2027	189,286	-	(21,651)	167,635	22,185
Machias Savings Bank, 2.49% safety building note, dated December 14, 2016, due 2027	163,884	-	(18,745)	145,139	19,208
Machias Savings Bank, 2.39% school bus note, dated July 10, 2017, due 2022	51,301	-	(16,887)	34,414	17,098
Machias Savings Bank, 1.95% airport improvements note, dated October 12, 2018, due 2023	250,000	-	(46,967)	203,033	48,421
Machias Savings Bank, 3.09% equipment purchase and refinancing note, dated July 26, 2018, due 2023	445,000	-	(83,602)	361,398	86,190
Machias Savings Bank, 3.09% school bus note, dated July, 28, 2018, due 2023	69,470	-	(16,746)	52,724	17,148
Machias Savings Bank, 3.24% school gym roof note, dated August 30, 2019, due 2024	-	105,000		105,000	24,985
Machias Savings Bank, 3.24% school bus note, dated August 30, 2019, due 2025	-	<u>88,898</u>	-	<u>88,898</u>	<u>16,643</u>
Total general obligation bonds and notes	1,471,230	193,898	(394,685)	1,270,443	311,700
Capital Leases Payable	20,686	89,498	(20,456)	89,728	24,486
Net Pension Liability	262,534	131,910	(120,956)	273,488	N/A
Net OPEB Liability	1,529,373	178,369	(61,106)	1,646,636	N/A
Compensated Absences	<u>100,673</u>	<u>11,066</u>	-	<u>111,739</u>	<u>N/A</u>
Total governmental activities liabilities	<u>\$ 3,384,496</u>	<u>\$ 604,741</u>	<u>\$ (597,203)</u>	<u>\$ 3,392,034</u>	<u>\$ 336,186</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

	Balance, June 30, 2019	Increases	Decreases/ Forgiveness	Balance June 30, 2020	Portion due within one year
Business-type Liabilities					
Proprietary Fund Bonds and Notes Payable					
Sewer Bonds					
Maine Municipal Bond Bank, 2.19% sewer rehabilitation project, dated July 26, 2002, due 2023	\$ 59,293	\$ -	\$ (14,276)	\$ 45,017	\$ 14,635
Maine Municipal Bond Bank, 1.40% sewer rehabilitation project, dated May 15, 2010, due 2029	181,103	-	(16,998)	164,105	17,237
Maine Municipal Bond Bank, 1.00% sewer rehabilitation project, dated June 5, 2020, due 2040	-	950,000	(466,830)	483,170	21,943
Rural Development Bond, 2.25% sewer rehabilitation project, dated January 25, 2012, due 2040	402,122	-	(14,821)	387,301	15,550
Telcenter Note Payable					
Machias Savings Bank, 2.19% roof note, dated December 14, 2016, due 2023	<u>72,978</u>	<u>-</u>	<u>(13,962)</u>	<u>59,016</u>	<u>14,269</u>
Total proprietary fund bonds and notes payable	715,496	950,000	(526,887)	1,138,609	83,634
Compensated Absences	<u>2,573</u>	<u>113</u>	<u>-</u>	<u>2,686</u>	<u>N/A</u>
Total proprietary activities liabilities	<u>718,069</u>	<u>-</u>	<u>(526,887)</u>	<u>1,141,295</u>	<u>83,634</u>
Total governmental activities and proprietary liabilities	<u>\$ 4,102,565</u>	<u>\$ 950,113</u>	<u>\$ (1,124,090)</u>	<u>\$ 4,533,329</u>	<u>\$ 416,358</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	
2021	\$ 311,700	\$ 36,832	\$ 83,634	\$ 19,281	\$ 451,447
2022	285,393	27,968	85,133	18,729	417,223
2023	275,413	19,426	86,659	17,245	398,743
2024	238,231	11,438	72,448	15,916	338,033
2025	64,696	4,187	58,054	14,725	141,662
2026-2030	95,010	3,613	284,022	59,329	441,974
2031-2035	-	-	225,243	36,001	261,244
2036-2040	-	-	<u>243,416</u>	<u>18,092</u>	<u>261,508</u>
	<u>\$ 1,270,443</u>	<u>\$ 103,464</u>	<u>\$ 1,138,609</u>	<u>\$ 199,318</u>	<u>\$ 2,711,834</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

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, 2020, 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, 2020, the Town had recorded \$89,498 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, 2020 is \$17,900.

