

Federal Compliance Audit

Town of Millinocket, Maine

June 30, 2022

REVISED APRIL 18, 2023



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TOWN OF MILLINOCKET, MAINE

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JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Millinocket
Millinocket, Maine

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Millinocket, Maine as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Millinocket, Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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

Auditor's Responsibilities for the Audit of Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Millinocket, Maine's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Town of Millinocket, Maine's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 5 through 12 and 77 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Millinocket, Maine's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial

statements and the schedule of expenditures of federal awards 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 March 28, 2023, on our consideration of the Town of Millinocket, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Millinocket, 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 Millinocket, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
March 28, 2023

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

(UNAUDITED)

The following management's discussion and analysis of Town of Millinocket, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the above-mentioned financial statements have separate columns for the two different types of Town activities. The types of activities presented for the Town of Millinocket are:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, fringe benefits, community services, education and grant funds/misc accounts.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Millinocket include the wastewater treatment.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

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

The general fund and education fund are the only funds for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund and the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund provide comparisons of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Millinocket maintains one proprietary fund, the Wastewater Treatment Fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows - Proprietary Funds.

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to nonmajor funds and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities increased by \$4,611,486 from \$5,024,337 to \$9,635,823. For the business-type activities, total net position increased by \$1,051,498 from \$6,855,612 to \$7,907,110.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - is a deficit balance of \$1,727,662 at the end of this year for governmental activities and a balance of \$3,566,183 for the business-type activities.

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

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Assets:				
Current Assets	\$ 10,676,623	\$ 8,925,218	\$ 3,888,117	\$ 4,771,756
Noncurrent Assets - Capital Assets	10,329,800	10,334,959	7,696,109	5,919,090
Total Assets	21,006,423	19,260,177	11,584,226	10,690,846
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	823,873	517,906	-	-
Deferred Outflows Related to OPEB	103,106	122,836	-	-
Total Deferred Outflows of Resources	926,979	640,742	-	-
Liabilities:				
Current Liabilities	1,741,034	1,751,191	424,451	418,803
Noncurrent Liabilities	8,397,451	12,365,449	3,252,665	3,416,431
Total Liabilities	10,138,485	14,116,640	3,677,116	3,835,234
Deferred Inflows of Resources:				
Deferred Revenue	511,697	-	-	-
Prepaid Taxes	28,858	33,531	-	-
Deferred Inflows Related to Pensions	1,549,498	200,167	-	-
Deferred Inflows Related to OPEB	69,041	76,244	-	-
Total Deferred Inflows of Resources	2,159,094	309,942	-	-
Net Position:				
Net Investment in Capital Assets	9,279,415	9,151,697	4,340,927	2,508,320
Restricted	2,084,070	1,594,743	-	-
Unrestricted (Deficit)	(1,727,662)	(5,722,103)	3,566,183	4,347,292
Total Net Position	\$ 9,635,823	\$ 5,024,337	\$ 7,907,110	\$ 6,855,612

Revenues and Expenses

Revenues for the Town's governmental activities increased by 4.17%, while total expenses decreased by 9.85%. The increase in revenues was primarily due to grants and contributions not restricted to specific programs. The decrease in expenses was primarily due to education and fringe benefits.

Revenues increased by 81.53% in the Town's business type activities, while the total expenses increased by 26.15%.

Table 2
Town of Millinocket, Maine
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 787,697	\$ 870,229	\$ 1,060,626	\$ 1,066,609
Operating grants and contributions	4,358,755	4,428,412	-	-
Capital grants and contributions	217,749	761,447	-	-
<i>General Revenues:</i>				
Taxes	6,285,738	6,304,750	-	-
Grants and contributions not restricted to specific programs	4,907,600	2,950,685	900,000	-
Investment income	33,571	66,635	13,763	20,005
Miscellaneous	696,406	1,213,455	2,843	2,576
Total Revenues	17,287,516	16,595,613	1,977,232	1,089,190
Expenses				
General government	1,018,140	860,796	-	-
Public safety	2,120,888	1,673,132	-	-
Public works	1,028,626	970,727	-	-
Fringe benefits	10,361	1,062,553	-	-
Community services	901,396	697,684	-	-
Education	6,135,495	7,576,525	-	-
County tax	275,516	246,428	-	-
Grant funds/misc accounts	638,934	119,515	-	-
State of Maine on-behalf payments	477,532	817,468	-	-
Interest on long-term debt	69,142	36,371	-	-
Wastewater treatment	-	-	925,734	733,829
Total Expenses	12,676,030	14,061,199	925,734	733,829
Change in Net Position	4,611,486	2,534,414	1,051,498	355,361
Net Position - July 1	5,024,337	2,489,923	6,855,612	6,500,251
Net Position - June 30	\$ 9,635,823	\$ 5,024,337	\$ 7,907,110	\$ 6,855,612

Financial Analysis of the Town's Fund Statements

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

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

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>
Major Funds:			
General Fund:			
Nonspendable	\$ 114,011	\$ 29,709	\$ 84,302
Restricted	470,938	134,016	336,922
Assigned	1,018,112	111,061	907,051
Unassigned	4,366,236	4,445,616	(79,380)
Education Fund:			
Restricted	611,151	595,116	16,035
Committed	392,360	-	392,360
Capital Reserve Fund:			
Committed	308,983	308,649	334
Total Major Funds	<u>\$ 7,281,791</u>	<u>\$ 5,624,167</u>	<u>\$ 1,657,624</u>
Nonmajor Funds:			
Special Revenue Funds:			
Nonspendable	\$ 25,509	\$ -	\$ 25,509
Restricted	823,277	826,504	(3,227)
Committed	74,025	79,526	(5,501)
Assigned	105,859	120,876	(15,017)
Unassigned	-	(4,157)	4,157
Permanent Funds:			
Nonspendable	16,401	16,401	-
Restricted	22,783	22,706	77
Total Nonmajor Funds	<u>\$ 1,067,854</u>	<u>\$ 1,061,856</u>	<u>\$ 5,998</u>

The changes to total fund balances for the general fund, the education fund, the capital reserve fund and aggregate nonmajor funds occurred due to the regular activity of operations.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The wastewater treatment fund had an increase in net position of \$1,051,498, which is an increase from the prior year change in net position of \$355,361. This is due primarily to grant revenue.

Budgetary Highlights

The differences between the original and final budget for the general fund was the use of assigned fund balance and applied receipts.

The general fund actual revenues exceeded budgeted amounts by \$447,599. This was due to all revenue categories being receipted in excess of budgeted amounts with the exception of general tax revenue and transfers from other funds.

The general fund actual expenditures were expended under budgeted amounts by \$1,448,374. All expenditure categories were expended within or under budgeted amounts.

There was no difference between the original and final budget for the education fund.

The education fund actual revenues were below budgeted amounts by \$207,368. This was due to all revenue categories being receipted below budgeted amounts with the exception of intergovernmental revenues and other revenue.

The education fund actual expenditures were expended under budgeted amounts by \$615,763. All expenditure categories were expended within or under budgeted amounts.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the net book value of capital assets recorded by the Town increased by \$1,771,860. This increase is a result of capital additions of \$2,664,998 less current year depreciation expense of \$893,138. Refer to Note 5 of Notes to Financial Statements for additional information.

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

	2022	2021
Land	\$ 205,841	\$ 205,841
Construction in progress	385,416	571,087
Land improvements	3,795,330	3,853,566
Buildings and improvements	3,371,207	3,665,832
Machinery, equipment and vehicles	2,957,022	2,724,427
Infrastructure	7,311,093	5,233,296
Total	<u>\$ 18,025,909</u>	<u>\$ 16,254,049</u>

Debt

At June 30, 2022, the Town had \$4,405,567 in bonds and a note from direct borrowings payable versus \$4,594,032 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately eight months, while also maintaining significant reserve accounts for future capital and program needs. The FY 22 School Department budget could be severely impacted by the reduction of funding from the State.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Department at 197 Penobscot Avenue, Millinocket, Maine 04462.

