

Town of Machias, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2019

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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, 2019, 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, 2019 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 April 17, 2020, 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.

Brantner Thibodeau & Associates

April 17, 2020

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, 2019 compared with 2018. 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, 2019 was \$6,867,408.
- On a budget basis the Town ended the year with a positive budget variance of \$854,449.

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 \$22,279,367 as of June 30, 2019.

Net Position for the Period Ending June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 6,178,006	\$5,013,500	\$ 1,065,243	\$ 1,282,179	\$ 7,243,249	\$ 6,295,679
Capital assets	<u>8,649,159</u>	<u>6,208,414</u>	<u>11,874,761</u>	<u>11,002,240</u>	<u>20,523,920</u>	<u>17,210,654</u>
Total Assets	<u>14,827,165</u>	<u>11,221,914</u>	<u>12,940,004</u>	<u>12,284,419</u>	<u>27,767,169</u>	<u>23,506,333</u>
Deferred Outflows of resources	<u>243,089</u>	<u>253,415</u>	-	-	<u>243,089</u>	<u>253,415</u>
Current liabilities	807,184	805,131	720,824	392,360	1,528,008	1,197,491
Noncurrent liabilities	<u>3,384,496</u>	<u>11,568,445</u>	<u>718,069</u>	<u>778,898</u>	<u>4,102,565</u>	<u>2,347,343</u>
Total Liabilities	<u>4,191,680</u>	<u>2,373,576</u>	<u>1,438,893</u>	<u>1,171,258</u>	<u>5,630,573</u>	<u>3,544,834</u>
Deferred inflows of resources	<u>100,318</u>	<u>91,687</u>	-	-	<u>100,318</u>	<u>91,687</u>
Net Position						
Net investment in capital assets	7,157,243	5,026,823	10,488,303	10,065,946	17,645,546	15,092,769
Restricted	2,150,375	1,556,336	845,892	799,923	2,996,267	2,356,259
Unrestricted	<u>1,470,638</u>	<u>2,426,907</u>	<u>166,916</u>	<u>247,292</u>	<u>1,637,554</u>	<u>2,674,199</u>
Total Net Position	<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>

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 \$768,063 and recorded capital asset additions of \$4,616,262.

The Town recognized deferred property taxes of \$833 as a reduction 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 (\$37,211).

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, 2019 and 2018.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2019	2018	2019	2018	2019	2018
REVENUES						
Charges for services and other	\$ 220,638	\$ 180,803	\$ 1,144,095	\$ 1,025,903	\$ 1,364,733	\$ 1,330,909
Operating grants and contributions	5,402,578	4,724,662	-	-	5,402,578	4,724,662
Capital grants and contributions	2,523,837	689,256	701,679	288,321	3,225,516	977,577
Property taxes	2,868,266	2,796,708	-	-	2,868,266	2,796,708
Excise and miscellaneous taxes	301,172	301,718	-	-	301,172	301,718
Interest and lien charges	16,964	21,237	-	-	16,964	21,237
Grants and contributions not restricted to specific purpose	393,626	394,980	-	-	393,626	394,980
Unrestricted investment and interest income	59,807	14,281	(1,390)	53,991	58,417	68,272
Miscellaneous	13,104	10,126	600	877	13,704	11,003
Total Revenues	<u>11,799,992</u>	<u>9,133,771</u>	<u>1,844,984</u>	<u>1,493,295</u>	<u>13,644,976</u>	<u>10,627,066</u>
EXPENSES						
General government	\$ 438,726	\$ 422,087	-	-	\$ 438,726	\$ 422,087
Police	263,791	266,548	-	-	263,791	266,548
Fire	379,034	356,755	-	-	379,034	356,755
Public Safety Building	8,361	8,360	-	-	8,361	8,360
Public works	536,395	459,976	-	-	536,395	459,976
Education	5,236,487	4,810,673	-	-	5,236,487	4,810,673
Adult education-general	65,769	82,680	-	-	65,769	82,680
On-behalf payments – State of Maine	243,651	234,576	-	-	243,651	234,576
Culture and recreation	50,210	44,413	-	-	50,210	44,413
General assistance	1,227	687	-	-	1,227	687
Airport	12,915	12,495	-	-	12,915	12,495
County tax	245,445	220,842	-	-	245,445	220,842
Tax incremental financing	11,515	8,707	-	-	11,515	8,707
Other	14,321	2,162	-	-	14,321	2,162
Grants and other contributions	572,645	605,013	-	-	572,645	605,013
School lunch program	326,673	316,846	-	-	326,673	316,846
Interest on long-term debt	12,576	38,970	-	-	12,576	38,970
Capital outlay	24,575	964	-	-	24,575	964
Business-type Activities	-	-	1,585,417	1,551,279	1,585,417	1,551,279
Total Expenses	<u>8,444,316</u>	<u>7,892,754</u>	<u>1,585,417</u>	<u>1,551,279</u>	<u>10,029,733</u>	<u>9,444,033</u>
Excess(deficiency) before special items and transfers	3,355,676	1,241,017	259,567	(57,984)	3,615,243	1,183,033
Transfers	<u>(128,383)</u>	<u>(135,341)</u>	<u>128,383</u>	<u>135,341</u>	-	-
Change in net position	3,227,293	1,105,676	387,950	77,357	3,615,243	1,183,033
Net position, beginning of year	<u>9,010,066</u>	<u>7,946,451</u>	<u>11,113,161</u>	<u>11,035,804</u>	<u>20,123,227</u>	<u>18,982,255</u>
Restatement for OPEB reporting	<u>(1,459,103)</u>	<u>(42,061)</u>	-	-	<u>(1,459,103)</u>	<u>(42,061)</u>
Net position, beginning, restated	<u>7,550,963</u>	<u>7,904,390</u>	<u>11,113,161</u>	<u>11,035,804</u>	<u>18,664,124</u>	<u>18,940,194</u>
Net position, end 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>

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, 2019, the Town's net position for governmental activities increased by \$3,227,293.

Expenses of governmental activities include depreciation expense of \$369,870. 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, 2019 totaled \$3,652,939 an increase of \$113,889 from June 30, 2018. Of this amount, \$2,868,266 was from local property taxes.

The Town restated its beginning net position by (\$1,458,103) for OPEB reporting (Note 22).

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, 2019, the Town's net position from business-type activities increased by \$387,950.

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 \$5,120,799, \$1,165,901 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 \$2,869,099. Excise taxes accounted for \$293,802 in total revenue.

On behalf payments amounted to \$239,445 during the year ended June 30, 2019. Additional information on these “on-behalf” payments can be found in the notes to the basic financial statements.

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

Total governmental fund expenditures for the year were \$10,955,979, \$2,451,594 higher than the previous year.

The Town capitalized \$2,844,221 of capital outlays in governmental activities.

Capital Asset and Debt Administration

Capital Assets

	Balance 6/30/18	Additions/ Completions	Retire- ments/reclass	Balance 6/30/19
Governmental Activities				
Land	\$ 565,074	\$ -	\$ -	\$ 565,074
Construction in progress	841,530	2,419,463	-	3,260,993
Buildings and Improvements	7,151,964	58,468	-	7,210,432
Infrastructure	1,881,008	-	-	1,881,008
Equipment, furniture and fixtures	920,922	-	-	920,922
Vehicles	<u>1,088,972</u>	<u>332,684</u>	-	<u>1,421,656</u>
Total capital assets	<u>12,449,470</u>	<u>2,810,615</u>	-	<u>15,260,085</u>
<i>Less accumulated depreciation</i>	<u>(6,241,056)</u>	<u>(369,870)</u>	-	<u>(6,610,926)</u>
Total capital assets, net	<u>\$ 6,208,414</u>	<u>\$2,440,745</u>	<u>\$ -</u>	<u>\$ 8,649,159</u>

Town of Machias, Maine

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

	Balance 6/30/18	Additions/ Completions	Retire- ments/reclass	Balance 6/30/19
Business-Type Activities				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	534,933	1,211,108	(534,933)	1,211,108
Lines and mains and buildings	14,998,735	534,931		15,533,666
Vehicles and equipment	<u>846,773</u>	<u>59,608</u>	<u>-</u>	<u>906,381</u>
Total capital assets	<u>16,381,441</u>	<u>1,805,647</u>	<u>(534,933)</u>	<u>17,652,155</u>
<i>Less accumulated depreciation</i>	<u>(5,379,201)</u>	<u>(398,193)</u>	<u>-</u>	<u>(5,777,394)</u>
Total capital assets, net	<u>\$11,002,240</u>	<u>\$1,407,454</u>	<u>\$(534,933)</u>	<u>\$11,874,761</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, 2019 is as follows:

	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Bonds and notes payable	\$1,925,829	\$ 781,000	\$(520,103)	\$2,186,726
Compensated Absences	69,681	35,130	(1,565)	103,246
Capital lease obligations	30,522	-	(9,836)	20,686
Net pension liability	258,595	122,498	(118,559)	262,534
Net OPEB liability	<u>1,570,523</u>	<u>19,735</u>	<u>(60,885)</u>	<u>1,529,373</u>
Total	<u>\$3,855,150</u>	<u>\$ 958,363</u>	<u>\$(710,948)</u>	<u>\$4,102,565</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 \$764,819. Most of this variance resulted from increases in intergovernmental revenues and excise taxes.

Budgeted expenditures exceeded actual expenditures by \$246,460.

The highways and streets department was overspent by \$10,356 mostly because of construction costs. The tax increment financing department was overspent by \$5,015 because of larger than anticipated costs for this area.

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

Career and technical education	+\$25,000
Regular instruction	(15,000)
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 2019-2020 fiscal year has a total increase of \$58,781 to taxation. This includes an increase in the Debt service of \$69,730 an increase to the education budget of \$74,936 and a net decrease or use of additional revenues to offset of \$85,885.