Minimum future lease payments under capital leases as of June 30, 2020 are:

2021	\$ 24,092
2022	24,092
2023	24,092
2024	19,988
2025	<u>4,655</u>
	96,919
Less amount representing interest	<u>(7,191)</u>
Present value of minimum lease payments	<u>\$ 89,728</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, 2020 arising from these transactions and interfund transfers were as follows:

	Receivable	Payable	Transfers in	Transfers out
General fund	\$581,721	\$699,122	\$ -	\$ 223,437
Special revenue- school grants	-	174,178	-	-
Capital projects fund	723,478	-	48,000	-
Sewer fund	25,679	-	81,250	-
Solid waste fund	-	266,677	60,000	-
Ambulance fund	171,817	59,000	-	12,000
Non-major proprietary funds	15,279	-	-	-
Non-major governmental funds	<u>36,850</u>	<u>355,847</u>	<u>46,187</u>	<u>-</u>
	<u>\$1,554,824</u>	<u>\$1,554,824</u>	<u>\$ 235,437</u>	<u>\$ 235,437</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 \$81,250 to the proprietary funds, \$36,000 transfers to the capital projects funds from the general fund, a \$46,187 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, 2020

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, 2020:

	Governmental Activities	Business-type Activities
Capital assets	\$ 15,845,837	\$ 17,727,057
Accumulated depreciation	(6,787,349)	(6,175,186)
Related bonds payable	(1,270,443)	(1,396,026)
Related capital leases payable	(89,728)	-
Total balance	<u>\$ 7,698,317</u>	<u>\$ 10,155,845</u>

NOTE 8. NET POSITION – RESTRICTED – EDUCATION

At June 30, 2020 the Town's restricted for education was comprised as follows:

General education	\$ 2,453,368
Adult education	12,760
Ellsmore donation	1,725
Field donation	5,250
Mini grant	3,258
Transitions	6,593
MELMAC grant	<u>6,833</u>
Total	<u>\$ 2,489,787</u>

NOTE 9. FUND BALANCE – RESTRICTED –OTHER PURPOSES

At June 30, 2020 the Town's general fund balance restricted for other purposes was comprised as follows:

Tax increment financing	\$ 95,842
Airport Committee	933
Healthy Maine Streets grant	<u>5,791</u>
Total	<u>\$ 102,566</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 10. FUND BALANCE – RESTRICTED – OTHER PURPOSES

At June 30, 2020 the Town's other governmental funds - special revenue fund balance restricted for Town grants and other purposes was comprised as follows:

Mill account	\$ 256,211
Revolving loan fund	8,021
Sewer grant	86
State and local roads	16,345
Maine Waste Management-transfer station	4,990
Station 98	3,119
Thermal imaging camera	1,462
Waterfront grant	45
Downtown planning-donations	8,784
Seagull Motel / Nelson Park	1,022
Scholarship funds	<u>175</u>
Total	<u>\$ 300,260</u>

NOTE 11. FUND BALANCES – COMMITTED FOR CAPITAL PROJECTS

At June 30, 2020, the Town's other governmental funds fund balances committed for capital projects were comprised of the following:

Airport improvement	\$ 223,590
Ambulance vehicle replacement	24,000
Basketball court	1,233
Boat dock	1,980
Comprehensive plan	3,373
Dog park	219
Downtown revitalization	16,164
Economic development	86,339
E-911 signs	1,209
Fire department homeland security	314
Fire department ventilation	32,000
Fire truck replacement	3,276
Industrial development	55,172
Lawnmower	700
Marijuana licenses	28,250
Other – tax acquired property sales	36,262
Public safety building	46,287
Public works equipment and building	57,520
Roads	83,596
Sewer expansion	75,323
Sewer overflow	3,367
Sidewalk repair	18,540
School renovations	3,703
Skate park	1,321
Tennis court	13,246
Town office	<u>26,114</u>
Total committed for capital projects	<u>\$ 843,098</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 12. FUND BALANCES – COMMITTED FOR OTHER PURPOSES

At June 30, 2020, the Town's general fund balances committed for other purposes were comprised of the following:

Recreation – facilities and activities	\$ 895
Recreation – softball field	2,129
4 th of July	5,621
250 th Anniversary celebration	1,052
Police academy	39,928
Debt service – public safety building	<u>37,722</u>
Total	<u>\$ 87,347</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 2.4%.

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, 2020

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 19.11% of compensation for federally funded employees.

The contributions for the year ended June 30, 2020 were as follows:

	Covered Payroll	Contribution Percentage	Contribution Amount
Employee contribution	\$ 2,490,981	7.65%	\$ 190,560
State DOE contribution for non-federally funded employees	2,250,507	14.33%	322,498
Employer contribution for normal costs of non- federally funded employees	2,290,507	4.16%	93,621
Employer contribution for federally funded employees	240,474	19.11%	45,955

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, 2019 was as follows:

	SET Plan
Plan collective total pension liability	\$ 9,469,173,597
Less plan net position	<u>(8,003,297,686)</u>
Plan collective net pension liability	<u>\$ 1,465,875,911</u>

At June 30, 2020, 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	\$ 273,488
State's proportionate share of the net pension liability associated with the Town	<u>2,487,064</u>
Total	<u>\$2,760,552</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

The net pension liability was measured as of June 30, 2019, 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 0.018657%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.019455% at the prior measurement date of June 30, 2018.

Pension Expense and Revenue

For the year ended June 30, 2020, the Town recognized pension expense of \$168,594 related to the SET Plan, made up of the Town's proportionate share of plan pension expense \$57,359, pension expense related to specific liabilities of individual employers \$87,225, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$24,010, and recognized revenue of \$440,117 for support provided by the State.