STATEMENT A

TOWN OF MILLINOCKET, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,988,532	\$ 2,613,039	\$ 10,601,571
Investments	425,006	-	425,006
Accounts receivable (net of allowance for uncollectibles):			
Taxes	274,328	-	274,328
Other	1,364,351	1,224,018	2,588,369
Due from other governments	535,946	-	535,946
Inventory	71,782	-	71,782
Tax acquired property	67,738	-	67,738
Internal balances	(51,060)	51,060	-
Total current assets	10,676,623	3,888,117	14,564,740
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	564,676	26,581	591,257
Buildings and vehicles net of accumulated depreciation	9,765,124	7,669,528	17,434,652
Total noncurrent assets	10,329,800	7,696,109	18,025,909
TOTAL ASSETS	21,006,423	11,584,226	32,590,649
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	823,873	-	823,873
Deferred outflows related to OPEB	103,106	-	103,106
TOTAL DEFERRED OUTFLOWS OF RESOURCES	926,979	-	926,979
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 21,933,402	\$ 11,584,226	\$ 33,517,628

STATEMENT A (CONTINUED)
TOWN OF MILLINOCKET, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 839,650	\$ 240,630	\$ 1,080,280
Accrued payroll	573,655	-	573,655
Accrued expenses	106,018	4,131	110,149
Current portion of long-term obligations	221,711	179,690	401,401
Total current liabilities	<u>1,741,034</u>	<u>424,451</u>	<u>2,165,485</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	797,524	3,183,209	3,980,733
Note from direct borrowings payable	53,909	-	53,909
Accrued compensated absences	204,831	69,456	274,287
Net pension liability	38,410	-	38,410
Net OPEB liability	7,302,777	-	7,302,777
Total noncurrent liabilities	<u>8,397,451</u>	<u>3,252,665</u>	<u>11,650,116</u>
TOTAL LIABILITIES	<u>10,138,485</u>	<u>3,677,116</u>	<u>13,815,601</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	511,697	-	511,697
Prepaid taxes	28,858	-	28,858
Deferred inflows related to pensions	1,549,498	-	1,549,498
Deferred inflows related to OPEB	69,041	-	69,041
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,159,094</u>	<u>-</u>	<u>2,159,094</u>
NET POSITION			
Net investment in capital assets	9,279,415	4,340,927	13,620,342
Restricted	2,084,070	-	2,084,070
Unrestricted (deficit)	(1,727,662)	3,566,183	1,838,521
TOTAL NET POSITION	<u>9,635,823</u>	<u>7,907,110</u>	<u>17,542,933</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 21,933,402</u>	<u>\$ 11,584,226</u>	<u>\$ 33,517,628</u>

See accompanying independent auditor's report and notes to financial statements.

STATEMENT B

TOWN OF MILLINOCKET, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
<u>Governmental activities:</u>							
General government	\$ 1,018,140	\$ 83,970	\$ 4,778	\$ -	\$ (929,392)	\$ -	\$ (929,392)
Public safety	2,120,888	315,351	-	-	(1,805,537)	-	(1,805,537)
Public works	1,028,626	29,500	45,288	-	(953,838)	-	(953,838)
Fringe benefits	10,361	-	-	-	(10,361)	-	(10,361)
Community services	901,396	258,369	-	-	(643,027)	-	(643,027)
Education	6,135,495	100,507	3,831,157	-	(2,203,831)	-	(2,203,831)
County tax	275,516	-	-	-	(275,516)	-	(275,516)
State of Maine on-behalf payments	477,532	-	477,532	-	-	-	-
Grant funds/misc accounts	638,934	-	-	217,749	(421,185)	-	(421,185)
Interest on long-term debt	69,142	-	-	-	(69,142)	-	(69,142)
Total governmental activities	12,676,030	787,697	4,358,755	217,749	(7,311,829)	-	(7,311,829)
<u>Business-type activities:</u>							
Sewer department	925,734	1,060,626	-	-	-	134,892	134,892
Total business-type activities	925,734	1,060,626	-	-	-	134,892	134,892
Total government	\$ 13,601,764	\$ 1,848,323	\$ 4,358,755	\$ 217,749	(7,311,829)	134,892	(7,176,937)

STATEMENT B (CONTINUED)
TOWN OF MILLINOCKET, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	(7,311,829)	134,892	(7,176,937)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	5,449,592	-	5,449,592
Excise taxes	836,146	-	836,146
Grants and contributions not restricted to specific programs	4,907,600	900,000	5,807,600
Investment income, net of unrealized gains/(losses)	33,571	13,763	47,334
Miscellaneous	696,406	2,843	699,249
Total general revenues	11,923,315	916,606	12,839,921
Change in net position	4,611,486	1,051,498	5,662,984
NET POSITION - JULY 1	5,024,337	6,855,612	11,879,949
NET POSITION - JUNE 30	\$ 9,635,823	\$ 7,907,110	\$ 17,542,933

See accompanying independent auditor's report and notes to financial statements.

STATEMENT C

TOWN OF MILLINOCKET, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Education Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,594,375	\$ -	\$ 182,263	\$ 211,894	\$ 7,988,532
Investments	-	-	-	425,006	425,006
Accounts receivables (net of allowance for uncollectibles):					
Taxes/liens	274,328	-	-	-	274,328
Other	972,308	70,054	-	321,989	1,364,351
Due from other governments	-	-	-	535,946	535,946
Inventory	46,273	-	-	25,509	71,782
Tax acquired property	67,738	-	-	-	67,738
Due from other funds	534,105	1,577,031	285,301	69,891	2,466,328
TOTAL ASSETS	\$ 9,489,127	\$ 1,647,085	\$ 467,564	\$ 1,590,235	\$ 13,194,011
LIABILITIES					
Accounts payable	\$ 731,552	\$ 96,154	\$ -	\$ 11,944	\$ 839,650
Accrued payroll	29,978	543,677	-	-	573,655
Accrued expenses	29,059	-	-	76,959	106,018
Due to other funds	1,983,283	-	158,581	375,524	2,517,388
TOTAL LIABILITIES	2,773,872	639,831	158,581	464,427	4,036,711
DEFERRED INFLOWS OF RESOURCES					
Deferred debt service revenue	450,000	-	-	-	450,000
Deferred revenues	-	3,743	-	57,954	61,697
Prepaid taxes	28,858	-	-	-	28,858
Deferred tax revenues	267,100	-	-	-	267,100
TOTAL DEFERRED INFLOWS OF RESOURCES	745,958	3,743	-	57,954	807,655
FUND BALANCES					
Nonspendable	114,011	-	-	41,910	155,921
Restricted	470,938	611,151	-	846,060	1,928,149
Committed	-	392,360	308,983	74,025	775,368
Assigned	1,018,112	-	-	105,859	1,123,971
Unassigned	4,366,236	-	-	-	4,366,236
TOTAL FUND BALANCES	5,969,297	1,003,511	308,983	1,067,854	8,349,645
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,489,127	\$ 1,647,085	\$ 467,564	\$ 1,590,235	\$ 13,194,011

See accompanying independent auditor's report and notes to financial statements.

STATEMENT D

TOWN OF MILLINOCKET, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

	Total Governmental Funds
Total Fund Balances	\$ 8,349,645
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	10,329,800
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	267,100
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	823,873
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	103,106
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(937,352)
Note from direct borrowings payable	(113,033)
Accrued compensated absences	(227,590)
Net pension liability	(38,410)
Net OPEB liability	(7,302,777)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(1,549,498)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(69,041)
Net position of governmental activities	<u>\$ 9,635,823</u>

See accompanying independent auditor's report and notes to financial statements.

STATEMENT E

TOWN OF MILLINOCKET, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Education Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General tax revenue	\$ 6,323,238	\$ -	\$ -	\$ -	\$ 6,323,238
Intergovernmental revenue	3,153,430	3,831,157	-	2,021,985	9,006,572
Charges for services	687,190	71,879	-	28,628	787,697
Investment income, net of unrealized gains/(losses)	10,817	-	334	22,420	33,571
State of Maine on-behalf payments	-	349,324	-	-	349,324
Other revenue	415,471	112,957	-	167,978	696,406
TOTAL REVENUES	10,590,146	4,365,317	334	2,241,011	17,196,808
EXPENDITURES					
Current:					
General government	1,009,021	-	-	-	1,009,021
Public safety	2,086,071	-	-	-	2,086,071
Public works	1,534,781	-	-	-	1,534,781
Fringe benefits	10,361	-	-	-	10,361
Community services	701,749	-	-	-	701,749
Education	-	6,448,553	-	2,205,210	8,653,763
County tax	275,516	-	-	-	275,516
State of Maine on-behalf payments	-	349,324	-	-	349,324
Grant funds/misc accounts	638,934	-	-	-	638,934
Debt service:					
Principal	111,316	93,208	-	-	204,524
Interest	65,426	3,716	-	-	69,142
TOTAL EXPENDITURES	6,433,175	6,894,801	-	2,205,210	15,533,186
EXCESS REVENUES OVER (UNDER) EXPENDITURES	4,156,971	(2,529,484)	334	35,801	1,663,622
OTHER FINANCING SOURCES					
Transfers in	-	2,952,036	-	14,157	2,966,193
Transfers (out)	(2,908,076)	(14,157)	-	(43,960)	(2,966,193)
TOTAL OTHER FINANCING SOURCES (USES)	(2,908,076)	2,937,879	-	(29,803)	-
NET CHANGE IN FUND BALANCES	1,248,895	408,395	334	5,998	1,663,622
FUND BALANCES - JULY 1	4,720,402	595,116	308,649	1,061,856	6,686,023
FUND BALANCES - JUNE 30	\$ 5,969,297	\$ 1,003,511	\$ 308,983	\$ 1,067,854	\$ 8,349,645

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 1,663,622</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	701,722
Depreciation expense	<u>(706,881)</u>
	<u>(5,159)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pensions	305,967
OPEB	<u>(19,730)</u>
	<u>286,237</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported:	
Taxes and liens receivable	<u>(37,500)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	
	<u>(99,212)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	
	<u>232,089</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pensions	(1,349,331)
OPEB	<u>7,203</u>
	<u>(1,342,128)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	2,790
Litigation liability	45,000
Net pension liability	1,449,439
Net OPEB liability	<u>2,416,308</u>
	<u>3,913,537</u>
Change in net position of governmental activities (Statement B)	<u>\$ 4,611,486</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