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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 4,103,787	\$ -	\$ 4,103,787
Investments	548,243	741,935	1,290,178
Taxes receivable	367,684	-	367,684
Accounts receivable	-	375,880	375,880
Internal balances	60,433	(60,433)	-
Due from other governmental agencies	961,648	7,861	969,509
Other receivables	120,285	-	120,285
Inventories	8,144	-	8,144
Other assets	7,782	-	7,782
Capital assets not being depreciated	3,826,067	1,212,108	5,038,175
Capital assets being depreciated, net of accumulated depreciation	4,823,092	10,662,653	15,485,745
Total assets	<u>14,827,165</u>	<u>12,940,004</u>	<u>27,767,169</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	61,963	-	61,963
Deferred outflows related to pensions	181,126	-	181,126
Total deferred outflows of resources	<u>243,089</u>	<u>-</u>	<u>243,089</u>
LIABILITIES			
Accounts payable and accrued expenses	268,525	25,025	293,550
Due to other governmental agencies	8,393	22,987	31,380
Unearned revenues	14,042	1,850	15,892
Accrued summer teacher pay	516,224	-	516,224
Bond anticipation note payable	-	670,962	670,962
Long-term liabilities			
Due within one year			
Bonds and notes payable	394,422	60,445	454,867
Capital leases payable	4,443	-	4,443
Due in more than one year			
Bonds and notes payable	1,076,808	655,051	1,731,859
Capital leases payable	16,243	-	16,243
Net pension liability	262,534	-	262,534
Net OPEB liability	1,529,373	-	1,529,373
Compensated absences	100,673	2,573	103,246
Total liabilities	<u>4,191,680</u>	<u>1,438,893</u>	<u>5,630,573</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	34,132	-	34,132
Deferred inflows related to OPEB	58,685	-	58,685
Prepaid taxes	7,501	-	7,501
Total deferred inflows of resources	<u>100,318</u>	<u>-</u>	<u>100,318</u>
NET POSITION			
Net investment in capital assets	7,157,243	10,488,303	17,645,546
Restricted for			
Education	1,753,722	-	1,753,722
Capital projects	21,735	-	21,735
Machias Water Co.	-	617,816	617,816
Other purposes	374,918	228,076	602,994
Unrestricted	1,470,638	166,916	1,637,554
Total net position	<u>\$ 10,778,256</u>	<u>\$ 11,501,111</u>	<u>\$ 22,279,367</u>

See accompanying notes to basic financial statements.

**Town of Machias, Maine
Statement of Activities
For the Year Ended June 30, 2019**

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	\$ 438,726	\$ 60,299	\$ 721	\$ -	\$ (377,706)	\$ -	\$ (377,706)
Police department	263,791	20,583	555	-	(242,653)	-	(242,653)
Fire department	379,034	84,552	-	-	(294,482)	-	(294,482)
Public safety building	8,361	-	-	-	(8,361)	-	(8,361)
Public works	536,395	1,273	71,068	-	(464,054)	-	(464,054)
Education	5,236,487	-	4,286,174	-	(950,313)	-	(950,313)
Adult education	65,769	-	35,669	-	(30,100)	-	(30,100)
On-behalf payments - State of Maine	243,651	-	243,651	-	-	-	-
Culture and recreation	50,210	1,335	5,499	-	(43,376)	-	(43,376)
General assistance	1,227	-	859	-	(368)	-	(368)
Airport	12,915	-	1,805	-	(11,110)	-	(11,110)
County tax	245,445	-	-	-	(245,445)	-	(245,445)
Tax incremental financing	11,515	707	-	-	(10,808)	-	(10,808)
Other	14,321	-	-	-	(14,321)	-	(14,321)
Grants and other contributions	572,645	-	562,333	-	(10,312)	-	(10,312)
School food service program	326,673	51,889	194,244	-	(80,540)	-	(80,540)
Interest on long-term debt	12,576	-	-	-	(12,576)	-	(12,576)
Capital outlay	24,575	-	-	2,523,837	2,499,262	-	2,499,262
Total governmental activities	<u>8,444,316</u>	<u>220,638</u>	<u>5,402,578</u>	<u>2,523,837</u>	<u>(297,263)</u>	<u>-</u>	<u>(297,263)</u>
Business-type activities							
Sewer fund	850,247	589,526	-	701,679	-	440,958	440,958
Solid waste	207,140	144,847	-	-	-	(62,293)	(62,293)
Ambulance fund	459,975	382,927	-	-	-	(77,048)	(77,048)
Telcenter	68,055	26,795	-	-	-	(41,260)	(41,260)
Total business-type activities	<u>1,585,417</u>	<u>1,144,095</u>	<u>-</u>	<u>701,679</u>	<u>-</u>	<u>260,357</u>	<u>260,357</u>
Total government	<u>\$ 10,029,733</u>	<u>\$ 1,364,733</u>	<u>\$ 5,402,578</u>	<u>\$ 3,225,516</u>	<u>(297,263)</u>	<u>260,357</u>	<u>(36,906)</u>
General revenues							
Taxes							
Property taxes					2,868,266	-	2,868,266
Excise taxes, licenses, permits and fees					301,172	-	301,172
Interest and lien charges					16,964	-	16,964
Grants and contributions not restricted to specific programs					393,626	-	393,626
Unrestricted investment and interest earnings					59,807	(1,390)	58,417
Miscellaneous					13,104	600	13,704
Transfers					<u>(128,383)</u>	<u>128,383</u>	<u>-</u>
Total general revenues and transfers					<u>3,524,556</u>	<u>127,593</u>	<u>3,652,149</u>
Change in net position					<u>3,227,293</u>	<u>387,950</u>	<u>3,615,243</u>
NET POSITION - BEGINNING					9,010,066	11,113,161	20,123,227
Restatement for OPEB reporting (Note 22)					<u>(1,459,103)</u>	<u>-</u>	<u>(1,459,103)</u>
NET POSITION - BEGINNING, RESTATED					<u>7,550,963</u>	<u>11,113,161</u>	<u>18,664,124</u>
NET POSITION - ENDING					<u>\$ 10,778,256</u>	<u>\$ 11,501,111</u>	<u>\$ 22,279,367</u>

See accompanying notes to basic financial statements.

**Town of Machias, Maine
Balance Sheet
Governmental Funds
June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund - School Categorical Grants</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,926,389	\$ -	\$ -	\$ 177,398	\$ 4,103,787
Investments	291,745	-	-	256,498	548,243
Taxes receivable, net	367,684	-	-	-	367,684
Due from other funds	540,380	-	767,786	35,857	1,344,023
Receivable from other governments	399,367	288,197	244,122	29,962	961,648
Other receivables	-	-	110,000	10,285	120,285
Inventories	-	-	-	8,144	8,144
Prepaid expenses	7,782	-	-	-	7,782
Total assets	<u>\$ 5,533,347</u>	<u>\$ 288,197</u>	<u>\$ 1,121,908</u>	<u>\$ 518,144</u>	<u>\$ 7,461,596</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 57,593	\$ -	\$ 206,188	\$ 120	\$ 263,901
Due to other funds	777,606	209,920	-	296,064	1,283,590
Payable to other governments	8,393	-	-	-	8,393
Unearned grant revenue	-	14,042	-	-	14,042
Accrued teacher pay	460,339	50,664	-	5,221	516,224
Other payables	4,624	-	-	-	4,624
Total liabilities	<u>1,308,555</u>	<u>274,626</u>	<u>206,188</u>	<u>301,405</u>	<u>2,090,774</u>
Deferred inflows of resources					
Prepaid property taxes	7,501	-	-	-	7,501
Unavailable property taxes	242,522	-	-	-	242,522
Total deferred inflows of resources	<u>250,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,023</u>
Fund balances					
Nonspendable for					
Inventories	-	-	-	8,144	8,144
Prepaid expenses- education	7,782	-	-	-	7,782
Restricted for					
Education	1,732,369	13,571	-	-	1,745,940
Capital projects	-	-	21,735	-	21,735
Town grants and other purposes	79,943	-	-	294,975	374,918
Committed for					
Other purposes	85,055	-	-	-	85,055
Capital projects	-	-	893,985	-	893,985
Unassigned (deficit)	2,069,620	-	-	(86,380)	1,983,240
Total fund balances	<u>3,974,769</u>	<u>13,571</u>	<u>915,720</u>	<u>216,739</u>	<u>5,120,799</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,533,347</u>	<u>\$ 288,197</u>	<u>\$ 1,121,908</u>	<u>\$ 518,144</u>	<u>\$ 7,461,596</u>

Town of Machias, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balance, governmental funds	\$ 5,120,799
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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.	8,649,159
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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	242,522
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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	243,089
Deferred inflows related to pensions	(92,817)

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.