For the year ended June 30, 2020, 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	\$ 21,273	\$ -
Changes of assumptions	7,919	-
Net difference between projected and actual investment earnings on pension plan investments	-	38,604
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,906	7441
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>138,085</u>	<u>-</u>
Total	<u>\$ 175,183</u>	<u>\$ 46,045</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

\$138,085 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, 2021. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	Amount
2021	\$ 16,772
2022	(17,163)
2023	(8,675)
2024	<u>115</u>
	<u>\$ (8,951)</u>

Actuarial Assumptions, Discount Rate, and Pension Plan Fiduciary Net Position

Information on the pension 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 pension liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and Pension 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.mainebers.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 \$24,886 and employees elected to defer \$24,992 for a contribution of \$49,878 for the year ended June 30, 2020.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

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, 2019 was as follows:

	<u>SET Plan</u>
Plan collective total OPEB liability	\$ 102,191,125
Less plan net fiduciary position	<u>(63,655,685)</u>
Plan collective net OPEB liability	<u>\$ 38,535,440</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>47,033</u>
Total	<u>\$ 47,033</u>

The net OPEB liability for the Town was measured as of June 30, 2019, 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, 2020

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

OPEB Expense and Revenue

For the year ended June 30, 2020, the Town recognized OPEB expense of \$4,440 related to the SET Plan and recognized revenue of \$4,440 for support provided by the State, and recognized offsetting revenue and expense of \$4,329 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.

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, 2019, 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, 2020

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 \$82,041 was measured as of January 1, 2020, 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, 2019	\$ 62,529
Changes for the year:	
Service Cost	5,048
Interest	2,753
Changes of benefit terms	(1,482)
Differences between expected and actual experience	(8,681)
Changes in assumptions or other inputs	22,765
Benefit payments	(891)
Net changes	19,512
Balance at June 30, 2020	\$ 82,041

Change in assumptions reflects a change in the discount rate from 4.10% to 2.74%. 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, 2020, The Town recognized OPEB expense of \$8,602 related to the Health Plan. At June 30, 2020, 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	\$ 2,575	\$ 7,716
Changes in assumptions or other inputs	26,796	5,630
Employer contributions after the measurement date	76	-
Total	\$ 29,447	\$13,346

\$76 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, 2021. Other amounts reported as deferred inflows and outflows will be recognized as OPEB expense as follows:

Year ended June 30:	
2021	\$ 2,283
2022	2,283
2023	2,283
2024	2,283
2025	2,283
Thereafter	4,610
Total	\$ 16,025

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

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, 2020 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+	1.20%
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 2.74% 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 2.74%, 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 (1.74%) or 1 percentage-point higher (3.74%) than the current rate:

	1% Decrease 1.74%	Discount Rate 2.74%	1% Increase 3.74%
Total OPEB Liability	\$ 98,593	\$ 82,041	\$ 68,806
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 98,593</u>	<u>\$ 82,041</u>	<u>\$ 68,806</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 20.2%. A one percent increase in the discount rate decreases the NOL by approximately 16.1%.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

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	\$ 67,544	\$ 82,041	\$ 100,833
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 67,544</u>	<u>\$ 82,041</u>	<u>\$ 100,833</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 17.7%. A one percent increase in the healthcare trend rate increases the NOL by approximately 22.9%.

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, 2019, the following employees were covered by the Plan benefit terms:

Inactive retirees or beneficiaries	26
Active employees	<u>78</u>
Total	<u>104</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

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 \$1,564,595 was measured as of June 30, 2019, 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, 2019	\$ 1,466,844
Changes for the year:	
Service Cost	14,236
Interest	56,351
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	77,612
Benefit payments	<u>(50,448)</u>
Net changes	<u>97,751</u>
Balance at June 30, 2020	<u>\$ 1,564,595</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 (3.87%) and the end of the measurement date (3.50%). No other changes in assumptions were made.

For the year ended June 30, 2020, The Department recognized OPEB expense of \$72,966 related to the Plan. At June 30, 2020, 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	\$ -	\$ -
Changes in assumptions or other inputs	65,525	43,543
Employer contributions after measurement date	<u>59,226</u>	<u>-</u>
Total	<u>\$125,751</u>	<u>\$ 43,543</u>

\$59,226 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, 2020. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30:	
2021	\$ (8,708)
2022	(8,708)
2023	(8,708)
2024	(8,708)
2025	(8,708)
Thereafter	<u>(8,711)</u>
Total	<u>\$ (52,251)</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

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

Actuarial Assumptions - Plan - The total OPEB liability in the June 30, 2018 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 RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

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

Discount Rate - Health Plan - The rate used to measure the total OPEB liability for the Plan was 3.50% 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 3.5%, 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 (2.5%) or 1 percentage-point higher (4.5%) than the current rate:

	1% Decrease 2.5%	Discount Rate 3.5%	1% Increase 4.5%
Total OPEB Liability	\$ 1,807,986	\$ 1,564,595	\$ 1,367,812
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,807,986</u>	<u>\$ 1,564,595</u>	<u>\$ 1,367,812</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 15.6%. A one percent increase in the discount rate decreases the NOL by approximately 12.6%.