	<u>Enterprise Fund</u> <u>Wastewater</u> <u>Treatment</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,613,039
Accounts receivable (net of allowance for uncollectibles)	1,224,018
Due from other funds	51,060
Total current assets	<u>3,888,117</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	26,581
Buildings and improvements	4,824,153
Machinery, equipment and vehicles	1,967,965
Infrastructure	<u>10,641,804</u>
Total capital assets	17,460,503
Less: accumulated depreciation	<u>(9,764,394)</u>
Total noncurrent assets	<u>7,696,109</u>
TOTAL ASSETS	<u><u>\$ 11,584,226</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 240,630
Accrued payroll	4,131
Current portion of long-term obligations	<u>179,690</u>
Total current liabilities	<u>424,451</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	3,183,209
Accrued compensated absences	<u>69,456</u>
Total noncurrent liabilities	<u>3,252,665</u>
TOTAL LIABILITIES	<u>3,677,116</u>
NET POSITION	
Net investment in capital assets	4,340,927
Unrestricted	<u>3,566,183</u>
TOTAL NET POSITION	<u>7,907,110</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 11,584,226</u></u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Enterprise Fund</u> <u>Wastewater</u> <u>Treatment</u>
OPERATING REVENUES	
Charges for services	\$ 1,060,626
Other	2,843
TOTAL OPERATING REVENUES	<u>1,063,469</u>
OPERATING EXPENSES	
Salaries and wages	212,146
Fringe benefits	158,282
Contracted services	36,981
Insurance	25,817
Utilities	73,089
Fuel / motor	11,619
Repairs, maintenance and equipment	42,237
Supplies and office	3,946
Chemicals	3,290
Depreciation	186,257
Other	137,113
TOTAL OPERATING EXPENSES	<u>890,777</u>
OPERATING INCOME (LOSS)	<u>172,692</u>
NONOPERATING REVENUES (EXPENSES)	
Grant proceeds	900,000
Interest income	13,763
Interest expense	(34,957)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>878,806</u>
CHANGE IN NET POSITION	1,051,498
NET POSITION - JULY 1	<u>6,855,612</u>
NET POSITION - JUNE 30	<u><u>\$ 7,907,110</u></u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Enterprise Fund Wastewater Treatment
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,503,692
Other receipts	2,843
Payments to employees	(361,309)
Payments to suppliers	(445,741)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,699,488</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	13,763
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>13,763</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Capital grant	900,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>900,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets purchased	(1,963,276)
Interest payments on bond payable	(34,957)
Principal payments on bond payable	(55,588)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,053,821)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	559,430
CASH AND CASH EQUIVALENTS - JULY 1	<u>2,053,609</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 2,613,039</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 172,692
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	186,257
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	1,443,066
(Increase) decrease in due from other funds	3
(Decrease) increase in accounts payable	(112,800)
(Decrease) increase in accrued expenses	1,151
(Decrease) increase in accrued compensated absences	9,119
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,699,488</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Millinocket was incorporated under the laws of the State of Maine. The Town operates under Town Council-manager form of government and provides the following services: general government, public safety, public works, fringe benefits, community services, education and program expenses.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

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

Implementation of New Accounting Standards

During the year ended June 30, 2022, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 87 "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 91 "Conduit Debt Obligations". The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 92 "Omnibus 2020". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 "Replacement of Interbank Offered Rates (paragraphs 13-14)". The primary objectives of paragraphs 13-14 concern provisions of lease contracts that are amended while the contract is in effect. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 97 "*Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*". The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's wastewater treatment fund is categorized as a business-type activity. All other activities of the Town are categorized as governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Education Fund is used to account for all financial resources of the Millinocket School Department. Revenue sources are from intergovernmental revenues, charges for services and other revenues.
- c. Capital Reserve Funds are used to account for transactions related to capital reserves held by the Town. Revenue sources are transfers from other funds.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds

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

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

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

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

Budget

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

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the education fund.

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 6,968,029
Add: On-behalf payments	349,324
Total GAAP basis	<u>\$ 7,317,353</u>
Expenditures per budgetary basis	\$ 6,559,634
Add: On-behalf payments	349,324
Total GAAP basis	<u>\$ 6,908,958</u>

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

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

Deposits and Investments

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

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence of deposits at banks, savings and loan associations
- Repurchase agreements whose underlying collateral consist of the foregoing
- Money market mutual funds whose portfolios consist of the foregoing

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the policy of the Town of Millinocket, Maine to invest public funds in a manner in which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the Town and conforming to all state and local statutes governing the investment of public funds.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$306,261 as of June 30, 2022. Accounts receivable netted with allowances for uncollectibles were \$3,124,315 for the year ended June 30, 2022.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The general fund inventory consists of diesel fuel and gasoline. The school lunch fund inventory consists of school lunch supplies and food on hand at the end of the year.

Tax Acquired Property

Real property becomes tax acquired when tax liens placed on property and associated costs remain unpaid eighteen months after the filing of the tax lien in accordance with 36 M.R.S.A. § 943. The amount of the taxes and associated costs become assets classified as tax acquired property receivables that are secured by the real property that foreclosed.

After real property becomes tax acquired the Town Council is responsible for the property and any disposition procedures allowed under the direction of the inhabitants of the Town as authorized by the provisions of the Town Policy.

Interfund Receivables and Payables

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

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

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

Capital Assets

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

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

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

Estimated useful lives are as follows:

Buildings and land improvements	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term obligations depend 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.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of bonds payable, a note from direct borrowings payable, accrued compensated absences, litigation liability, net pension liability and net OPEB liability.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Participating Local District (PLD) Consolidated Plan and State Employee and Teacher (SET) Plan and additions to/deductions from the PLD Consolidated and SET Plans' fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated and SET Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the State Employee and Teacher (SET) Plan and additions to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET Plan. For this purpose,

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

Fund Balance

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

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

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

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town or the Town Council in accordance with its charter. The inhabitants of the Town, through Town meetings, are the highest level of decision-making authority of the Town in that they must approve certain annual budgets (School), bonding and appropriation of unassigned fund balance. The Town Council must approve other annual budgets (capital and Town operating) and spending. Commitments may be modified or rescinded in the same manner they were established.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Deferred Outflows and Inflows of Resources

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

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

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied September 9, 2021 on the assessed value listed as of April 1, 2021, for all real and personal property located in the Town. Taxes were due on October 13, 2021 and January 13, 2022. Interest on unpaid taxes commenced on October 14, 2021 and January 14, 2022, at 6% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$175,853 for the year ended June 30, 2022.

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

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

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

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

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

At June 30, 2022, the Town's cash and cash equivalents balance of \$10,601,571 was comprised of bank deposits and cash equivalents amounting to \$10,937,142. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash and cash equivalents balance. Of these bank deposits, \$2,041,995 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining bank deposits of \$8,895,147 were collateralized with securities held by the financial institution in the Town's name.

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Account Type	Bank Balance
Checking accounts	\$ 122,691
Savings accounts	123
ICS account	1,874,837
Repurchase agreement	8,895,147
Cash and cash equivalents	44,344
	<u>\$ 10,937,142</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments. However, in accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. Of the Town's investments, \$142,389 were covered by the Securities Investor Protection Corporation (SIPC) and consequently were not exposed to custodial credit risk and \$250,000 were covered by National Credit Union Share Insurance Fund (NCUSIF) and consequently were not exposed to custodial credit risk. The remaining investments of \$32,617, related to the School Department's scholarship funds at Katadhin Federal Credit Union, were uninsured and uncollateralized.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$282,617 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value

At June 30, 2022, the Town had the following investments and maturities:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years	>5 Years
Debt securities:					
Stocks, options, ETFs	\$ 131,940	\$ 131,940	\$ -	\$ -	\$ -
Equity securities:					
Common stock - domestic	10,449	10,449	-	-	-
	<u>\$ 142,389</u>	<u>\$ 142,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Certificates of deposit held with Katadhin Federal Credit Union for \$284,050 are excluded from the fair value hierarchy as these investments are considered held to maturity and are therefore not measured at fair value. The Town has the following recurring fair value measurements as June 30, 2022:

	June 30, 2022 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Agency Securities	\$ 131,940	\$ -	\$ 131,940	\$ -
Total debt securities	131,940	-	131,940	-
Equity securities:				
Common stock - domestic	10,449	10,449	-	-
Total equity securities	10,449	10,449	-	-
Total investments by fair value level	\$ 142,389	\$ 10,449	\$ 131,940	\$ -

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level III investments.