	(3,384,496)
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Net Position of Governmental Activities in the Statement of Net Position	\$ 10,778,256
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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, 2019

	General Fund	Special Revenue Fund - School Categorical Grants	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 2,869,099	\$ -	\$ -	\$ -	\$ 2,869,099
Excise taxes	293,802	-	-	-	293,802
Interest and lien charges	16,964	-	-	-	16,964
Licenses, permits and fees	21,016	-	-	-	21,016
Intergovernmental					
Town	460,992	-	2,332,843	257,672	3,051,507
Education	4,142,687	562,333	-	-	4,705,020
On-behalf payments - State of Maine	239,445	-	-	-	239,445
Charges for services	47,372	-	5,250	51,889	104,511
Interfund charges for services	92,025	-	-	-	92,025
Investment and interest earnings	56,025	-	-	3,781	59,806
Donations	-	-	125,000	-	125,000
Miscellaneous	28,814	-	-	-	28,814
Total revenues	<u>8,268,241</u>	<u>562,333</u>	<u>2,463,093</u>	<u>313,342</u>	<u>11,607,009</u>
EXPENDITURES					
Current					
General government	420,253	-	-	-	420,253
Police department	247,255	-	-	-	247,255
Fire department	365,350	-	-	-	365,350
Public works	380,456	-	-	-	380,456
Education	4,833,948	-	-	-	4,833,948
Adult education	65,769	-	-	-	65,769
On-behalf payments - State of Maine	239,445	-	-	-	239,445
Recreation and social services	44,430	-	-	-	44,430
General assistance	1,227	-	-	-	1,227
Airport	8,124	-	-	-	8,124
County tax	245,445	-	-	-	245,445
Tax increment financing	11,515	-	-	-	11,515
Other services	14,321	-	-	-	14,321
Federal, state and local grants	-	563,613	-	-	563,613
School food service program	-	-	-	326,673	326,673
Debt service					
Principal	312,919	-	-	-	312,919
Interest and other charges	31,015	-	-	-	31,015
Capital outlay	86,000	-	2,692,369	65,852	2,844,221
Total expenditures	<u>7,307,472</u>	<u>563,613</u>	<u>2,692,369</u>	<u>392,525</u>	<u>10,955,979</u>
Excess (deficiency) of revenues over expenditures	<u>960,769</u>	<u>(1,280)</u>	<u>(229,276)</u>	<u>(79,183)</u>	<u>651,030</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long term debt	86,000	-	557,254	-	643,254
Transfers in	-	-	27,750	36,187	63,937
Transfers out	(192,320)	-	-	-	(192,320)
Total other financing sources (uses)	<u>(106,320)</u>	<u>-</u>	<u>585,004</u>	<u>36,187</u>	<u>514,871</u>
Net change in fund balances	854,449	(1,280)	355,728	(42,996)	1,165,901
FUND BALANCES - BEGINNING	<u>3,120,320</u>	<u>14,851</u>	<u>559,992</u>	<u>259,735</u>	<u>3,954,898</u>
FUND BALANCES - ENDING	<u>\$ 3,974,769</u>	<u>\$ 13,571</u>	<u>\$ 915,720</u>	<u>\$ 216,739</u>	<u>\$ 5,120,799</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, 2019

Net change in fund balances - total governmental funds: \$ 1,165,901

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	\$ 2,810,614	
Depreciation	<u>(369,869)</u>	2,440,745

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.

(833)

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	\$ (59,030)	
Deferred inflows related to pensions and OPEB	<u>(11,246)</u>	(70,276)

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	\$ (781,000)	
Debt repayments	<u>470,675</u>	(310,325)

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		37,211
Compensated absences not reflected on Governmental funds		<u>(35,130)</u>

Change in net position of governmental activities		<u><u>\$ 3,227,293</u></u>
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Town of Machias, Maine
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds				Total
	Sewer Fund	Solid Waste Facility	Ambulance Fund	Other Proprietary Fund - Telcenter	
ASSETS					
Current assets					
Investments	\$ 741,935	\$ -	\$ -	\$ -	\$ 741,935
Accounts receivable, net	180,866	-	195,014	-	375,880
Due from other funds	9,512	-	230,728	36,412	276,652
Receivables from other governments	6,870	991	-	-	7,861
Total current assets	<u>939,183</u>	<u>991</u>	<u>425,742</u>	<u>36,412</u>	<u>1,402,328</u>
Non-current assets					
Capital assets not being depreciated	1,212,108	-	-	-	1,212,108
Capital assets being depreciated, net of accumulated depreciation	10,326,585	113,118	90,945	132,005	10,662,653
Total non-current assets	<u>11,538,693</u>	<u>113,118</u>	<u>90,945</u>	<u>132,005</u>	<u>11,874,761</u>
Total assets	<u>12,477,876</u>	<u>114,109</u>	<u>516,687</u>	<u>168,417</u>	<u>13,277,089</u>
LIABILITIES					
Current liabilities					
Accounts payable	14,503	10,522	-	-	25,025
Due to other funds	13,860	276,225	47,000	-	337,085
Payable to other governments	22,987	-	-	-	22,987
Other accrued expenses	-	-	-	1,850	1,850
Short term bond anticipation note payable	670,962	-	-	-	670,962
Bonds and notes payable	46,786	-	-	13,659	60,445
Total current liabilities	<u>769,098</u>	<u>286,747</u>	<u>47,000</u>	<u>15,509</u>	<u>1,118,354</u>
Non-current liabilities					
Compensated absences	-	2,573	-	-	2,573
Bonds and notes payable	595,732	-	-	59,319	655,051
Total non-current liabilities	<u>595,732</u>	<u>2,573</u>	<u>-</u>	<u>59,319</u>	<u>657,624</u>
Total liabilities	<u>1,364,830</u>	<u>289,320</u>	<u>47,000</u>	<u>74,828</u>	<u>1,775,978</u>
NET POSITION					
Net investment in capital assets	10,225,213	113,117	90,946	59,027	10,488,303
Restricted capital replacement	184,459	-	-	43,617	228,076
Restricted for Machias Water Co.	617,816	-	-	-	617,816
Unrestricted (deficit)	85,558	(288,328)	378,741	(9,055)	166,916
Total net position (deficit)	<u>\$ 11,113,046</u>	<u>\$ (175,211)</u>	<u>\$ 469,687</u>	<u>\$ 93,589</u>	<u>\$ 11,501,111</u>

Town of Machias, Maine
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds				Total
	Sewer Fund	Solid Waste Facility	Ambulance Fund	Other Proprietary Fund - Telcenter	
REVENUES					
Charges for services and interest	\$ 589,526	\$ 144,847	\$ 382,927	\$ 26,795	\$ 1,144,095
OPERATING EXPENSES					
Personal services	20,854	99,528	328,305	12,256	460,943
Contractual services	208,128	58,674	14,116	3,021	283,939
Utilities	106,944	7,418	9,100	11,579	135,041
Repairs and maintenance	111,009	16,493	8,598	4,163	140,263
Other supplies and expenses	68,629	7,434	22,767	390	99,220
Insurance claims and expenses	13,805	1,795	7,121	1,323	24,044
Bad debt	-	-	28,995	-	28,995
Depreciation	306,099	15,798	40,973	35,323	398,193
Total operating expenses	<u>835,468</u>	<u>207,140</u>	<u>459,975</u>	<u>68,055</u>	<u>1,570,638</u>
Operating income (loss)	<u>(245,942)</u>	<u>(62,293)</u>	<u>(77,048)</u>	<u>(41,260)</u>	<u>(426,543)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue (loss)	(1,834)	444	-	-	(1,390)
Miscellaneous revenue	-	-	10	590	600
Capital grants and contributions	701,679	-	-	-	701,679
Interest expense	(14,779)	-	-	-	(14,779)
Total non-operating revenues (expenses)	<u>685,066</u>	<u>444</u>	<u>10</u>	<u>590</u>	<u>686,110</u>
Income (loss) before transfers	<u>439,124</u>	<u>(61,849)</u>	<u>(77,038)</u>	<u>(40,670)</u>	<u>259,567</u>
Transfers in	90,383	50,000	-	-	140,383
Transfers out	-	-	(12,000)	-	(12,000)
Total transfers and special items	<u>90,383</u>	<u>50,000</u>	<u>(12,000)</u>	<u>-</u>	<u>128,383</u>
Change in net position	529,507	(11,849)	(89,038)	(40,670)	387,950
Total net position (deficit) - beginning	<u>10,583,539</u>	<u>(163,362)</u>	<u>558,725</u>	<u>134,259</u>	<u>11,113,161</u>
Total net position (deficit) - ending	<u>\$ 11,113,046</u>	<u>\$ (175,211)</u>	<u>\$ 469,687</u>	<u>\$ 93,589</u>	<u>\$ 11,501,111</u>

Town of Machias, Maine
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2019

	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	\$ 589,302	\$ 147,821	\$ 367,653	\$ 26,795	\$ 1,131,571
Payments for administrative services	(34,659)	(102,888)	(335,326)	(13,579)	(486,452)
Payments to suppliers for goods and services	(486,077)	(90,239)	(83,676)	(19,803)	(679,795)
Interfund activity	(110,569)	(40,027)	63,339	19,657	(67,600)
Net cash provided (used) by operating activities	<u>(42,003)</u>	<u>(85,333)</u>	<u>11,990</u>	<u>13,070</u>	<u>(102,276)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest paid	(14,548)	-	-	-	(14,548)
Interest income (loss)	-	444	-	-	444
Donation and other	-	-	10	590	600
Transfers in (out)	90,383	50,000	(12,000)	-	128,383
Net cash provided (used) by noncapital financing activities	<u>75,835</u>	<u>50,444</u>	<u>(11,990)</u>	<u>590</u>	<u>114,879</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds and leases	(45,835)	-	-	(13,660)	(59,495)
Bond and short term note proceeds	509,429	-	-	-	509,429
Capital grants and contributions	921,120	-	-	-	921,120
Acquisition and construction of capital assets	(1,418,546)	(40,896)	-	-	(1,459,442)
Net cash (used) by capital and related financial activities	<u>(33,832)</u>	<u>(40,896)</u>	<u>-</u>	<u>(13,660)</u>	<u>(88,388)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	(75,785)	-	-	(75,785)
CASH AND CASH EQUIVALENTS, BEGINNING	-	75,785	-	-	75,785
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)	\$ (245,942)	\$ (62,293)	\$ (77,048)	\$ (41,260)	\$ (426,543)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	306,099	15,798	40,973	35,323	398,193
(Increase) decrease in the following assets					
Accounts receivable	(222)	2,974	(15,275)	-	(12,523)
Interfund receivables	-	-	51,340	19,657	70,997
Increase (decrease) in the following liabilities					
Compensated absences payable	-	(1,565)	-	-	(1,565)
Interfund payables	(110,571)	(40,027)	12,000	-	(138,598)
Accounts payable and other accrued liabilities	8,633	(220)	-	(650)	7,763
Net cash provided (used) by operating activities	<u>\$ (42,003)</u>	<u>\$ (85,333)</u>	<u>\$ 11,990</u>	<u>\$ 13,070</u>	<u>\$ (102,276)</u>