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	<u>\$ 1,343,485</u>	<u>\$ 1,564,595</u>	<u>\$ 1,839,486</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 14.1%. A one percent increase in the healthcare trend rate increases the NOL by approximately 17.6%.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

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.

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.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

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. For the fiscal year ended June 30, 2020, the Town abated property taxes totaling \$4,745 under this program, including the following tax abatement agreement.

Machias Savings Bank received a 25 percent property tax abatement for undertaking the renovation and rehabilitation of a building in the Town and for a training facility. The abatement amounted to \$4,745.

NOTE 17. DEFICIT FUND BALANCE

The Town has a deficit fund balance of \$106,870 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.

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.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 2022, 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, 2020

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Budget to GAAP Differences**	Actual Amounts, GAAP Basis
	Original	Changes	Final*			
REVENUES						
Property taxes, net	\$ 2,905,779	\$ -	\$ 2,905,779	\$ 2,853,802	\$ -	\$ 2,853,802
Excise taxes	276,635	-	276,635	288,079	-	288,079
Interest and lien costs	20,000	-	20,000	21,504	-	21,504
Licenses and permits	19,250	-	19,250	21,036	-	21,036
Intergovernmental						
Education	3,514,499	210,034	3,724,533	4,440,709	-	4,440,709
On-behalf payments - State of Maine	-	-	-	-	322,498	322,498
Town	527,331	-	527,331	558,745	-	558,745
Charges for services	29,525	-	29,525	54,194	-	54,194
Interfund charges for services	111,553	-	111,553	111,699	-	111,699
Interest earnings	30,000	-	30,000	65,222	-	65,222
Donation	-	-	-	10,500	-	10,500
Miscellaneous	5,281	-	5,281	22,146	-	22,146
Total revenues	<u>7,439,853</u>	<u>210,034</u>	<u>7,649,887</u>	<u>8,447,636</u>	<u>322,498</u>	<u>8,770,134</u>
EXPENDITURES						
Current						
General government	447,166	-	447,166	427,548	-	427,548
Police department	336,257	-	336,257	243,627	-	243,627
Fire department	394,755	-	394,755	403,147	-	403,147
Public works	393,675	-	393,675	352,791	-	352,791
Education	5,258,402	(28,971)	5,229,431	5,168,861	(209,005)	4,959,856
Adult education	86,952	-	86,952	85,973	-	85,973
On-behalf payments - State of Maine	-	-	-	-	322,498	322,498
Recreation and social services	49,485	-	49,485	51,560	-	51,560
General assistance	5,450	-	5,450	2,908	-	2,908
Airport	12,700	-	12,700	8,668	-	8,668
County tax	235,394	-	235,394	235,394	-	235,394
Tax increment financing	7,125	-	7,125	4,745	-	4,745
Other services	15,000	-	15,000	3,790	-	3,790
Debt service						
Principal	185,419	300,005	485,424	185,419	209,005	394,424
Interest and other charges	37,691	-	37,691	37,609	-	37,609
Capital outlay	-	-	-	-	178,396	178,396
Total expenditures	<u>7,465,471</u>	<u>271,034</u>	<u>7,736,505</u>	<u>7,212,040</u>	<u>500,894</u>	<u>7,712,934</u>
Excess (deficiency) of revenues over expenditures	<u>(25,618)</u>	<u>(61,000)</u>	<u>(86,618)</u>	<u>1,235,596</u>	<u>(178,396)</u>	<u>1,057,200</u>
OTHER FINANCING SOURCES (USES)						
Use of unrestricted carryover fund balances	90,000	-	90,000	-	-	-
Use of restricted carryover fund balances	225,000	91,000	316,000	-	-	-
Overlay	(87,765)	-	(87,765)	-	-	-
Proceeds from long term debt	-	-	-	-	178,396	178,396
Transfers out	(201,617)	(30,000)	(231,617)	(223,437)	-	(223,437)
Total other financing sources and uses	<u>25,618</u>	<u>61,000</u>	<u>86,618</u>	<u>(223,437)</u>	<u>178,396</u>	<u>(45,041)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	1,012,159	-	1,012,159
FUND BALANCES - BEGINNING				<u>3,974,769</u>	-	<u>3,974,769</u>
FUND BALANCES - ENDING				<u>\$ 4,986,928</u>	<u>\$ -</u>	<u>\$ 4,986,928</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	\$ 1,012,159
On behalf payments revenue	322,498
On behalf payments expenditures	(322,498)
Capital outlay	(178,396)
Proceeds from debt	178,396
Net change in fund balances - GAAP basis	<u>\$ 1,012,159</u>