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

Amounts included in both the cash and cash equivalents and the investments, as detailed in this Note, include School Department balances concerning student activities and scholarships for which the Town Council and the Town Treasurer do not have active procedural control. Legal council will determine the ultimate responsibility for these balances.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2022 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 534,105	\$ 1,983,283
Education fund	1,577,031	-
Capital projects funds	285,301	158,581
Nonmajor special revenue funds	69,891	371,724
Nonmajor permanent funds	-	3,800
Proprietary funds	51,060	-
	<u>\$ 2,517,388</u>	<u>\$ 2,517,388</u>

The result of amounts owed between funds are considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

At June 30, 2022, the Town had the following interfund transfers:

	Transfers In	Transfers Out
General fund	\$ -	\$ 2,908,076
Education fund	2,952,036	14,157
Nonmajor special revenue funds	14,157	43,960
	<u>\$ 2,966,193</u>	<u>\$ 2,966,193</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	Balance, 7/1/21	Additions	Disposals	Balance, 6/30/22
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 205,841	\$ -	\$ -	\$ 205,841
Construction in progress	293,719	65,116	-	358,835
	<u>499,560</u>	<u>65,116</u>	<u>-</u>	<u>564,676</u>
Depreciated assets:				
Land improvements	5,438,192	80,349	-	5,518,541
Buildings and improvements	9,599,976	-	-	9,599,976
Machinery, equipment and vehicles	7,229,458	556,257	(422,033)	7,363,682
Infrastructure	3,441,980	-	-	3,441,980
	<u>25,709,606</u>	<u>636,606</u>	<u>(422,033)</u>	<u>25,924,179</u>
Less: accumulated depreciation	<u>(15,874,207)</u>	<u>(706,881)</u>	<u>422,033</u>	<u>(16,159,055)</u>
	<u>9,835,399</u>	<u>(70,275)</u>	<u>-</u>	<u>9,765,124</u>
Net capital assets	<u>\$ 10,334,959</u>	<u>\$ (5,159)</u>	<u>\$ -</u>	<u>\$ 10,329,800</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Construction in progress	\$ 277,369	\$ -	\$ (250,788)	\$ 26,581
	<u>277,369</u>	<u>-</u>	<u>(250,788)</u>	<u>26,581</u>
Depreciated assets:				
Buildings and improvements	4,824,153	-	-	4,824,153
Machinery, equipment and vehicles	2,011,765	-	(43,800)	1,967,965
Infrastructure	8,427,740	2,214,064	-	10,641,804
	<u>15,263,658</u>	<u>2,214,064</u>	<u>(43,800)</u>	<u>17,433,922</u>
Less: accumulated depreciation	<u>(9,621,937)</u>	<u>(186,257)</u>	<u>43,800</u>	<u>(9,764,394)</u>
	<u>5,641,721</u>	<u>2,027,807</u>	<u>-</u>	<u>7,669,528</u>
Net capital assets	<u>\$ 5,919,090</u>	<u>\$ 2,027,807</u>	<u>\$ (250,788)</u>	<u>\$ 7,696,109</u>
<u>Current year depreciation expense:</u>				
General government				\$ 11,909
Public safety				79,817
Public works				123,920
Community services				199,647
Education				291,588
Subtotal governmental				<u>706,881</u>
Sewer department				186,257
Subtotal business-type				<u>186,257</u>
Total depreciation expense				<u>\$ 893,138</u>

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 6 - LONG-TERM DEBT

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

	Balance, 7/1/21	Additions	Deletions	Balance, 6/30/22	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 1,156,129	\$ -	\$ (218,777)	\$ 937,352	\$ 139,828
Note from direct borrowings payable	27,133	99,212	(13,312)	113,033	59,124
Total governmental activities	<u>\$ 1,183,262</u>	<u>\$ 99,212</u>	<u>\$ (232,089)</u>	<u>\$ 1,050,385</u>	<u>\$ 198,952</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 3,410,770	\$ -	\$ (55,588)	\$ 3,355,182	\$ 171,973
Total business-type activities	<u>\$ 3,410,770</u>	<u>\$ -</u>	<u>\$ (55,588)</u>	<u>\$ 3,355,182</u>	<u>\$ 171,973</u>

The following is a summary of the outstanding bonds and a note from direct borrowings payable:

	Governmental	Business-type
<u>Bonds:</u>		
\$1,050,000, 2008 Taxable Sewer Bond through the Clean Water Revolving Loan Fund due in annual principal installments and semiannual interest installments through April of 2028. Interest is charged at a fixed rate of 1.80% per annum. Annual principal installments vary from \$62,036 to \$66,131.	\$ -	\$ 355,182
\$1,465,000, 2011 General Obligation Bond due in annual principal and interest installments of \$93,208 through November of 2025. Interest is charged at 0.00% per annum.	532,921	-
\$450,000, 2019 General Obligation Bond due in annual principal installments and semiannual interest installments through July of 2029. Interest is charged at a fixed rate of 4.65% per annum. Annual principal installments vary from \$45,569 to \$54,685. A note receivable in the amount of \$450,000 has been recorded for the remaining amount of this bond due to a loan made to Our Katadhin and GP West which was directly related to this debt.	404,431	-
\$2,200,000, 2021 Taxable Sewer Bond through the Clean Water Revolving Loan Fund due in annual principal installments of \$84,615 October 2047. Interest is charged at a fixed rate of 1.00% per annum.	-	2,200,000
\$805,000, 2021 Taxable Sewer Bond through the Clean Water Revolving Loan Fund due in annual principal installments of \$30,769 October 2047. Interest is charged at a fixed rate of 1.00% per annum. Upon closing, this bond was awarded \$5,000 of principal forgiveness.	-	800,000
Total bonds payable	<u>\$ 937,352</u>	<u>\$ 3,355,182</u>

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - LONG-TERM DEBT (CONTINUED)

	Governmental	Business-type
<u>Note from direct borrowings payable:</u>		
\$65,614, 2018 Capital Lease payable to US Bank for photocopiers due in annual installments of \$14,350 through July of 2022. Interest is charged at a fixed rate of 3.76% per annum.	\$ 13,821	\$ -
Three year lease with Stryker Sales Corporation for medial equipment with annual principal and interest payments of \$31,316.	31,316	-
Sixty month lease with Xerox for copier equipment with monthly principal and interest payments of \$116.	5,220	-
Five year lease with Stryker Sales Corporation for medical equipment with annual principal and interest payments of \$12,595.	62,676	-
Total note from direct borrowings payable	<u>\$ 113,033</u>	<u>\$ -</u>

The following is a summary of outstanding bond and note from direct borrowings payable principal and interest requirements for the following fiscal years ending June 30:

	Governmental Activities				Business-type Activities		
	Bonds Payable		Note from Direct Borrowings Payable		Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 139,828	\$ 17,713	\$ 59,124	\$ 529	\$ 171,973	\$ 35,816	\$ 424,983
2024	140,903	15,520	14,732	-	172,993	33,644	377,792
2025	141,963	13,317	13,987	-	174,029	31,453	374,749
2026	143,127	10,983	12,595	-	175,084	29,244	371,033
2027	144,278	8,635	12,595	-	176,160	27,015	368,683
2028-2032	227,253	11,282	-	-	638,791	107,844	985,170
2033-2037	-	-	-	-	576,923	77,885	654,808
2038-2042	-	-	-	-	576,923	49,038	625,961
2043-2047	-	-	-	-	576,923	20,192	597,115
2048-2052	-	-	-	-	115,383	577	115,960
	\$ 937,352	\$ 77,450	\$ 113,033	\$ 529	\$ 3,355,182	\$ 412,708	\$ 4,896,254

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - LONG-TERM DEBT (CONTINUED)

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the business-type activities for the year ended June 30, 2022 was \$34,957.

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in other long-term obligations for the year ended June 30, 2022:

	Balance, 7/1/21	Additions	Deletions	Balance, 6/30/22	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 230,380	\$ -	\$ (2,790)	\$ 227,590	\$ 22,759
Litigation liability	45,000	-	(45,000)	-	-
Net pension liability	1,487,849	1,023,572	(2,473,011)	38,410	-
Net OPEB liability	9,719,085	358,220	(2,774,528)	7,302,777	-
	<u>\$ 11,482,314</u>	<u>\$ 1,381,792</u>	<u>\$ (5,295,329)</u>	<u>\$ 7,568,777</u>	<u>\$ 22,759</u>
<u>Business-type activities:</u>					
Accrued compensated absences	\$ 68,054	\$ 9,119	\$ -	\$ 77,173	\$ 7,717

Refer to Notes 8, 16, 17, 18 and 19 for more detailed information regarding other long-term obligations.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2022, the Town's liability for compensated absences is \$304,763.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the Town at June 30, 2022:

	Governmental activities	Business-type activities
Invested in capital assets	\$ 26,488,855	\$ 17,460,503
Accumulated depreciation	(16,159,055)	(9,764,394)
Outstanding capital related debt	(1,050,385)	(3,355,182)
	<u>\$ 9,279,415</u>	<u>\$ 4,340,927</u>

NOTE 10 - RESTRICTED NET POSITION

At June 30, 2022, the Town had the following restricted net position:

General fund	\$ 584,949
Education fund	611,151
Nonmajor special revenue funds (Schedule E)	848,786
Nonmajor permanent funds (Schedule I)	39,184
	<u>\$ 2,084,070</u>