Town of Machias, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,396,448	\$ 76,995
LIABILITIES		
Due to student groups	-	76,995
NET POSITION		
Held in trust for scholarships and other purposes	<u>\$ 1,396,448</u>	<u>\$ -</u>

Town of Machias, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Private Purpose Trust Funds
ADDITIONS	
Interest	\$ 26,409
Contributions	17,182
Total additions	43,591
 DEDUCTIONS	
Scholarships	25,369
Change in net position	18,222
NET POSITION - BEGINNING	1,378,226
NET POSITION - ENDING	\$ 1,396,448

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2018 and were due on October 15, 2018 and March 22, 2019, respectively. Interest was charged at 6% per annum as authorized by Maine Law on amounts not paid by the due date. Upon the expiration of eight months, and within one year from the date of original commitment, a tax lien is recorded for all delinquent taxes on real estate. If taxes were paid in full by October 15, 2018, a 2% discount was applied.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

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, 2019, and during the first sixty days of the next fiscal year are recognized as revenue in 2019. 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	\$128,153,900
Personal property	<u>6,058,000</u>
	\$134,211,900
Tax rate (per \$1,000)	<u>21.70</u>
Commitment	\$ 2,912,398
Less collections, discounts and abatements	<u>(2,659,276)</u>
Receivable at June 30, 2019	<u>\$ 253,122</u>
Collection rate	91%

12. Recent and New Governmental Accounting Pronouncements and Statements

During the year ended June 30, 2019, the Town continued to implement GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The effect on the financial statements is described in Note 22.

During the year ended June 30, 2019 the Town implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement improves financial reporting by improving the consistency of the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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, 2019. 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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

12. Recent and New Governmental Accounting Pronouncements and Statements (Continued)

In January 3017, 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, 2018. The effect of this Statement on the Town's financial statements is not known at this time.

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, 2019, the Town reported deposits of \$5,577,230 with bank balances of \$5,752,808. 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	\$ 4,103,787
Reported in fiduciary funds	1,473,443
Total deposits	<u>\$ 5,577,230</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, 2019 are as follows:

Money market accounts	\$ 37,529	Level 1
US Treasury Bills and Notes	199,249	Level 1
Federal National Mortgage	173,749	Level 1
Federal Home Loan Bank	39,833	Level 1
Federal Home Loan Mortgage Corp	121,557	Level 1
Federal Farm Credit Bank	100,445	Level 1
Common stock, Machias Water Co.	617,816	Level 2
Total investments	<u>\$1,290,178</u>	

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

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

Investments (Continued)

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, 2019, 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.

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	\$ 173,749	\$ -
Federal Home Loan Bank	39,833	-
Federal Home Loan Mortgage Corp	-	121,557
Federal Farm Credit Bank	100,445	-
US Treasury Bills	98,409	-
US Treasury Notes	-	100,840
	<u>\$412,436</u>	<u>\$ 222,397</u>

Investments have been reported as follows:

Reported in governmental funds	\$ 548,243
Reported in proprietary funds	741,935
Total investments	<u>\$1,290,178</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, 2018 the Town's interest has been valued at \$617,816 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, 2019 is \$19,288 based on an estimate of 9% of total receivables.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 6/30/18	Additions/ Completions	Retirements/ Reclassifications	Balance 6/30/19
Governmental Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 565,074	\$ -	\$ -	\$ 565,074
Construction in progress	841,530	2,419,463	-	3,260,993
Total capital assets not being depreciated	<u>1,406,604</u>	<u>2,419,463</u>	<u>-</u>	<u>3,826,067</u>
<i>Capital assets being depreciated</i>				
Buildings and land improvements	7,151,964	58,468	-	7,210,432
Infrastructure	1,881,008	-	-	1,881,008
Equipment, furniture and fixtures	920,922	-	-	920,922
Vehicles	1,088,972	332,684	-	1,421,656
Total capital assets being depreciated	<u>11,042,866</u>	<u>391,152</u>	<u>-</u>	<u>11,434,018</u>
Less accumulated depreciation for:				
Buildings and land improvements	(4,175,210)	(135,538)	-	(4,310,748)
Infrastructure	(469,947)	(62,701)	-	(532,648)
Equipment, furniture and fixtures	(746,789)	(37,011)	-	(783,800)
Vehicles	(849,110)	(134,620)	-	(983,730)
Total accumulated depreciation	<u>(6,241,056)</u>	<u>(369,870)</u>	<u>-</u>	<u>(6,610,926)</u>
Total capital assets being depreciated, net	<u>4,801,810</u>	<u>21,282</u>	<u>-</u>	<u>4,823,092</u>
Governmental activities capital assets, net	<u>\$ 6,208,414</u>	<u>\$ 2,440,745</u>	<u>\$ -</u>	<u>\$ 8,649,159</u>
Business-Type Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	534,933	1,211,108	(534,933)	1,211,108
Total capital assets not being depreciated	<u>535,933</u>	<u>1,211,108</u>	<u>(534,933)</u>	<u>1,212,108</u>
<i>Capital assets being depreciated</i>				
Infrastructure and buildings	14,998,735	534,931	-	15,533,666
Vehicles and equipment	846,773	59,608	-	906,381
Total capital assets being depreciated	<u>15,845,508</u>	<u>594,539</u>	<u>-</u>	<u>16,440,047</u>
Less accumulated depreciation				
Infrastructure and buildings	(4,871,757)	(332,287)	-	(5,204,044)
Vehicles and equipment	(507,444)	(65,906)	-	(573,350)
Total accumulated depreciation	<u>(5,379,201)</u>	<u>(398,193)</u>	<u>-</u>	<u>(5,777,394)</u>
Total capital assets being depreciated, net	<u>10,466,307</u>	<u>196,346</u>	<u>-</u>	<u>10,662,653</u>
Business-type activities capital assets, net	<u>\$ 11,002,240</u>	<u>\$ 1,407,454</u>	<u>\$ (534,933)</u>	<u>\$ 11,874,761</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2019, was charged as direct expense to programs as follows:

<i>Governmental activities</i>	
General government	\$ 6,357
Police	14,632
Fire	3,345
Public Safety Building	8,360
Public works	152,770
Recreation	5,780
Airport	4,791
Education	<u>173,835</u>
Total depreciation expense – Governmental activities	<u>\$ 369,870</u>
<i>Business-type activities</i>	
Sewer	\$ 306,099
Solid waste	15,798
Ambulance	40,973
Telcenter	<u>35,323</u>
Total depreciation expense – business-type activities	<u>\$ 398,193</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2019:

	Balance June 30, 2018 Restated	Increases	Decreases	Balance June 30, 2019	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	\$ 173,115	\$ -	\$ (81,947)	\$ 91,168	\$ 91,168
General Notes					
Machias Savings Bank, 2.50% road projects note, dated December 2, 2008, due 2019	61,671	-	(61,671)	-	-
Machias Savings Bank, 2.06% school renovations note, dated July 10, 2013, due 2023	127,599	-	(24,883)	102,716	24,987
Machias Savings Bank, 1.75% road projects note, dated September 10, 2014, due 2023	45,378	-	(22,542)	22,836	22,836
Machias Savings Bank, 1.25% Town cruiser note, dated July 29, 2015, due 2019	11,809	-	(11,809)	-	-
Machias Savings Bank, 2.99% school bus note, dated March 1, 2017, due 2020	34,929	-	(17,544)	17,385	17,385
Machias Savings Bank, 1.79% Town equipment note, dated May 11, 2016, due 2021	63,562	-	(63,562)	-	--
Machias Savings Bank, 2.29% school bus note and equipment note, dated August 25, 2016, due 2023	101,336	-	(33,152)	68,184	33,770
Machias Savings Bank, 2.49% road projects note, dated December 14, 2016, due 2027	210,403	-	(21,117)	189,286	21,650
Machias Savings Bank, 2.49% safety building note, dated December 14, 2016, due 2027	182,167	-	(18,283)	163,884	18,745
Machias Savings Bank, 2.39% loader/backhoe note, dated June 27, 2017, due 2020	71,500	-	(71,500)	-	-
Machias Savings Bank, 2.39% school bus note, dated July 10, 2017, due 2022	67,600	-	(16,299)	51,301	16,690
Machias Savings Bank, 1.95% airport improvements note, dated October 12, 2018, due 2023	-	250,000	-	250,000	46,967
Machias Savings Bank, 3.09% equipment purchase and refinancing note, dated July 26, 2018, due 2023	-	445,000	-	445,000	83,602
Machias Savings Bank, 3.09% school bus note, dated July 28, 2018, due 2023	<u>-</u>	<u>86,000</u>	<u>(16,530)</u>	<u>69,470</u>	<u>16,622</u>
Total general obligation bonds and notes	1,151,069	781,000	(460,839)	1,471,230	394,422
Capital Leases	30,522	-	(9,836)	20,686	4,443
Net Pension Liability	258,595	122,498	(118,559)	262,534	N/A
Net OPEB Liability	1,570,523	19,735	(60,885)	1,529,373	N/A
Compensated Absences	<u>65,543</u>	<u>35,130</u>	<u>-</u>	<u>100,673</u>	<u>N/A</u>
Total governmental activities liabilities	<u>\$ 3,076,252</u>	<u>\$ 958,363</u>	<u>\$ (650,119)</u>	<u>\$ 3,384,496</u>	<u>\$ 398,865</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