Town of Machias, Maine
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2020

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Changes	Final*		
REVENUES					
Property taxes, net	\$ 2,905,779	\$ -	\$ 2,905,779	\$ 2,853,802	\$ (51,977)
Excise taxes	276,635	-	276,635	288,079	11,444
Interest and lien costs	20,000	-	20,000	21,504	1,504
Licenses and permits	19,250	-	19,250	21,036	1,786
Intergovernmental					
Education	3,514,499	210,034	3,724,533	4,440,709	716,176
Town	527,331	-	527,331	558,745	31,414
Charges for services	29,525	-	29,525	54,194	24,669
Interfund charges for services	111,553	-	111,553	111,699	146
Investment earnings	30,000	-	30,000	65,222	35,222
Miscellaneous	5,281	-	5,281	22,146	16,865
Total revenues	<u>7,439,853</u>	<u>210,034</u>	<u>7,649,887</u>	<u>8,447,636</u>	<u>797,749</u>
EXPENDITURES					
Current					
General government	447,166	-	447,166	427,548	19,618
Police department	336,257	-	336,257	243,627	92,630
Fire department	394,755	-	394,755	403,147	(8,392)
Public works	393,675	-	393,675	352,791	40,884
Education	5,258,402	271,034	5,529,436	5,168,861	360,575
Adult education	86,952	-	86,952	85,973	979
Recreation and social services	49,485	-	49,485	51,560	(2,075)
General assistance	5,450	-	5,450	2,908	2,542
Airport	12,700	-	12,700	8,668	4,032
County tax	235,394	-	235,394	235,394	-
Tax increment financing	7,125	-	7,125	4,745	2,380
Other services	15,000	-	15,000	3,790	11,210
Debt service					
Principal	185,419	-	185,419	185,419	-
Interest and other charges	37,691	-	37,691	37,609	82
Total expenditures	<u>7,465,471</u>	<u>271,034</u>	<u>7,736,505</u>	<u>7,212,040</u>	<u>524,465</u>
Excess (deficiency) of revenues over expenditures	<u>(25,618)</u>	<u>(61,000)</u>	<u>(86,618)</u>	<u>1,235,596</u>	<u>1,322,214</u>
OTHER FINANCING SOURCES (USES)					
Use of unrestricted carryover fund balances	90,000	-	90,000	-	90,000
Use of restricted carryover fund balances	225,000	91,000	316,000	-	316,000
Overlay	(87,765)	-	(87,765)	-	(87,765)
Transfers out	(201,617)	(30,000)	(231,617)	(223,437)	8,180
Total other financing sources and uses	<u>25,618</u>	<u>61,000</u>	<u>86,618</u>	<u>(223,437)</u>	<u>326,415</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,012,159</u>	<u>\$ 1,012,159</u>
FUND BALANCES - BEGINNING				<u>3,974,769</u>	
FUND BALANCES - ENDING				<u>\$ 4,986,928</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Town's proportion of the net pension liability	0.018657%	0.019455%	0.017803%	0.013697%	0.014039%	0.011751%	0.014357%			
Town's proportionate share of the net pension liability	\$ 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>2,487,064</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>\$ 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***	\$ 2,394,691	\$ 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	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**	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 120,956	\$ 118,559	\$ 99,029	\$ 90,209	\$ 75,753	\$ 78,454	\$ 22,528			
Contributions in relation to the contractually required contribution**	<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>			
Town's covered-employee payroll***	\$ 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	5.05%	5.10%	4.31%	4.09%	3.28%	3.40%	1.00%			

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

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

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

Notes to Schedule:

Changes of Benefit Terms: There were no changes of benefit terms in FY 2020

Changes in Benefit Assumptions: There were no changes of benefit assumptions in FY2020

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>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net OPEB liability	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>47,033</u>	<u>46,090</u>	<u>38,991</u>
Total	<u>\$ 47,033</u>	<u>\$ 46,090</u>	<u>\$ 38,991</u>
Town's covered-employee payroll	\$ 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%
Plan fiduciary net position as a percentage of the total OPEB liability **	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>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>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Town's covered-employee payroll	\$ 1,016,973	\$ 863,973	\$ 962,371
Contributions as a percentage of covered-employee payroll	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>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 5,048	\$ 5,573	\$ 5,214
Interest (includes interest on service cost)	2,753	2,335	1,786
Changes of benefit terms	(1,482)	-	-
Differences between expected and actual experience	(8,681)	-	3,862
Changes in assumptions	22,765	(7,238)	9,842
Benefit payments, including refunds of member contributions	<u>(891)</u>	<u>(857)</u>	<u>(49)</u>
Net change in total OPEB liability	19,512	(187)	20,655
Total OPEB liability - beginning	62,529	62,716	42,061
Total OPEB liability - ending	<u>\$ 82,041</u>	<u>\$ 62,529</u>	<u>\$ 62,716</u>
<u>Plan fiduciary net position</u>			
Contributions - employer	891	857	49
Benefit payments, including refunds of member contributions	<u>(891)</u>	<u>(857)</u>	<u>(49)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability - ending	<u>\$ 82,041</u>	<u>\$ 62,529</u>	<u>\$ 62,716</u>
Covered employee payroll	<u>\$ 481,091</u>	<u>\$ 488,088</u>	<u>\$ 488,088</u>
Net OPEB liability as a percentage of covered employee payroll	<u>17.1%</u>	<u>12.8%</u>	<u>12.8%</u>

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

Notes to schedule:

Changes in Benefit Terms - None

Changes of Assumptions - 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
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, 2020