NOTE 11 - NONSPENDABLE FUND BALANCES

At June 30, 2022, the Town had the following nonspendable fund balances:

General fund:	
Inventory	\$ 46,273
Tax acquired property	67,738
Nonmajor special revenue funds (Schedule E)	25,509
Nonmajor permanent funds (Schedule I)	16,401
	<u>\$ 155,921</u>

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - RESTRICTED FUND BALANCES

At June 30, 2022, the Town had the following restricted fund balances:

General fund:	
Northern Penobscot Association	\$ 440
CDBG match donation	2,000
DARE	32
Record preservation	500
4th of July fireworks	7,605
Other events	835
Dog care	5,199
AARP Challenge grant	227
Thriving Older Adults	500
Rec community foundation grant	4,000
American Rescue Plan Act 2021	449,600
Education fund	611,151
Nonmajor special revenue funds (Schedule E)	823,277
Nonmajor permanent funds (Schedule I)	22,783
	<u>\$ 1,928,149</u>

NOTE 13 - COMMITTED FUND BALANCES

At June 30, 2022, the Town had the following committed fund balances:

Education fund	\$ 392,360
Capital projects fund	308,983
Nonmajor special revenue funds (Schedule E)	74,025
	<u>\$ 775,368</u>

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - ASSIGNED FUND BALANCES

At June 30, 2022, the Town had the following assigned fund balances:

General fund:

Carryforwards:	
FY23	\$ 66,629
Fire and ambulance unspent capital	19,706
Airport terminal	52,148
Municipal revaluation	102,745
Municipal revaluation payback for jet fuel purchase	16,884
FY23 Bates Street culvert	150,000
FY23 Budget excl culvert	600,000
Loader motor repair	10,000
Nonmajor special revenue funds (Schedule E)	105,859
	<u>\$ 1,123,971</u>

NOTE 15 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2022, Penboscot County had no outstanding debt.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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 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. For PLD members, normal retirement age is 60 or 65. 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 contract with PLD employers under applicable statutory provisions. As of June 30, 2021, there were 305 employers in the plan.

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

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's fire and ambulance department employees are part of the PLDs special plan "4C" and are required to contribute 8.3% of their annual salary, while all other employees are part of regular plan "AC" and are required to contribute 7.5% of their annual salary. The Town is required to contribute the actuarially determined rates of 9.8% for special plan "4C" members' covered payroll and 10.3% for regular plan "AC" members' covered payroll during the year. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2022 was \$188,267.

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also 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. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. 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). 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. As of June 30, 2021, there were 238 employers, including the State of Maine, participating in the plan.

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Department's teachers are required to contribute 7.65% of their compensation to the retirement system. The Department's payroll for teachers covered by this program was approximately \$2,646,435 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 14.29% of the Department's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$341,584 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated also requires the Department to contribute at an actuarially determined normal cost rate of 3.84%, which totaled \$124,432 for 2022. In addition, the Department is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 14.89% of compensation and totaled \$38,128 the year ended June 30, 2022.

Pension Liabilities/(Assets)

PLD Consolidated Plan

At June 30, 2022, the Town reported a liability/(asset) of (\$90,333) for its proportionate share of the net pension liabilities/(assets) for the plan. The net pension liabilities/(assets) were measured as of June 30, 2021 and the total pension liabilities/(assets) used to calculate the net pension liabilities/(assets) was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities/(assets) were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2021, the Town's proportion was 0.281095%, which was a decrease of 0.03946% from its proportion measured as of June 30, 2020.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

SET Plan

At June 30, 2022, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support 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	\$ 128,743
State's proportionate share of the net pension liability associated with the Town	<u>1,680,691</u>
Total	<u>\$ 1,809,434</u>

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State actuarially determined. At June 30, 2021, the Town's proportion was 0.015221%, which was a decrease of 0.00209% from its proportion measured as of June 30, 2020.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the Town recognized total pension expense of \$961,119 for the PLD plan and total pension expense of \$489,674 and revenue of \$341,584 for support provided by the State of Maine for the SET plan. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	PLD Plan		SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,434	\$ 6,140	\$ 1,908	\$ 2,632
Changes of assumptions	303,332	-	87,775	-
Net difference between projected and actual earnings on pension plan investments	-	1,231,276	-	175,423
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	104,180	21,596	29,847
Contributions subsequent to the measurement date	188,267	-	162,561	-
Total	<u>\$ 550,033</u>	<u>\$ 1,341,596</u>	<u>\$ 273,840</u>	<u>\$ 207,902</u>

\$188,267 for the PLD plan and \$162,561 for the SET plan were reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan	SET Plan
Plan year ended June 30:		
2022	\$ (194,819)	\$ (23,765)
2023	(162,581)	15,887
2024	(280,282)	(39,848)
2025	(342,147)	(48,897)
2026	-	-
Thereafter	-	-

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2021, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

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

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements. All other gains, losses and changes are amortized over ten-year periods beginning on the date as of which they occur.

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 are as follows:

Investment Rate of Return - For the PLD and State Employee and Teacher Plans, 6.50% per annum for the year ended June 30, 2021, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% - 11.48%; teachers, 2.80% - 13.03% per year.

Mortality Rates - For the PLD Consolidated Plan and the State Employee and Teacher Plan, the rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

Cost of Living Benefit Increases - for PLD Consolidated 1.91% and Teacher Plans, 2.20% per annum for the year ended June 30, 2021.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	7.2%
Diversifiers	10.0%	5.9%

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate

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

The following table shows how the collective net pension liability as of June 30, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.50% for each of the Plans.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.50%	6.50%	7.50%
Town's proportionate share of the net pension liability/(asset)	\$ 1,285,495	\$ (90,333)	\$ (1,228,324)
<u>SET Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
Town's proportionate share of the net pension liability/(asset)	\$ 338,094	\$ 128,743	\$ (45,563)

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2021 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2021 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors is recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2021 and 2020, this was three years for the SET Plan and the PLD Consolidated Plan. For 2019, this was three years for the SET Plan and four years for the PLD Consolidated Plan. For 2018 and 2017, this was three years for both plans; prior to 2017, this was four years for the PLD Consolidated Plan.

Differences between Expected and Actual Investment Earnings

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2021 valuation were based on the results of an actuarial experience study for the period of June 30, 2016 through June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Please refer to the *Actuarial Methods and Assumptions* section for information relating to the use of assumptions.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2021 Annual Comprehensive Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

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

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Benefits Provided

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

Employees Covered by Benefit Terms

At January 1, 2022, the following employees were covered by the benefit terms:

Active members	23
Retirees and spouses	<u>10</u>
Total	<u><u>33</u></u>

Contributions

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

Retiree Premium Amounts:

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

		<u>Single</u>	<u>Family</u>
	<u>Pre-Medicare</u>		
POS C		\$ 1,141	\$ 2,559
	<u>Medicare</u>	\$ 601	\$ 1,201

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

At June 30, 2022, the Town reported a liability of \$700,944 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2022 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2022, the Town recognized OPEB revenue of \$18,481. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 59,354
Changes of assumptions	90,859	9,687
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	12,247	-
Total	<u>\$ 103,106</u>	<u>\$ 69,041</u>

\$12,247 were reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MMEHT
Plan year ended June 30:	
2023	\$ 3,101
2024	12,785
2025	5,932
2026	-
2027	-
Thereafter	-

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2022. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 2.06% per annum for June 30, 2022 was based upon a measurement date of December 30, 2020. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	1.06%	2.06%	3.06%
Total OPEB liability	\$ 788,575	\$ 700,944	\$ 627,084
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 788,575</u>	<u>\$ 700,944</u>	<u>\$ 627,084</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 627,007	\$ 700,944	\$ 788,887
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 627,007</u>	<u>\$ 700,944</u>	<u>\$ 788,887</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2022, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2021. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Assumptions

The actuarial assumptions used in the January 1, 2022 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020. As of January 1, 2021, they are as follows:

Discount Rate - 2.06% per annum for year end 2022 reporting. 2.12% per annum for year end 2021 reporting.

Trend Assumptions:

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007 and version 2022_fa was used for this valuation. The following assumptions were input into this model:

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

<u>Variable</u>	<u>Rate</u>
Rate of Inflation	2.40%
Rate of Growth in Real Income/GDP per capital 2031+	1.10%
Extra Trend due to Taste/Technology 2031+	1.00%
Expected Health Share of GDP 2031	19.00%
Health Share of GDP Resistance Point	20.00%
Year for Limiting Cost Growth to GDP Growth	2042

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The trends selected from 2022 to 2025 were based on plan design, population weighting, renewal projections, and market analysis. For years 2026 to 2030, these are interpolated from 2025 to 2031 (which is the product of the inflation, GDP and extra trend rate assumptions).

Deductibles, Co-payments and Out of Pocket Maximums are assumed to increase at the above trend rates. The ultimate trend rate reflects an assumed nominal per capital GDP growth.

Administrative and claims expense: 3% per annum

Future plan changes: It is assumed that the current Plan and cost-sharing structure remains in place for all future years.

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2021.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims. A constant cost sharing in plan design between employer and employees is assumed.