	Balance, June 30, 2018 Restated	Increases	Decreases	Balance June 30, 2019	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	\$ 73,218	\$ -	\$ (13,925)	\$ 59,293	\$ 14,276
Maine Municipal Bond Bank, 1.40% sewer rehabilitation project, dated May 15, 2010, due 2029	197,867	-	(16,764)	181,103	16,998
Rural Development Bond, 2.25% sewer rehabilitation project, dated January 25, 2012, due 2040	417,037	-	(14,915)	402,122	15,209
Telcenter Note Payable					
Machias Savings Bank, 2.19% roof note, dated December 14, 2016, due 2023	<u>86,638</u>	<u>-</u>	<u>(13,660)</u>	<u>72,978</u>	<u>13,962</u>
Total proprietary fund bonds and notes payable	774,760	-	(59,264)	715,496	60,445
Compensated Absences	<u>4,138</u>	<u>-</u>	<u>(1,565)</u>	<u>2,573</u>	<u>N/A</u>
Total proprietary activities liabilities	<u>778,898</u>	<u>-</u>	<u>(60,829)</u>	<u>718,069</u>	<u>60,445</u>
Total governmental activities and proprietary liabilities	<u>\$ 3,855,150</u>	<u>\$ 958,363</u>	<u>\$ (710,948)</u>	<u>\$ 4,102,565</u>	<u>\$ 459,310</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	
2020	\$ 394,422	\$ 42,520	\$ 60,445	\$ 15,331	\$ 512,718
2021	270,169	30,445	61,691	14,128	376,433
2022	242,577	22,966	62,970	12,894	341,407
2023	230,958	15,837	64,275	11,633	322,703
2024	192,346	9,308	49,839	10,529	262,022
2025-2029	140,758	7,176	182,601	41,319	371,854
2030-2034	-	-	99,365	21,960	121,325
2035-2039	-	-	111,058	10,267	121,325
2040	-	-	<u>23,253</u>	<u>919</u>	<u>24,172</u>
	<u>\$ 1,471,230</u>	<u>\$ 128,252</u>	<u>\$ 715,497</u>	<u>\$ 138,980</u>	<u>2,453,959</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

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, 2019, 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. 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, 2019, the Town had recorded \$28,714 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, 2019 is \$22,971.

Minimum future lease payments under capital leases as of June 30, 2019 are:

2020	\$ 5,469
2021	5,469
2022	5,470
2023	5,470
2024	<u>1,365</u>
	23,243
Less amount representing interest	<u>(2,557)</u>
Present value of minimum lease payments	<u>\$ 20,686</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

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, 2019 arising from these transactions and interfund transfers were as follows:

	Receivable	Payable	Transfers in	Transfers out
General fund	\$540,380	\$777,606	\$ -	\$ 192,320
Special revenue- school grants	-	209,920	-	-
Capital projects fund	767,786		27,750	-
Sewer fund	9,512	13,860	90,383	-
Solid waste fund	-	276,225	50,000	-
Ambulance fund	230,728	47,000	-	12,000
Non-major proprietary funds	36,412	-	-	-
Non-major governmental funds	<u>35,857</u>	<u>296,064</u>	<u>36,187</u>	<u>-</u>
	<u>\$1,620,675</u>	<u>\$1,620,675</u>	<u>\$ 204,320</u>	<u>\$ 204,320</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 \$90,383 to the proprietary funds, a \$36,187 transfer to the other governmental fund - school lunch fund, transfer of \$12,000 from the ambulance fund to the capital projects fund and \$50,000 to the Solid Waste Facility proprietary fund.

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, 2019:

	Governmental Activities	Business-type Activities
Capital assets	\$ 15,260,085	\$ 17,652,155
Accumulated depreciation	(6,610,926)	(5,777,394)
Related bonds payable	(1,471,230)	(1,386,458)
Related capital leases payable	<u>(20,686)</u>	<u>-</u>
Total balance	<u>\$ 7,157,243</u>	<u>\$ 10,488,303</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 8. NET POSITION – RESTRICTED – EDUCATION

At June 30, 2019 the Town's restricted for education was comprised as follows:

General education	\$ 1,730,446
Adult education	9,705
Edgar REAP	103
Transitions	6,554
MELMAC grant	<u>6,914</u>
Total	<u>\$ 1,753,722</u>

NOTE 9. NET POSITION – RESTRICTED – CAPITAL PROJECTS

At June 30, 2019 the Town's capital projects restricted fund balance was comprised as follows:

School renovations	\$ 9,765
School roof repairs	<u>11,970</u>
Total	<u>\$ 21,735</u>

NOTE 10. FUND BALANCE – RESTRICTED – OTHER PURPOSES

At June 30, 2019 the Town's general fund balance restricted for other purposes was comprised as follows:

Tax increment financing	\$ 71,847
Airport Committee	2,305
Healthy Maine Streets grant	<u>5,791</u>
Total	<u>\$ 79,943</u>

NOTE 11. FUND BALANCE – RESTRICTED – OTHER PURPOSES

At June 30, 2019 the Town's other governmental funds - special revenue fund balance restricted for Town grants and other purposes was comprised as follows:

Mill account	\$ 251,990
Revolving loan fund	8,021
Sewer grant	86
State and local roads	16,345
Maine Waste Management-transfer station	4,990
Station 98	3,070
Thermal imaging camera	1,438
Waterfront grant	251
Downtown planning-donations	8,784
Seagull Motel / Nelson Park	(175)
Scholarship funds	<u>175</u>
Total	<u>\$ 294,975</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 12. FUND BALANCES – COMMITTED FOR CAPITAL PROJECTS

At June 30, 2019, the Town's other governmental funds fund balances committed for capital projects were comprised of the following:

Airport improvement	\$ 263,077
Ambulance vehicle replacement	12,000
Basketball court	1,233
Boat dock	1,980
Comprehensive plan	7,820
Dog park	219
Downtown revitalization	17,053
Economic development	88,733
E-911 signs	1,209
Fire department homeland security	314
Fire department ventilation	32,000
Fire truck replacement	3,276
Industrial development	24,099
Lawnmower	700
Marijuana licenses	5,250
Other – tax acquired property sales	36,309
Public safety building	48,337
Public works equipment and building	64,401
Roads	83,596
Sewer expansion	75,323
Sewer overflow	3,367
Sidewalk repair	15,540
School renovations	61,969
Skate park	1,322
Tennis court	14,549
Town office	<u>30,309</u>
 Total committed for capital projects	 <u>\$ 893,985</u>

NOTE 13. FUND BALANCES – COMMITTED FOR OTHER PURPOSES

At June 30, 2019, the Town's general fund balances committed for other purposes were comprised of the following:

Recreation – facilities and activities	\$ 895
Recreation – softball field	1,129
4 th of July	4,940
250 th Anniversary celebration	1,052
Police academy	39,928
Debt service – public safety building	<u>37,111</u>
 Total	 <u>\$ 85,055</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 14. 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.

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 11.08% of compensation for non-federally funded employees. The Town is required to contribute 3.97% of compensation to cover the normal costs for non-federally funded employees. The Town is also required to contribute 15.65% of compensation for federally funded employees.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 14. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions - SET Plan (Continued)

The contributions for the year ended June 30, 2019 were as follows:

	<u>Covered Payroll</u>	<u>Contribution Percentage</u>	<u>Contribution Amount</u>
Employee contribution	\$ 2,394,691	7.65%	\$ 183,194
State DOE contribution for non-federally funded employees	2,161,052	11.08%	239,445
Employer contribution for normal costs of non-federally funded employees	2,161,052	3.97%	85,794
Employer contribution for federally funded employees	233,639	15.65%	36,565

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, 2018 was as follows:

	<u>SET Plan</u>
Plan collective total pension liability	\$ 9,099,129,498
Less plan net position	<u>(7,749,686,754)</u>
Plan collective net pension liability	<u>\$ 1,349,442,744</u>

At June 30, 2019, 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	\$ 262,534
State's proportionate share of the net pension liability associated with the Town	<u>2,291,484</u>
Total	<u>\$2,554,018</u>

The net pension liability was measured as of June 30, 2018, 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 0.019455%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.017803% at the prior measurement date of June 30, 2017.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 14. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Expense and Revenue

For the year ended June 30, 2019, the Town recognized pension expense of \$139,050 related to the SET Plan, made up of the Town's proportionate share of plan pension expense \$28,751, pension expense related to specific liabilities of individual employers \$84,149, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$26,150, and recognized revenue of \$170,502 for support provided by the State.

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, 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	\$ 8,019	\$ -
Changes of assumptions	16,514	-
Net difference between projected and actual investment earnings on pension plan investments	-	34,131
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,637	1
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>120,956</u>	<u>-</u>
Total	<u>\$ 181,126</u>	<u>\$ 34,132</u>

\$120,956 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, 2020. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	Amount
2020	\$ 48,754
2021	10,752
2022	(24,296)
2023	<u>(9,172)</u>
	<u>\$ 26,038</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 14. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.maineopers.org/Publications/Publications.htm#Annual Reports.

Deferred Compensation Plan – ICMA

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

The Town contributes 6-10% of base pay for participating employees depending on years of continuous service. Employees may elect to contribute any % they wish of earnings up to the annual maximums. The Town made contributions of \$19,999 and employees elected to defer \$20,186 for a contribution of \$40,185 for the year ended June 30, 2019.

NOTE 15. 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.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 15. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)

Net OPEB Liability (Continued)

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, 2018 was as follows:

	SET Plan
Plan collective total OPEB liability	\$ 97,555,504
Less plan net fiduciary position	<u>(59,648,294)</u>
Plan collective net OPEB liability	<u>\$ 37,907,210</u>

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

	SET Plan
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>46,090</u>
Total	<u>\$ 46,090</u>

The net OPEB liability for the Town was measured as of June 30, 2018, 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.