	Year Ended June 30, 2020 Actuarial Valuation Date June 30, 2019	Year Ended June 30, 2019 Actuarial Valuation Date June 30, 2018
Total OPEB Liability		
Service cost (BOY)	\$ 14,236	\$ 15,046
Interest (includes interest on service cost)	56,351	53,654
Changes in assumptions	77,612	(60,959)
Benefit payments, including refunds of member contributions	(50,448)	(48,704)
Net change in total OPEB liability	97,751	(40,963)
Total OPEB liability - beginning	1,466,844	1,507,807
Total OPEB liability - ending	<u>\$ 1,564,595</u>	<u>\$ 1,466,844</u>
Plan fiduciary net position		
Contributions - employer	50,448	48,704
Benefit payments, including refunds of member contributions	(50,448)	(48,704)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	-	-
Net OPEB liability - ending	<u>\$ 1,564,595</u>	<u>\$ 1,466,844</u>
Covered employee payroll	<u>\$ 3,675,042</u>	<u>\$ 3,576,683</u>
Net OPEB liability as a percentage of covered employee payroll	<u>42.6%</u>	<u>41.0%</u>

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
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, 2020

	Special Revenue Fund - School Food Service	Special Revenue Fund - Town	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 208,523	\$ -	\$ 208,523
Investments	-	260,789	260,789
Due from other funds	-	36,850	36,850
Receivable from other governments	44,335	-	44,335
Other receivable	16,361	-	16,361
Note receivable	-	2,621	2,621
Inventories	8,144	-	8,144
Total assets	<u>\$ 277,363</u>	<u>\$ 300,260</u>	<u>\$ 577,623</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 14,591	\$ -	\$ 14,591
Due to other funds	355,847	-	355,847
Accrued payroll liability	5,651	-	5,651
Total liabilities	<u>376,089</u>	<u>-</u>	<u>376,089</u>
Fund balances			
Nonspendable for inventory	8,144	-	8,144
Restricted for			
Town grants and other purposes	-	300,260	300,260
Unassigned (deficit)	(106,870)	-	(106,870)
Total fund balances	<u>(98,726)</u>	<u>300,260</u>	<u>201,534</u>
Total liabilities and fund balances	<u>\$ 277,363</u>	<u>\$ 300,260</u>	<u>\$ 577,623</u>

Town of Machias, Maine
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Fund - School Food Service	Special Revenue Fund - Town	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 226,418	\$ 184,305	\$ 410,723
Charges for services	41,150	-	41,150
Investment earnings	-	4,293	4,293
Total revenues	<u>267,568</u>	<u>188,598</u>	<u>456,166</u>
EXPENDITURES			
Current			
Food and supplies	196,427	-	196,427
Labor	137,818	-	137,818
Capital outlay	-	183,313	183,313
Total expenditures	<u>334,245</u>	<u>183,313</u>	<u>517,558</u>
Excess (deficiency) of revenues over expenditures	<u>(66,677)</u>	<u>5,285</u>	<u>(61,392)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	46,187	-	46,187
Total other financing sources and uses	<u>46,187</u>	<u>-</u>	<u>46,187</u>
Net change in fund balances	(20,490)	5,285	(15,205)
FUND BALANCES (DEFICIT) - BEGINNING	<u>(78,236)</u>	<u>294,975</u>	<u>216,739</u>
FUND BALANCES (DEFICIT) - ENDING	<u><u>\$ (98,726)</u></u>	<u><u>\$ 300,260</u></u>	<u><u>\$ 201,534</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, 2020