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

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

Administrative expenses - Included in the per capita claims cost.

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

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

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

Rate of Mortality:

Healthy Annuitant- Based on 112% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95, and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Active Employees - Rates of mortality are based on 83.5% and 88.6% of the 2010 Public Plan General Benefits- Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model as described in the healthy annuitant mortality. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Retiree Continuation Percentage:

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

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

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2022 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2022 was \$81,172.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the January 1, 2022 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town Office at 197 Penobscot Avenue, Millinocket, Maine 04462.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also 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. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. As of June 30, 2021, there were 228 employers, including the State of Maine, participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan 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

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2022 were approximately \$7,740.

OPEB Liabilities and OPEB Expense

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

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the School	<u>33,043</u>
Total	<u>\$ 33,043</u>

For the year ended June 30, 2022, the District recognized net OPEB expense of \$7,776 and revenue of \$7,776 for support provided by the State of Maine.

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

Plan Description

The State of Maine and School retirees contribute to the School's OPEB Plan with the Maine Education Association Benefits Trust (MEABT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the State, the School and/or the School retirees. MEABT is a fully funded, self-insured trust which provides benefits to education organizations and acts as the agent to the School concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MEABT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MEABT participants and are administered by a number of third-party administrators contracted by MEABT. No assets are accumulated in a trust that meets the criterial of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits*

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Other Than Pensions. MEABT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting MEABT at (888) 622-4418.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The employee must have participated in a plan for the 12 months prior to retirement and have 10 years (under age 50) or 5 years (age 50 or above) of continuous active service and enrollment in the health plan to be eligible for this Plan. The retiree who terminates coverage may elect to re-enroll in coverage if they participated in the health plan for 12 months prior to terminating coverage, as long as re-enrollment occurs within 5 years from coverage termination and as long as the retiree is not past age 62. The retiree must have maintained continuous health insurance coverage during the break in coverage with MEABT to be eligible for re-enrollment and is only eligible for re-enrollment once.

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Active members	3
Retirees and spouses	95
Total	<u>98</u>

Cost Sharing Provisions/Contributions

Retirees are eligible for a State subsidy of 45% of the blended single premium for the retiree. The blended premium is determined by blending rates for active members and retired members, as determined by State law. The retiree contributes the remaining 55% of blended single premium and spouse must contribute 100% of the blended premium amount coverage elected.

Employee/Retiree Premium Amounts:

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

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

	1	2
	Person	Persons
Pre-Medicare		
Choice Plus	\$ 934	\$ 2,105
Standard	\$ 1,009	\$ 2,274
Group	\$ 388	\$ 776

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

At June 30, 2022, the Town reported a liability of \$6,601,833 for its total OPEB liability for this Plan. The total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2022, the Town recognized OPEB expense of \$2,422,262. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MEABT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	-	-
	<hr/>	<hr/>
Total	\$ -	\$ -

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

\$0 were reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>MEABT</u>
Plan year ended June 30:	
2023	\$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	-

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of June 30, 2021. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 2.16% per annum for June 30, 2021 was based upon a measurement date of June 24, 2021. The sensitivity of total OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.16%	2.16%	3.16%
Total OPEB liability	\$ 7,303,144	\$ 6,601,833	\$ 6,003,956
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 7,303,144</u>	<u>\$ 6,601,833</u>	<u>\$ 6,003,956</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN (CONTINUED)

Healthcare Trend

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 5,966,296	\$ 6,601,833	\$ 7,335,562
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 5,966,296</u>	<u>\$ 6,601,833</u>	<u>\$ 7,335,562</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2021, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

Assumptions

The demographic actuarial assumptions are the Teacher assumptions that were used by the Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation at June 30, 2021 and are based on the experience study covering the period from June 30, 2015 through June 30, 2020. The proposed assumptions were adopted by the Board of Trustees at their March 11, 2021.

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

The economic assumptions are based on GASB 75 paragraph 36. Since the Plan is not funded via a qualified trust, the discount rates are selected based on the 20-year tax-exempt bond buyer rates as of the measurement dates. The other economic assumptions, ie trend rates, were developed based on historical information, national trend surveys and professional judgement:

Discount Rate - 2.16% per annum for year-end 2021 reporting, 2.21% per annum for year-end 2020 reporting.

Health care trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model version 2021_b. The following assumptions were applied in this model as below:

Trend Assumption Inputs

Variable	Rate
Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per capita 2030+	1.23%
Extra Trend due to Taste/Technology 2030+	1.10%
Expected Health Share of GDP 2030	20.0%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2040

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group. Sample medical trends are listed in the table below.

Pre-Medicare - Initial trend of 6.21% applied in FYE 2020 and 6.83% applied in FYE 2022 grading over 18 years to 3.25% per annum.

Medicare - Initial trend of 0.0% applied in FYE 2021 and 6.30% applied in FYE 2022 grading over 18 years to 3.25% per annum.

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

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine Public Employees Retirement System State Employee and Teacher Retirement Program at June 30, 2021

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

and based on the experience study covering the period from June 30, 2015 through June 30, 2020. The proposed assumptions were adopted by the Board of Trustees at their March 11, 2021 meeting. As of June 30, 2021, they are as follows:

Retirement Rates - Rates vary for plans based on age and service

Rates of Turnover - None

Disability Incidence - None

Retirement Contribution Increases - Assumed to increase at the same rate as health care trend rates

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

Salary Increase Rate - 2.75% per year

Salaries - Salaries were not provided by the client. Assumed salaries are inferred using the Teachers Age/Service Salary scatter from the Maine State Teachers Retirement System's salary age/service scatter from the June 30, 2020 Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation. Based on the dates of hire assumed above and the participant's actual age, pay was assigned using the salary age service scatter, unless otherwise supplied by the district group during its review of the active data.

Dates of Hire - Were not available from the client and were available from the State Retirement Agency. Dates of hire were inferred using the Maine State Retirement System's Age/Service scatter from the June 30, 2020 Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation. Those under 1 year of service, the date was assumed to be January 1, 2020 and all other groups were assumed to be hired on July 1 of each service midpoint.

Rate of Mortality:

General Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

TOWN OF MILLINOCKET, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

**NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)**

Teacher Retirees: SOA Pub-2010 Teachers Headcount Weighted
Mortality Table fully generational using Scale MP-2021

Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount
Weighted Mortality Table fully generational using Scale MP-2021

Disabled Retirees: SOA Pub-2010 Non-Safety Disabled Retiree
Headcount Weighted Mortality Table fully generational using Scale MP-
2021

Significant actuarial assumptions employed by the actuary for claims and expense purposes are the based on the actual community rated premiums of the entire group. As of June 30, 2021, they are as follows:

Monthly Per Capital Claims and Expense Cost - Claims are based on community rated premiums through July 1, 2020 and projects through June 30, 2021 and associate enrollment in the various options offered. Annual administrative and claims adjudication expenses are assumed to be included in the annual premiums.

Medical Plan Election - Employees are assumed to continue in their current medical plan for their entire career. 50% of retirees are assumed to switch from the Choice Plan to the Standard Plan.

Medicare Eligibility - Assumed to be age 65, with the exception of retirees over age 65 who are not in the Medicare Advantage Plan are assumed to never be eligible for Medicare, all current actives with a hire date before March 31, 1986 are assumed to never be eligible for Medicare.

Changes in Total OPEB Liability

Changes in total OPEB liability are recognized in OPEB expense for the year ended June 30, 2022 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. As of July 1, 2021, this average is 8 years. The first year is recognized as OPEB

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2022, there were no differences between expected and actual experience.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense over the average expected remaining service life of all active and inactive Plan members. As of July 1, 2021, this average is 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for year ending June 30, 2022. For the fiscal year ended June 30, 2022, there were no changes in assumptions.

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town Office at 197 Penobscot Avenue, Millinocket, Maine 04462.

NOTE 20 - 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.