OPEB Expense and Revenue

For the year ended June 30, 2019, the Town recognized OPEB expense of \$4,448 related to the SET Plan and recognized revenue of \$4,448 for support provided by the State, and recognized offsetting revenue and expense of \$4,206 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#AnnualReports.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 15. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)

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, 2018, 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>12</u>
Total	<u>12</u>

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 \$62,529 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

Changes in the Total Health Plan OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ <u>62,716</u>
Changes for the year:	
Service Cost	5,573
Interest	2,335
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(7,238)
Benefit payments	<u>(857)</u>
Net changes	<u>(187)</u>
Balance at June 30, 2019	<u>\$ 62,529</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 15. 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)

Change in assumptions reflects a change in the discount rate from 3.44% to 4.10% and also a change in valuation method from Projected Unit Credit funding to the Entry Age Normal funding method.

For the year ended June 30, 2019, The Town recognized OPEB expense of \$8,627 related to the Health Plan. At June 30, 2019, 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	\$ 3,004	\$ -
Changes in assumptions or other inputs	7,654	6,434
Employer contributions after the measurement date	857	-
Total	<u>\$ 11,515</u>	<u>\$ 6,434</u>

\$857 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, 2020. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30:		
2020	\$	719
2021		719
2022		719
2023		719
2024		719
Thereafter		629
Total		<u>\$ 4,224</u>

Actuarial Assumptions - Health Plan - The total OPEB liability in the January 1, 2019 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per annum
Salary increases	2.75% per annum
Discount rate	4.10% per annum
Healthcare cost trend rates	8.27% for 2019, decreasing to 4.00% for 2032
Retirees' share of the benefit related costs	100% of projected health insurance premiums

Mortality rates for the Health Plan were based on the RP2014 Total Dataset Healthy Annuity Mortality Table, for males and females.

The actuarial assumptions used in the January 1, 2018 valuation for the Health Plan were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 15. 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)

Discount Rate - Health Plan - The rate used to measure the total OPEB liability for the Health plan was 4.10% 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 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 4.10%, 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 (3.10%) or 1 percentage-point higher (5.10%) than the current rate:

	1% Decrease 3.10%	Discount Rate 4.10%	1% Increase 5.10%
Total OPEB Liability	\$ 73,937	\$ 62,529	\$ 53,384
Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability	<u>\$ 73,934</u>	<u>\$ 62,529</u>	<u>\$ 53,384</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 18.2%. A one percent increase in the discount rate decreases the NOL by approximately 14.6%.

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 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	<u>\$ 52,369</u>	<u>\$ 62,529</u>	<u>\$ 75,640</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 16.2%. A one percent increase in the healthcare trend rate increases the NOL by approximately 21.0%.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 15. DEFINED BENEFIT - OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)

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, 2018, the following employees were covered by the Plan benefit terms:

Inactive retirees or beneficiaries	28
Active employees	<u>78</u>
Total	<u>106</u>

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 \$1,466,844 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Changes in the Total Plan OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 1,507,807
Changes for the year:	
Service Cost	15,046
Interest	53,654
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(60,959)
Benefit payments	<u>(48,704)</u>
Net changes	<u>(40,963)</u>
Balance at June 30, 2019	<u>\$ 1,466,844</u>

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 15. 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)

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 (3.58%) and the end of the measurement date (3.87%). No other changes in assumptions were made.

For the year ended June 30, 2019, The Department recognized OPEB expense of \$59,992 related to the Plan. At June 30, 2019, The Department 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	\$ -	\$ -
Changes in assumptions or other inputs	-	52,251
Employer contributions after measurement date	<u>50,448</u>	<u>-</u>
Total	<u>\$ 50,448</u>	<u>\$ 52,251</u>

\$50,448 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:		
2020	\$	(8,708)
2021		(8,708)
2022		(8,708)
2023		(8,708)
2024		(8,708)
Thereafter		<u>(8,711)</u>
Total		<u>\$ (52,251)</u>

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, 2018 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 3.87% 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.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 15. 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)

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 3.87%, 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 (2.87%) or 1 percentage-point higher (4.87%) than the current rate:

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	\$ 1,694,139	\$ 1,466,844	\$ 1,282,785
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,694,139</u>	<u>\$ 1,466,844</u>	<u>\$ 1,282,785</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 15.5%. A one percent increase in the discount rate decreases the NOL by approximately 12.5%.

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>\$ 1,272,148</u>	<u>\$ 1,466,844</u>	<u>\$ 1,707,295</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 13.3%. A one percent increase in the healthcare trend rate increases the NOL by approximately 16.4%.

NOTE 16. 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.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 16. PARTICIPATION IN PUBLIC ENTITY RISK POOL (CONTINUED)

The Town is a member of the Maine Municipal Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker's compensation coverage. The Town's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member Town's for claims in excess of \$500,000 with an excess limit of \$2,000,000.

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

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

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

NOTE 17. 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, 2019, the Town abated property taxes totaling \$6,485 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 \$6,485.

Town of Machias, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 18. DEFICIT FUND BALANCE

The Town has a deficit fund balance of \$86,380 in its other governmental fund – school lunch. The Town plans to address this deficit in future budgets.

NOTE 19. 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 20. 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 21. JOINTLY GOVERNED ORGANIZATION

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

NOTE 22. RESTATEMENT OF NET POSITION

As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*, the Town restated its beginning net position on the government-wide statements by (\$1,459,103), to record net OPEB liability of (\$1,507,807) and deferred outflows of \$48,704

NOTE 23. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 17, 2020, 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, 2019

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Budget to GAAP Differences**	Actual Amounts, GAAP Basis
	Original	Changes	Final*			
REVENUES						
Property taxes, net	\$ 2,912,398	\$ -	\$ 2,912,398	\$ 2,869,099	\$ -	\$ 2,869,099
Excise taxes	246,400	-	246,400	293,802	-	293,802
Interest and lien costs	25,000	-	25,000	16,964	-	16,964
Licenses and permits	19,165	-	19,165	21,016	-	21,016
Intergovernmental						
Education	3,471,287	-	3,471,287	4,142,687	-	4,142,687
On-behalf payments - State of Maine	-	-	-	-	239,445	239,445
Town	447,457	-	447,457	460,992	-	460,992
Charges for services	26,630	-	26,630	47,372	-	47,372
Interfund charges for services	105,825	-	105,825	92,025	-	92,025
Interest earnings	8,000	-	8,000	56,025	-	56,025
Miscellaneous	1,815	-	1,815	28,814	-	28,814
Total revenues	<u>7,263,977</u>	<u>-</u>	<u>7,263,977</u>	<u>8,028,796</u>	<u>239,445</u>	<u>8,268,241</u>
EXPENDITURES						
Current						
General government	439,202	-	439,202	420,253	-	420,253
Police department	357,135	-	357,135	247,255	-	247,255
Fire department	386,080	-	386,080	365,350	-	365,350
Highways and streets	376,350	(6,250)	370,100	380,456	-	380,456
Education	5,142,624	(36,187)	5,106,437	5,027,318	(193,370)	4,833,948
Adult education	65,769	-	65,769	65,769	-	65,769
On-behalf payments - State of Maine	-	-	-	-	239,445	239,445
Recreation and social services	42,511	1,438	43,949	44,430	-	44,430
General assistance	5,450	-	5,450	1,227	-	1,227
Airport	18,500	(9,500)	9,000	8,124	-	8,124
County tax	245,445	-	245,445	245,445	-	245,445
Tax increment financing	6,500	-	6,500	11,515	-	11,515
Other services	15,000	-	15,000	14,321	-	14,321
Debt service						
Principal	133,618	-	133,618	119,549	193,370	312,919
Interest and other charges	44,802	-	44,802	31,015	-	31,015
Capital outlay	-	-	-	-	86,000	86,000
Total expenditures	<u>7,278,986</u>	<u>(50,499)</u>	<u>7,228,487</u>	<u>6,982,027</u>	<u>325,445</u>	<u>7,307,472</u>
Excess (deficiency) of revenues over expenditures	<u>(15,009)</u>	<u>50,499</u>	<u>35,490</u>	<u>1,046,769</u>	<u>(86,000)</u>	<u>960,769</u>
OTHER FINANCING SOURCES (USES)						
Use of unrestricted carryover fund balances	210,000	-	210,000	-	-	-
Use of restricted carryover fund balances	-	1,438	1,438	-	-	-
Overlay	(54,601)	-	(54,601)	-	-	-
Proceeds from long term debt	-	-	-	-	86,000	86,000
Transfers out	(140,390)	(51,937)	(192,327)	(192,320)	-	(192,320)
Total other financing sources and uses	<u>15,009</u>	<u>(50,499)</u>	<u>(35,490)</u>	<u>(192,320)</u>	<u>86,000</u>	<u>(106,320)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>854,449</u>	<u>-</u>	<u>854,449</u>
FUND BALANCES - BEGINNING						
				<u>3,120,320</u>	<u>-</u>	<u>3,120,320</u>
FUND BALANCES - ENDING						
				<u>\$ 3,974,769</u>	<u>\$ -</u>	<u>\$ 3,974,769</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	\$ 854,449
On behalf payments revenue	239,445
On behalf payments expenditures	(239,445)
Capital outlay	(83,676)
Proceeds from capital leases	83,676
Net change in fund balances - GAAP basis	<u>\$ 854,449</u>