	Original Budget	Budget Changes*	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Local assessments	\$ 1,622,042	\$ -	\$ 1,622,042	\$ 1,622,042	\$ -
State subsidy	2,090,709	-	2,090,709	2,285,345	194,636
Intergovernmental	-	210,034	210,034	239,678	29,644
Tuition and fees	1,362,838	-	1,362,838	1,794,127	431,289
Other	4,000	-	4,000	26,778	22,778
Total revenues	<u>5,079,589</u>	<u>210,034</u>	<u>5,289,623</u>	<u>5,967,970</u>	<u>678,347</u>
EXPENDITURES					
Regular instruction					
Elementary	1,437,616	-	1,437,616	1,329,562	108,054
Early childhood	152,208	-	152,208	139,598	12,610
Secondary	721,430	(2,000)	719,430	695,036	24,394
Gifted and talented	95,293	-	95,293	81,743	13,550
Special education					
Elementary	412,759	24,497	437,256	396,475	40,781
Secondary	179,408	18,626	198,034	161,133	36,901
Administrative	36,430	42,952	79,382	79,445	(63)
Tutoring	3,305	-	3,305	4,732	(1,427)
Evaluation	20,792	42,685	63,477	59,425	4,052
Speech therapy	20,850	29,973	50,823	64,375	(13,552)
Occupational therapy	20,806	51,301	72,107	71,512	595
Career and technical education	292,427	12,000	304,427	303,805	622
Other Instruction					
Co-curricular - athletic elementary	38,189	-	38,189	28,889	9,300
Co-curricular - athletic secondary	89,879	-	89,879	71,466	18,413
Co-curricular - elementary	25,661	-	25,661	32,085	(6,424)
Co-curricular - secondary	47,968	-	47,968	31,139	16,829
Student and staff support					
Guidance and counseling - elementary	85,630	-	85,630	77,323	8,307
Guidance and counseling - secondary	112,040	-	112,040	107,360	4,680
Health services	48,380	-	48,380	47,058	1,322
Library and media - elementary	32,927	-	32,927	24,926	8,001
Library and media - secondary	37,919	-	37,919	39,164	(1,245)
System administration					
Office of superintendent	125,689	-	125,689	125,689	-
School board	25,140	-	25,140	21,732	3,408
School administration					
Office of principal - elementary	201,080	-	201,080	190,986	10,094
Office of principal - secondary	160,824	-	160,824	161,490	(666)
Transportation and buses	200,715	-	200,715	172,796	27,919
Facilities and maintenance					
Operation and maintenance of plant	564,637	-	564,637	538,674	25,963
Debt service	30,000	61,000	91,000	92,433	(1,433)
Vehicle Maintenance & Operation	12,700	-	12,700	6,621	6,079
Site improvement	15,700	-	15,700	12,190	3,510
Other					
Contingency	10,000	(10,000)	-	-	-
Total expenditures	<u>5,258,402</u>	<u>271,034</u>	<u>5,529,436</u>	<u>5,168,862</u>	<u>360,574</u>
Excess (deficiency) of revenues over expenditures	<u>(178,813)</u>	<u>(61,000)</u>	<u>(239,813)</u>	<u>799,108</u>	<u>1,038,921</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(46,187)	(30,000)	(76,187)	(76,187)	-
Utilization of prior year surplus	225,000	91,000	316,000	-	(316,000)
Total other financing sources	<u>178,813</u>	<u>61,000</u>	<u>239,813</u>	<u>(76,187)</u>	<u>(316,000)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,921</u>	<u>\$ 722,921</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, 2020

	Downtown Revolving Loan Fund	Station 98	Economic Development (Mill)	State Local Road Assistance	Sewer Grant	Maine Waste Management Grant	Downtown planning	Nelson Park	Scholarship Funds	Waterfront Grant	Thermal imaging camera	Totals
ASSETS												
Investments	\$ -	\$ 3,119	\$ 256,211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,462	\$ 260,792
Loans receivable	2,620	-	-	-	-	-	-	-	-	-	-	2,620
Due from other funds	5,401	-	-	16,345	86	4,990	8,784	1,022	175	45	-	36,848
Total assets	<u>\$ 8,021</u>	<u>\$ 3,119</u>	<u>\$ 256,211</u>	<u>\$ 16,345</u>	<u>\$ 86</u>	<u>\$ 4,990</u>	<u>\$ 8,784</u>	<u>\$ 1,022</u>	<u>\$ 175</u>	<u>\$ 45</u>	<u>\$ 1,462</u>	<u>\$ 300,260</u>
FUND EQUITY												
Fund Balance												
Restricted	<u>8,021</u>	<u>3,119</u>	<u>256,211</u>	<u>16,345</u>	<u>86</u>	<u>4,990</u>	<u>8,784</u>	<u>1,022</u>	<u>175</u>	<u>45</u>	<u>1,462</u>	<u>300,260</u>
Total fund equity	<u>8,021</u>	<u>3,119</u>	<u>256,211</u>	<u>16,345</u>	<u>86</u>	<u>4,990</u>	<u>8,784</u>	<u>1,022</u>	<u>175</u>	<u>45</u>	<u>1,462</u>	<u>300,260</u>
Total liabilities and fund equity	<u>\$ 8,021</u>	<u>\$ 3,119</u>	<u>\$ 256,211</u>	<u>\$ 16,345</u>	<u>\$ 86</u>	<u>\$ 4,990</u>	<u>\$ 8,784</u>	<u>\$ 1,022</u>	<u>\$ 175</u>	<u>\$ 45</u>	<u>\$ 1,462</u>	<u>\$ 300,260</u>

Town of Machias, Maine
Statement of Receipts, Disbursements, and Changes in Balances
Agency Funds
June 30, 2020

	Balances				Balances
	July 1,	Receipts	Disbursements		June 30,
	2019				2020
Rose Gaffney School	\$ 29,880	\$ 38,501	\$ 30,864	\$	37,517
Machias High School	42,947	65,974	65,501		43,420
Machias Vocational Center	<u>4,168</u>	<u>1</u>	<u>-</u>		<u>4,169</u>
Total	<u>\$ 76,995</u>	<u>\$ 104,476</u>	<u>\$ 96,365</u>	<u>\$</u>	<u>85,106</u>

Town of Machias, Maine
Taxes receivable, Tax liens and Tax acquired property
General Fund
June 30, 2020

Taxes receivable	
2019	\$ 244,233
2018	558
2017 and prior	<u>5,354</u>
Total taxes receivable	<u>250,145</u>
Tax liens and tax acquired property	
2018	118,344
2017 and prior	<u>10,113</u>
Total tax liens and tax acquired property	<u>128,457</u>
Total taxes receivable, tax liens and tax acquired property	<u><u>\$ 378,602</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, 2020, and have issued our report thereon dated February 9, 2022.