TOWN OF MILLINOCKET, MAINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 21 - RISK MANAGEMENT - PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2022. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 22 - COMPARATIVE DATA/RECLASSIFICATIONS

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

Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the Net OPEB Liability - Set Plan
- Schedule of Changes in Net OPEB Liability - MMEHT Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT Plan
- Schedule of Changes in Net OPEB Liability - MEABT Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT Plan
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

SCHEDULE 1

TOWN OF MILLINOCKET, MAINE

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,720,402	\$ 4,720,402	\$ 4,720,402	\$ -
Resources (Inflows):				
General tax revenue	6,565,459	6,565,459	6,323,238	(242,221)
Intergovernmental revenue	2,665,722	3,088,748	3,153,430	64,682
Charges for services	665,058	668,058	687,190	19,132
Investment income	7,200	7,200	10,817	3,617
Other revenue	126,407	220,366	415,471	195,105
Transfers from other funds	4,655	4,655	-	(4,655)
Amounts Available for Appropriation	<u>14,754,903</u>	<u>15,274,888</u>	<u>15,310,548</u>	<u>35,660</u>
Charges to Appropriations (Outflows):				
General government	783,974	1,044,410	1,009,021	35,389
Public safety	1,758,530	2,214,154	2,086,071	128,083
Public works	1,252,755	1,631,789	1,534,781	97,008
Fringe benefits	994,155	16,682	10,361	6,321
Community services	544,981	742,407	701,749	40,658
County tax	275,516	275,516	275,516	-
Debt service:				
Principal	111,316	111,316	111,316	-
Interest	65,427	65,427	65,426	1
Overlay	175,853	175,853	-	175,853
Grant funds/misc accounts	1,208,918	1,592,908	638,934	953,974
Transfers to other funds	2,908,076	2,908,076	2,908,076	-
Total Charges to Appropriations	<u>10,079,501</u>	<u>10,778,538</u>	<u>9,341,251</u>	<u>1,437,287</u>
Budgetary Fund Balance, June 30	<u>\$ 4,675,402</u>	<u>\$ 4,496,350</u>	<u>\$ 5,969,297</u>	<u>\$ 1,472,947</u>
Utilization of assigned fund balance	<u>\$ 45,000</u>	<u>\$ 224,052</u>	<u>\$ -</u>	<u>\$ (224,052)</u>

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE 1A

TOWN OF MILLINOCKET, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - EDUCATION FUND
 FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 595,116	\$ 595,116	\$ 595,116	\$ -
Revenues (Inflows):				
Local assessments	2,908,076	-	-	-
Intergovernmental revenues	3,769,889	3,769,889	3,831,157	61,268
Charges for services	202,800	202,800	71,879	(130,921)
Other revenue	91,000	91,000	112,957	21,957
Transfers from other funds	203,632	3,111,708	2,952,036	(159,672)
Amounts Available for Appropriation	<u>7,770,513</u>	<u>7,770,513</u>	<u>7,563,145</u>	<u>(207,368)</u>
Charges to Appropriations (Outflows):				
Regular instruction	2,614,728	2,610,571	2,329,474	281,097
Special education	1,304,178	1,304,178	1,189,471	114,707
Other instruction	321,488	321,488	248,266	73,222
Student and staff support	397,446	397,446	378,690	18,756
System administration	779,081	779,081	730,912	48,169
School administration	357,817	357,817	327,612	30,205
Transportation	267,065	267,065	259,627	7,438
Facilities maintenance	1,026,386	1,026,386	984,501	41,885
Debt service:				
Principal	93,208	93,208	93,208	-
Interest	4,000	4,000	3,716	284
Transfers to other funds	10,000	14,157	14,157	-
Total Charges to Appropriations	<u>7,175,397</u>	<u>7,175,397</u>	<u>6,559,634</u>	<u>615,763</u>
Budgetary Fund Balance, June 30	<u>\$ 595,116</u>	<u>\$ 595,116</u>	<u>\$ 1,003,511</u>	<u>\$ 408,395</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>								
Proportion of the net pension liability/(asset)	0.28%	0.32%	0.33%	0.33%	0.35%	0.37%	0.40%	0.44%
Proportionate share of the net pension liability/(asset)	\$ (90,333)	\$ 1,273,583	\$ 1,007,085	\$ 908,168	\$ 1,448,355	\$ 1,990,211	\$ 1,283,487	\$ 671,257
Covered payroll	\$ 1,755,058	\$ 1,541,628	\$ 1,488,417	\$ 1,425,319	\$ 1,486,759	\$ 1,503,493	\$ 1,563,371	\$ 1,630,911
Proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-5.15%	82.61%	67.66%	63.72%	97.42%	132.37%	82.10%	41.16%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	100.86%	88.35%	90.62%	91.14%	86.43%	81.60%	88.30%	94.10%
<u>SET Plan:</u>								
School Department's proportion of the net pension liability/(asset)	0.02%	0.01%	0.02%	0.04%	0.04%	0.04%	0.02%	0.02%
School Department's proportionate share of the net pension liability/(asset)	\$ 128,743	\$ 214,266	\$ 278,986	\$ 542,584	\$ 625,535	\$ 630,839	\$ 324,906	\$ 190,840
State's proportionate share of the net pension liability/(asset) associated with the School Department	1,680,691	3,140,481	2,515,406	2,121,140	2,306,109	2,817,208	2,297,146	1,913,567
Total	\$ 1,809,434	\$ 3,354,747	\$ 2,794,392	\$ 2,663,724	\$ 2,931,644	\$ 3,448,047	\$ 2,622,052	\$ 2,104,407
School Department's covered payroll	\$ 2,896,296	\$ 2,495,052	\$ 2,193,194	\$ 1,925,971	\$ 1,919,207	\$ 1,871,169	\$ 1,904,047	\$ 1,913,819
School Department's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	4.45%	8.59%	12.72%	28.17%	32.59%	33.71%	17.06%	9.97%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	90.90%	81.03%	84.52%	85.17%	80.78%	76.21%	81.18%	83.91%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE 3

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>								
Contractually required contribution	\$ 188,267	\$ 192,267	\$ 167,160	\$ 156,393	\$ 139,669	\$ 141,953	\$ 138,322	\$ 130,694
Contributions in relation to the contractually required contribution	(188,267)	(192,267)	(167,160)	(156,393)	(139,669)	(141,953)	(138,322)	(130,694)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,813,041	\$ 1,755,058	\$ 1,541,628	\$ 1,488,417	\$ 1,425,319	\$ 1,486,759	\$ 1,503,493	\$ 1,563,371
Contributions as a percentage of covered payroll	10.38%	10.96%	10.84%	10.51%	9.80%	9.55%	9.20%	8.36%
<u>SET Plan:</u>								
Contractually required contribution	\$ 162,561	\$ 150,601	\$ 103,794	\$ 87,069	\$ 76,461	\$ 64,485	\$ 62,872	\$ 50,458
Contributions in relation to the contractually required contribution	(162,561)	(150,601)	(103,794)	(87,069)	(76,461)	(64,485)	(62,872)	(50,458)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Department's covered payroll	\$ 2,646,435	\$ 2,896,296	\$ 2,495,052	\$ 2,193,194	\$ 1,925,971	\$ 1,919,207	\$ 1,871,169	\$ 1,904,047
Contributions as a percentage of covered payroll	6.14%	5.20%	4.16%	3.97%	3.97%	3.36%	3.36%	2.65%

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

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE 4

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018
<u>SET Life Insurance:</u>					
Proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	33,043	66,467	65,081	62,138	68,609
Total	<u>\$ 33,043</u>	<u>\$ 66,467</u>	<u>\$ 65,081</u>	<u>\$ 62,138</u>	<u>\$ 68,609</u>
Covered payroll	\$ 2,896,296	\$ 2,495,052	\$ 2,193,194	\$ 1,925,971	\$ 1,919,207
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	55.40%	55.40%	49.51%	49.22%	48.04%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MMEHT PLAN
FOR THE YEAR ENDED JUNE 30, 2022

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/21 (Reporting 6/30/21)	\$ 694,990	\$ -	\$ 694,990
Changes for the year:			
Service cost	24,175	-	24,175
Interest	14,945	-	14,945
Changes of benefits	-	-	-
Differences between expected and actual experience	(41,434)	-	(41,434)
Changes of assumptions	36,854	-	36,854
Contributions - employer	-	28,586	(28,586)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(28,586)	(28,586)	-
Administrative expense	-	-	-
Net changes	5,954	-	5,954
Balances at 1/1/22 (Reporting 6/30/22)	\$ 700,944	\$ -	\$ 700,944

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE 6

TOWN OF MILLINOCKET, MAINE

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

	2022	2021	2020	2019	2018
<u>Total OPEB liability</u>					
Service cost (BOY)	\$ 24,175	\$ 21,054	\$ 12,679	\$ 14,136	\$ 10,898
Interest (includes interest on service cost)	14,945	17,960	25,453	23,053	25,151
Changes of benefit terms	-	-	(13,578)	-	-
Differences between expected and actual experience	(41,434)	-	(70,696)	-	(72,247)
Changes of assumptions	36,854	35,389	104,968	(48,439)	70,426
Benefit payments, including refunds of member contributions	(28,586)	(27,487)	(37,378)	(35,940)	(29,485)
Net change in total OPEB liability	\$ 5,954	\$ 46,916	\$ 21,448	\$ (47,190)	\$ 4,743
 Total OPEB liability - beginning	\$ 694,990	\$ 648,074	\$ 626,626	\$ 673,816	\$ 669,073
Total OPEB liability - ending	\$ 700,944	\$ 694,990	\$ 648,074	\$ 626,626	\$ 673,816
 <u>Plan fiduciary net position</u>					
Contributions - employer	28,586	27,487	37,378	35,940	29,485
Contributions - member	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	(28,586)	(27,487)	(37,378)	(35,940)	(29,485)
Administrative expense	-	-	-	-	-
Net change in fiduciary net position	-	-	-	-	-
 Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -
 Net OPEB liability - ending	\$ 700,944	\$ 694,990	\$ 648,074	\$ 626,626	\$ 673,816
 Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
 Covered payroll	\$ 1,071,091	\$ 1,409,291	\$ 1,362,131	\$ 1,362,131	\$ 1,362,131
Net OPEB liability as a percentage of covered payroll	65.44%	49.31%	47.58%	46.00%	49.47%