Town of Machias, Maine
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2019

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Changes	Final*		
REVENUES					
Property taxes, net	\$ 2,912,398	\$ -	\$ 2,912,398	\$ 2,869,099	\$ (43,299)
Excise taxes	246,400	-	246,400	293,802	47,402
Interest and lien costs	25,000	-	25,000	16,964	(8,036)
Licenses and permits	19,165	-	19,165	21,016	1,851
Intergovernmental					
Education	3,471,287	-	3,471,287	4,142,687	671,400
Town	447,457	-	447,457	460,992	13,535
Charges for services	26,630	-	26,630	47,372	20,742
Interfund charges for services	105,825	-	105,825	92,025	(13,800)
Investment earnings	8,000	-	8,000	56,025	48,025
Miscellaneous	1,815	-	1,815	28,814	26,999
Total revenues	<u>7,263,977</u>	<u>-</u>	<u>7,263,977</u>	<u>8,028,796</u>	<u>764,819</u>
EXPENDITURES					
Current					
General government	439,202	-	439,202	420,253	18,949
Police department	357,135	-	357,135	247,255	109,880
Fire department	386,080	-	386,080	365,350	20,730
Highways and streets	376,350	(6,250)	370,100	380,456	(10,356)
Education	5,142,624	(36,187)	5,106,437	5,027,318	79,119
Adult education	65,769	-	65,769	65,769	-
Recreation and social services	42,511	1,438	43,949	44,430	(481)
General assistance	5,450	-	5,450	1,227	4,223
Airport	18,500	(9,500)	9,000	8,124	876
County tax	245,445	-	245,445	245,445	-
Tax increment financing	6,500	-	6,500	11,515	(5,015)
Other services	15,000	-	15,000	14,321	679
Debt service					
Principal	133,618	-	133,618	119,549	14,069
Interest and other charges	44,802	-	44,802	31,015	13,787
Total expenditures	<u>7,278,986</u>	<u>(50,499)</u>	<u>7,228,487</u>	<u>6,982,027</u>	<u>246,460</u>
Excess (deficiency) of revenues over expenditures	<u>(15,009)</u>	<u>50,499</u>	<u>35,490</u>	<u>1,046,769</u>	<u>1,011,279</u>
OTHER FINANCING SOURCES (USES)					
Use of unrestricted carryover fund balances	210,000	-	210,000	-	210,000
Use of restricted carryover fund balances	-	1,438	1,438	-	1,438
Overlay	(54,601)	-	(54,601)	-	(54,601)
Transfers out	(140,390)	(51,937)	(192,327)	(192,320)	7
Total other financing sources and uses	<u>15,009</u>	<u>(50,499)</u>	<u>(35,490)</u>	<u>(192,320)</u>	<u>156,844</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>854,449</u>	<u>\$ 854,449</u>
FUND BALANCES - BEGINNING				<u>3,120,320</u>	
FUND BALANCES - ENDING				<u>\$ 3,974,769</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>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>	<u>2010</u>
Town's proportion of the net pension liability	0.019455%	0.017803%	0.013697%	0.014039%	0.011751%	0.014357%				
Town's proportionate share of the net pension liability	\$ 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>2,291,484</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>\$ 2,554,018</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***	\$ 2,322,930	\$ 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	11.30%	11.24%	10.98%	8.20%	5.49%	10.10%				
Plan fiduciary net position as a percentage of the total pension liability**	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 Unit'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 Unit 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>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>	<u>2010</u>
Contractually required contribution	\$ 118,559	\$ 99,029	\$ 90,209	\$ 75,753	\$ 78,454	\$ 22,528				
Contributions in relation to the contractually required contribution**	<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>				
Town's covered-employee payroll***	\$ 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	5.10%	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 Unit'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 2019

Changes in Benefit Assumptions: There were no changes of benefit assumptions in FY2019

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>2019</u>	<u>2018</u>
Town's proportion of the net OPEB liability	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>46,090</u>	<u>38,991</u>
Total	<u>\$ 46,090</u>	<u>\$ 38,991</u>
Town's covered-employee payroll	\$ 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%
Plan fiduciary net position as a percentage of the total OPEB liability **	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>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 863,973	\$ 962,371
Contributions as a percentage of covered-employee payroll	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>2019</u>	<u>2018</u>
<u>Total OPEB Liability</u>		
Service cost (BOY)	\$ 5,573	\$ 5,214
Interest (includes interest on service cost)	2,335	1,786
Differences between expected and actual experience	-	3,862
Changes in assumptions	(7,238)	9,842
Benefit payments, including refunds of member contributions	<u>(857)</u>	<u>(49)</u>
Net change in total OPEB liability	(187)	20,655
Total OPEB liability - beginning	<u>62,716</u>	<u>42,061</u>
Total OPEB liability - ending	<u>\$ 62,529</u>	<u>\$ 62,716</u>
<u>Plan fiduciary net position</u>		
Contributions - employer	857	49
Benefit payments, including refunds of member contributions	<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>
Net OPEB liability - ending	<u>\$ 62,529</u>	<u>\$ 62,716</u>
Covered employee payroll	<u>\$ 488,088</u>	<u>\$ 488,088</u>
Net OPEB liability as a percentage of covered employee payroll	<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
2019	4.10%
2018	3.44%

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, 2019

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

	Special Revenue Fund - School Food Service	Special Revenue Fund - Town	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 177,398	\$ -	\$ 177,398
Investments	-	256,498	256,498
Due from other funds	-	35,857	35,857
Receivable from other governments	29,962	-	29,962
Other receivable	7,665	-	7,665
Note receivable	-	2,620	2,620
Inventories	8,144	-	8,144
Total assets	<u>\$ 223,169</u>	<u>\$ 294,975</u>	<u>\$ 518,144</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 120	\$ -	\$ 120
Due to other funds	296,064	-	296,064
Accrued payroll liability	5,221	-	5,221
Total liabilities	<u>301,405</u>	<u>-</u>	<u>301,405</u>
Fund balances			
Nonspendable for inventory	8,144	-	8,144
Restricted for			
Town grants and other purposes	-	294,975	294,975
Unassigned (deficit)	(86,380)	-	(86,380)
Total fund balances	<u>(78,236)</u>	<u>294,975</u>	<u>216,739</u>
Total liabilities and fund balances	<u>\$ 223,169</u>	<u>\$ 294,975</u>	<u>\$ 518,144</u>

Town of Machias, Maine
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	<u>Special Revenue Fund - School Food Service</u>	<u>Special Revenue Fund - Town</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 194,244	\$ 63,428	\$ 257,672
Charges for services	51,889	-	51,889
Investment earnings	-	3,781	3,781
Total revenues	<u>246,133</u>	<u>67,209</u>	<u>313,342</u>
EXPENDITURES			
Current			
Food and supplies	191,796	-	191,796
Labor	134,877	-	134,877
Capital outlay	-	65,852	65,852
Total expenditures	<u>326,673</u>	<u>65,852</u>	<u>392,525</u>
Excess (deficiency) of revenues over expenditures	<u>(80,540)</u>	<u>1,357</u>	<u>(79,183)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long term debt	-	-	-
Transfers in	36,187	-	36,187
Total other financing sources and uses	<u>36,187</u>	<u>-</u>	<u>36,187</u>
Net change in fund balances	(44,353)	1,357	(42,996)
FUND BALANCES (DEFICIT) - BEGINNING	<u>(33,883)</u>	<u>293,618</u>	<u>259,735</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ (78,236)</u>	<u>\$ 294,975</u>	<u>\$ 216,739</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, 2019

	Original Budget	Budget Changes*	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Local assessments	\$ 1,547,106	\$ -	\$ 1,547,106	\$ 1,547,106	\$ -
State subsidy	2,139,518	-	2,139,518	2,373,693	234,175
Intergovernmental	-	173,043	173,043	175,549	2,506
Tuition and fees	1,289,000	-	1,289,000	1,532,532	243,532
Other	7,000	-	7,000	17,938	10,938
Total revenues	4,982,624	173,043	5,155,667	5,646,818	491,151
EXPENDITURES					
Regular instruction					
Elementary	1,377,972	(15,000)	1,362,972	1,333,547	29,425
Early childhood	146,190	-	146,190	156,152	(9,962)
Secondary	738,353	-	738,353	673,438	64,915
Gifted and talented	92,341	-	92,341	79,764	12,577
Special education					
Elementary	378,343	39,824	418,167	326,472	91,695
Secondary	179,552	20,539	200,091	196,716	3,375
Administrative	38,275	-	38,275	37,061	1,214
Tutoring	7,160	-	7,160	4,581	2,579
Evaluation	3,600	41,935	45,535	41,975	3,560
Speech therapy	21,238	30,325	51,563	52,620	(1,057)
Occupational therapy	16,637	40,420	57,057	56,933	124
Career and technical education	246,519	25,000	271,519	275,504	(3,985)
Other Instruction					
Co-curricular - athletic elementary	34,089	-	34,089	30,433	3,656
Co-curricular - athletic secondary	80,645	-	80,645	68,736	11,909
Co-curricular - elementary	25,661	-	25,661	27,484	(1,823)
Co-curricular - secondary	48,805	-	48,805	37,092	11,713
Student and staff support					
Guidance and counseling - elementary	83,776	-	83,776	80,777	2,999
Guidance and counseling - secondary	105,138	-	105,138	103,138	2,000
Health services	47,231	-	47,231	49,928	(2,697)
Library and media - elementary	32,235	-	32,235	24,487	7,748
Library and media - secondary	33,281	-	33,281	40,045	(6,764)
System administration					
Office of superintendent	121,542	-	121,542	121,542	-
School board	24,740	-	24,740	24,745	(5)
School administration					
Office of principal - elementary	198,836	-	198,836	185,577	13,259
Office of principal - secondary	150,942	-	150,942	152,051	(1,109)
Transportation and buses	185,920	-	185,920	173,660	12,260
Facilities and maintenance					
Operation and maintenance of plant	531,816	-	531,816	568,740	(36,924)
Debt service	117,200	-	117,200	87,184	30,016
Vehicle Maintenance & Operation	12,700	-	12,700	2,277	10,423
Site improvement	15,700	-	15,700	14,661	1,039
Other					
Capital outlay	-	86,000	86,000	86,000	-
Contingency	10,000	(10,000)	-	-	-
Total expenditures	5,106,437	259,043	5,365,480	5,113,320	252,160
Excess (deficiency) of revenues over expenditures	(123,813)	(86,000)	(209,813)	533,498	743,311
OTHER FINANCING SOURCES (USES)					
Proceeds from long term debt	-	86,000	86,000	86,000	-
Transfers out	(36,187)	-	(36,187)	(36,187)	-
Utilization of prior year surplus	160,000	-	160,000	-	(160,000)
Total other financing sources	123,813	86,000	209,813	49,813	(160,000)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ 583,311	\$ 583,311