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

February 9, 2022

Town of Machias, Maine
Reconciliation of Audit Adjustments to Annual Financial Data
Submitted to Maine Education Financial System
Year ended June 30, 2020

	General Fund	Special Revenue Grants and other	School lunch	Totals
June 30 balance as per MEFS	\$ 2,780,323	\$ 10,173	\$ (116,454)	\$ 2,674,042
Beginning balance adjustment	-	6,813	-	6,813
Revenues adjustments				
Adjustments to revenues	(215,917)	6,674	17,728	(191,515)
Expenditures adjustments				
Adjustment to expenses	(98,277)	-	-	(98,277)
Rounding	-	-	-	-
GAAP Basis Fund Balance (Deficit)	<u>\$ 2,466,129</u>	<u>\$ 23,660</u>	<u>\$ (98,726)</u>	<u>\$ 2,391,063</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, 2020, 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 February 9, 2022.

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 deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness which is described in the accompanying schedule of findings and questioned costs as item #2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Machias, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is noted in the accompanying schedule of findings and questioned costs as item #2020-002.


We noted certain other matters that we have reported to management of Town of Machias, Maine, in a letter dated February 9, 2022.

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.



Bangor, Maine
February 9, 2022



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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, 2020. 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, 2020.

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 Whibodan & Associates

Bangor, Maine
February 9, 2022

Town of Machias, Maine
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Disbursements/ Expenditures
<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	\$ 18,116
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	13-05A-8025-05	86,815
After school snack	10.555	13-05A-3020-05	7,706
Summer food service program	10.559	13-05A-3016-05	89,235
School breakfast program	10.553	13-05A-3014-05	29,084
<i>Total Child Nutrition Cluster</i>			<u>212,840</u>
Total U.S. Department of Agriculture			<u>230,956</u>
<i>U.S. Department of Conservation</i>			
<i>Passed through State of Maine Department of Agriculture</i>			
Coastal Zone Management Administration Awards	11.419	CT 01A201710041293	<u>206</u>
<i>U.S. Department of Environmental Protection</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C230093-08	<u>69,626</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	301,989
Career and technical education- Perkins Title IC	84.048	13-05A-3030-8	33,540
Student support grant	84.424	13-05A-3345-13	571
Title IIA teacher quality	84.367	13-05A-3042-11	10,700
<i>Special Education Cluster</i>			
Part B Section 619- Preschool	84.173	13-05A-6241-23	3,875
Title VI, Part B - Local Entitlement	84.027	13-05A-3046-12	84,993
<i>Total Special Education Cluster</i>			<u>88,868</u>
<i>Direct</i>			
Rural Education Achievement Program	84.358	S358A181838	<u>36,657</u>
<i>Passed through University of Maine System</i>			
Gaining Early Awareness and Readiness for Undergraduate	84.334	P334S140018	<u>53,985</u>
Total U.S. Department of Education			<u>526,310</u>
<i>U.S. Department of Health and Human Services</i>			
Provider Relief Fund Rural Distribution (Covid-19 funds)	93.498	unknown	<u>13,643</u>
<i>U.S. Department of Transportation</i>			
<i>Direct</i>			
FAA grant - airport improvement program	20.106	AIP#3-23-0029-06-2011	<u>270,136</u>
Total expenditures of federal awards			<u>\$ 1,110,877</u>
Supplemental disclosure:			
Clean Water State Revolving Loan Fund			
Loan beginning balance			\$ 670,962
Loan draws			<u>69,626</u>
Loan ending balance			<u>\$ 740,588</u>

Town of Machias, Maine
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

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 in the catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The accompanying schedule includes all federal award programs of the Town for the fiscal year ended June 30, 2020. 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 \$8,459 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, 2020

7. CLEAN WATER STATE REVOLVING LOAN FUND- DEP

The Town had \$740,589 outstanding on a \$950,000 bond payable which is funded by federal awards at June 30, 2020. Of this total, \$209,411 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, 2020

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

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010	Title IA grants to local educational agencies

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

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

Town of Machias, Maine
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2020

Section II — Financial Statement Findings

#2020-001	
<i>Criteria or specific requirement</i>	Internal control over financial reporting and closing process.
<i>Condition</i>	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 School department 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 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 School Department 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 School Department will put in place a process for more accurate year-end closing and financial statement preparation. Management will work with the auditor to identify and correct problematic areas.</i>

Section III — Federal Award Findings and Questioned Costs

#2020-002	
<i>Information on federal programs</i>	Reporting of year ended June 30, 2019 audit reporting package to Federal Audit Clearinghouse
<i>Pass-through entity</i>	State of Maine Department of Education
<i>Finding type</i>	Compliance
<i>Criteria or specific requirement (including statutory, regulatory or other citation)</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.
<i>Condition</i>	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, 2019.

Town of Machias, Maine
Summary Schedule of Prior Audit Findings
Year ended June 30, 2020

#2019-001

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.

#2019-002

Condition

The School department needs to implement additional controls over agency fund transactions at Machias High School to ensure timely recording of activity, proper supporting documents are retained and bank statements are being reconciled properly.

Current Status

The School Department corrected.