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

Town of Machias, Maine
Combining Balance Sheet - Special Revenue Funds - Town
June 30, 2019

	Downtown Revolving Loan Fund	Station 98	Economic Development (Mill)	State Local Road Assistance	Sewer Grant	Maine Waste Management Grant	Downtown planning	Waterfront Grant	Thermal imaging camera	Totals
ASSETS										
Investments	\$ -	\$ 3,069	\$ 251,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,438	\$ 256,498
Loans receivable	2,620	-	-	-	-	-	-	-	-	2,620
Due from other funds	5,401	-	-	16,345	86	4,990	8,784	251	-	35,857
Total assets	<u>\$ 8,021</u>	<u>\$ 3,069</u>	<u>\$ 251,991</u>	<u>\$ 16,345</u>	<u>\$ 86</u>	<u>\$ 4,990</u>	<u>\$ 8,784</u>	<u>\$ 251</u>	<u>\$ 1,438</u>	<u>\$ 294,975</u>
FUND EQUITY										
Fund Balance										
Restricted	<u>8,021</u>	<u>3,069</u>	<u>251,991</u>	<u>16,345</u>	<u>86</u>	<u>4,990</u>	<u>8,784</u>	<u>251</u>	<u>1,438</u>	<u>294,975</u>
Total fund equity	<u>8,021</u>	<u>3,069</u>	<u>251,991</u>	<u>16,345</u>	<u>86</u>	<u>4,990</u>	<u>8,784</u>	<u>251</u>	<u>1,438</u>	<u>294,975</u>
Total liabilities and fund equity	<u>\$ 8,021</u>	<u>\$ 3,069</u>	<u>\$ 251,991</u>	<u>\$ 16,345</u>	<u>\$ 86</u>	<u>\$ 4,990</u>	<u>\$ 8,784</u>	<u>\$ 251</u>	<u>\$ 1,438</u>	<u>\$ 294,975</u>

Town of Machias, Maine
Statement of Receipts, Disbursements, and Changes in Balances
Agency Funds
June 30, 2019

	Balances July 1, 2018	Receipts	Disbursements	Balances June 30, 2019
Rose Gaffney School	\$ 26,264	\$ 46,185	\$ 42,569	\$ 29,880
Machias High School	48,689	69,649	75,391	42,947
Machias Vocational Center	<u>4,899</u>	<u>3</u>	<u>734</u>	<u>4,168</u>
Total	<u>\$ 79,852</u>	<u>\$ 115,837</u>	<u>\$ 118,694</u>	<u>\$ 76,995</u>

Town of Machias, Maine
Taxes receivable, Tax liens and Tax acquired property
General Fund
June 30, 2019

Taxes receivable	
2018	\$ 253,122
2017	2,663
2016 and prior	<u>6,556</u>
Total taxes receivable	<u>262,341</u>
Tax liens and tax acquired property	
2017	99,890
2016 and prior	<u>5,453</u>
Total tax liens and tax acquired property	<u>105,343</u>
Total taxes receivable, tax liens and tax acquired property	<u>\$ 367,684</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, 2019, and have issued our report thereon dated April 17, 2020.

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

April 17, 2020

Town of Machias, Maine
Reconciliation of Audit Adjustments to Annual Financial Data
Submitted to Maine Education Financial System
Year ended June 30, 2019

	General	Special Revenue		Totals
	Fund	Grants and other	School lunch	
June 30 balance as per MEFS	\$ 1,788,534	\$ 8,193	\$ (87,781)	\$ 1,708,946
Beginning balance adjustment	(631,594)	6,656	53,896	(571,042)
Revenues adjustments				
Revenues per MEDMS	5,709,068	598,778	284,774	6,592,620
Adjustments to revenues	3,418	(36,445)	(2,453)	(35,480)
Expenditures adjustments				
Expenses per MEDMS	(5,129,248)	(563,658)	(330,043)	(6,022,949)
Adjustment to expenses	(28)	45	-	17
Adjust inventory	-	-	3,369	3,369
Rounding	1	2	2	5
GAAP Basis Fund Balance (Deficit)	\$ 1,740,151	\$ 13,571	\$ (78,236)	\$ 1,675,486



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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, 2019, 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 April 17, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies which are described in the accompanying schedule of findings and questioned costs as items #2019-001 and #2019-002.

Compliance and Other Matters

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

We noted certain other matters that we have reported to management of Town of Machias, Maine, in a letter dated April 17, 2020.

Town of Machias, Maine's Response to Findings

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

Purpose of this Report

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

Brantner Whibodian & Associates

April 17, 2020

**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, 2019. 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, 2019.

Report on Internal Control Over Compliance

Management of Town of Machias, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Machias, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Machias, Maine's internal control over compliance.

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

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

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

Brantner Whibodian & Associates

April 17, 2020

Town of Machias, Maine
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

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 Department of Education</i>			
Fresh fruit and vegetable program	10.582	13-05A-3028-05	\$ 13,803
<i>Cluster</i>			
National School Lunch Program	10.555	13-05A-8025-05	126,364
After school snack	10.555	13-05A-3020-05	11,734
Summer food service program	10.559	13-05A-3016-05	7,947
School breakfast program	10.553	13-05A-3014-05	<u>42,107</u>
<i>Total Child Nutrition Cluster</i>			188,152
Total U.S. Department of Agriculture			<u>201,955</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>18,319</u>
<i>U.S. Department of Environmental Protection</i>			
<i>Passed through Maine Department of Environmental Protection</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C230093-08	<u>509,429</u>
<i>U.S. Department of Education</i>			
<i>Passed through State Department of Education</i>			
Title IA Grants to Local Educational Agencies	84.010	13-05A-3057-13	265,156
Career and technical education- Perkins Title IC	84.048	13-05A-3030-8	81,445
Rural Education Achievement Program	84.358	13-05A-3057-13	14,877
Title IIA teacher quality	84.367	13-05A-3042-11	4,801
<i>Special Education Cluster</i>			
Part B Section 619- Preschool	84.173	13-05A-6241-23	3,670
Title VI, Part B - Local Entitlement	84.027	13-05A-3046-12	<u>94,129</u>
<i>Total Special Education Cluster</i>			97,799
<i>Direct</i>			
Rural Education Achievement Program	84.358A	S358A181838	<u>8,615</u>
<i>Passed through University of Maine System</i>			
Gaining Early Awareness and Readiness for Undergraduate	84.334	P334S140018	<u>58,368</u>
Total U.S. Department of Education			<u>531,061</u>
<i>U.S. Housing and Urban Development</i>			
<i>Passed through State Department of Economic and Community Development</i>			
Workforce Development Grant	14.228	015-19A-0587-012-6331	<u>701,679</u>
<i>U.S. Department of Justice</i>			
<i>Passed through Town of Baileyville, Maine</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	BAI-01-13	<u>555</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>2,177,090</u>
Total expenditures of federal awards			<u>\$ 4,140,088</u>
Supplemental disclosure:			
Clean Water State Revolving Loan Fund			
Loan beginning balance			\$ 161,534
Loan draws			<u>509,428</u>
Loan ending balance			<u>\$ 670,962</u>

Town of Machias, Maine
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

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, 2019. 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 \$12,054 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, 2019

7. CLEAN WATER STATE REVOLVING LOAN FUND- DEP

The Town had \$670,962 outstanding on a \$950,000 bond payable which is funded by federal awards at June 30, 2019. Of this total, \$279,038 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, 2019**

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

Noncompliance material to financial statements noted? - yes no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? - yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? - yes 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)? - yes no

Identification of major programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.106	Airport Improvement Grant

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

Auditee qualified as low-risk auditee? - yes no

**Town of Machias, Maine
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2019**

Section II — Financial Statement Findings

#2019-001

<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 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.
<i>Context</i>	The overall year-end financial closing process and reconciliations to financial statements are now being performed timely and additionally the School department maintain 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>

#2019-002

<i>Criteria or specific requirement</i>	Internal control over agency funds
<i>Condition</i>	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.
<i>Context</i>	Transactions are being entered and dated in the accounting system sometimes weeks after the actual transactions occurred. This caused issues with accurately reconciling bank statements. Additionally, the school is not retaining proper supporting documents, which could lead to improper payments being made.
<i>Effect</i>	The School department may not be able to identify instances of improper payments in a timely manner.
<i>Cause</i>	Lack of timely recording of activity transactions and retaining proper supporting documentation.
<i>Recommendation</i>	The School Department should review the procedures at the high school to ensure the supporting documentation is present prior to check issuance, transactions are promptly recorded and bank statements are reconciled and approved by management in a timely manner.
<i>Management's response</i>	

**Town of Machias, Maine
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2019**

Section III — Federal Award Findings and Questioned Costs

None noted

Town of Machias, Maine
Summary Schedule of Prior Audit Findings
Year ended June 30, 2019

#2018-001

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 improved but not fully corrected.