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

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MEABT PLAN
FOR THE YEAR ENDED JUNE 30, 2022

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2020 (Reporting June 30, 2021)	\$ 9,024,095	\$ -	\$ 9,024,095
Changes for the year:			
Service cost	27,195	-	27,195
Interest	193,537	-	193,537
Changes of benefits	-	-	-
Differences between expected and actual experience	(772,328)	-	(772,328)
Changes of assumptions	(1,440,364)	-	(1,440,364)
Contributions - employer	-	430,302	(430,302)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(430,302)	(430,302)	-
Administrative expense	-	-	-
Net changes	(2,422,262)	-	(2,422,262)
Balances at 6/30/2021 (Reporting June 30, 2022)	\$ 6,601,833	\$ -	\$ 6,601,833

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

MEABT PLAN

LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018
<u>Total OPEB liability</u>					
Service cost (BOY)	\$ 27,195	\$ 33,573	\$ 27,218	\$ 26,868	\$ 29,703
Interest (includes interest on service cost)	193,537	233,121	345,395	437,646	451,367
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(772,328)	(1,067,900)	(1,728,660)	(990,373)	(813,664)
Changes of assumptions	(1,440,364)	1,334,290	788,802	(372,548)	(430,170)
Benefit payments, including refunds of member contributions	(430,302)	(475,626)	(553,673)	(586,142)	(623,131)
Net change in total OPEB liability	\$ (2,422,262)	\$ 57,458	\$ (1,120,918)	\$ (1,484,549)	\$ (1,385,895)
Total OPEB liability - beginning	\$ 9,024,096	\$ 8,966,638	\$ 10,087,556	\$ 11,572,105	\$ 12,958,000
Total OPEB liability - ending	\$ 6,601,834	\$ 9,024,096	\$ 8,966,638	\$ 10,087,556	\$ 11,572,105
<u>Plan fiduciary net position</u>					
Contributions - employer	430,302	475,626	553,673	586,142	623,131
Contributions - member	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	(430,302)	(475,626)	(553,673)	(586,142)	(623,131)
Administrative expense	-	-	-	-	-
Net change in fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability - ending	\$ 6,601,834	\$ 9,024,096	\$ 8,966,638	\$ 10,087,556	\$ 11,572,105
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE 9

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2021	2021	2020	2019	2018
<u>SET Life Insurance:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,646,435	\$ 2,896,296	\$ 2,495,052	\$ 2,193,194	\$ 1,925,971
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<u>MMEHT:</u>					
Employer contributions	\$ 28,586	\$ 27,487	\$ 37,378	\$ 253,943	\$ 149,825
Benefit payments	(28,586)	(27,487)	(37,378)	(253,943)	(149,825)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,071,091	\$ 1,409,291	\$ 1,362,131	\$ 4,444,402	\$ 4,357,257
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<u>MEABT:</u>					
Employer contributions	\$ 430,302	\$ 475,626	\$ 553,673	\$ 586,142	\$ 623,131
Benefit payments	(430,302)	(475,626)	(553,673)	(586,142)	(623,131)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

Changes of Assumptions

MEPERS PLD Plan:

The discount rate was reduced from 6.75% to 6.50%. In addition, the salary increases for the plan, increased from 2.75% to 2.75% - 11.48% per year.

MEPERS SET Plan:

The discount rate was reduced from 6.75% to 6.50%. In addition, the salary increases for the plan, increased from 2.75% to 2.80% - 13.03% per year.

MMEHT Plan:

The discount rate was updated to reflect the December 30, 2021 Bond Buyer 20-Bond GO Index. The ultimate trend assumption was reduced to reflect the reduction in the Bond Buyer 20-Bond GO Index.

The following demographic assumptions were updated based on the June 30, 2021 experience study:

Mortality, termination, retirement and salary rates.

The enrollment participation for plans with no employer subsidy was update for ages 65-70.

There was a change in the discount rate from 2.12% to 2.06% per GASB 75 discount rate selection. In addition, medical and prescription drug trend arrays were updated.

MEABT Plan:

There was a change in the discount rate from 2.21% to 2.16% per GASB 75 discount rate selection.

See accompanying independent auditor's report and notes to financial statements.

Other Supplementary Information

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

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

SCHEDULE A

TOWN OF MILLINOCKET, MAINE

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUDGET AND ACTUAL - GENERAL FUND REVENUES
FOR THE YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues:				
Property taxes	\$ 5,810,459	\$ 5,810,459	\$ 5,487,092	\$ (323,367)
Vehicle excise taxes	750,000	750,000	830,758	80,758
Boat excise taxes	5,000	5,000	5,388	388
Intergovernmental revenues:				
Homestead exemption	709,247	709,247	709,247	-
State revenue sharing	850,000	965,000	1,586,205	621,205
BETE	52,319	52,319	52,381	62
Tree growth	17,000	17,000	25,863	8,863
Veterans	10,600	10,600	7,720	(2,880)
LRAP	41,912	41,912	45,288	3,376
General assistance	15,000	15,000	4,778	(10,222)
Airport CARES grant	13,000	13,000	13,000	-
ARPA	-	-	449,600	449,600
Other	956,644	1,264,670	259,348	(1,005,322)
Charges for services:				
Recreation fees	1,000	1,000	1,100	100
Economic development	10,000	10,000	5,000	(5,000)
Town clerk fees	70,050	70,050	75,585	5,535
Planning fees	2,250	2,250	3,385	1,135
Solid waste/recycling	120,436	120,436	134,619	14,183
Ambulance	307,546	307,546	306,447	(1,099)
Fire department	5,451	5,451	8,814	3,363
Police department	-	-	90	90
Public works	33,350	36,350	29,500	(6,850)
Airport	94,975	94,975	91,925	(3,050)
Cemetery	20,000	20,000	30,725	10,725
Investment income:				
Investment income	7,200	7,200	10,817	3,617
Other income:				
Interest/fees on taxes	55,000	55,000	35,659	(19,341)
Payment in lieu of taxes	18,000	18,000	25,006	7,006
Proceeds from sale of assets	18,000	18,000	227	(17,773)
Rent	29,500	29,500	29,500	-
Insurances	-	-	64	64
Misc grants	-	93,959	217,749	123,790
Other	5,907	5,907	107,266	101,359
Transfers from other funds:				
Special revenue funds	4,655	4,655	-	(4,655)
Total Revenues	10,034,501	10,554,486	10,590,146	35,660
 Use of fund balance	 45,000	 224,052	 -	 (224,052)
 Total	 \$ 10,079,501	 \$ 10,778,538	 \$ 10,590,146	 \$ (188,392)

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE B

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
General government					
Council	\$ 8,800	-	\$ 8,800	\$ 8,800	\$ -
Manager	73,080	-	73,080	74,994	(1,914)
Treasurer/Town auditor	67,809	-	67,809	67,809	-
Assistant bookkeeper/HR director	46,604	-	46,604	46,604	-
Part time	10,412	10,000	20,412	19,641	771
Elections	8,600	311	8,911	6,145	2,766
Town clerk and Tax collector	152,360	80,436	232,796	226,672	6,124
Assessing	47,766	7,046	54,812	52,143	2,669
Municipal building	74,224	4,863	79,087	75,446	3,641
Audit	18,000	1,100	19,100	19,100	-
Legal	145,000	48,431	193,431	193,358	73
Administration	82,850	-	82,850	71,650	11,200
Planning/code/dev	23,199	3,456	26,655	25,587	1,068
Economic development	25,270	-	25,270	18,120	7,150
Reserve other fringe	-	104,793	104,793	102,952	1,841
	<u>783,974</u>	<u>260,436</u>	<u>1,044,410</u>	<u>1,009,021</u>	<u>35,389</u>
Public safety					
Police department	610,874	45,028	655,902	655,902	-
Fire department	37,700	103,231	140,931	129,263	11,668
Ambulance	166,750	44,287	211,037	160,189	50,848
Fire and ambulance general	357,184	255,632	612,816	544,541	68,275
Community services	476,000	-	476,000	479,948	(3,948)
Insurances	93,830	5,917	99,747	99,747	-
Enforcement officials	1,500	259	1,759	1,614	145
Dog constable	14,692	1,270	15,962	14,867	1,095
	<u>1,758,530</u>	<u>455,624</u>	<u>2,214,154</u>	<u>2,086,071</u>	<u>128,083</u>

SCHEDULE B (CONTINUED)

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
Public works					
Administration	71,492	53,841	125,333	120,611	4,722
Garage maintenance	24,150	-	24,150	27,228	(3,078)
Roads & construction	813,327	307,102	1,120,429	1,013,113	107,316
Transfer site	343,786	18,091	361,877	373,829	(11,952)
	1,252,755	379,034	1,631,789	1,534,781	97,008
Fringe benefits	994,155	(977,473)	16,682	10,361	6,321
Community services					
Library	75,000	-	75,000	75,000	-
Community initiatives	-	21,714	21,714	21,714	-
General assistance	22,650	-	22,650	7,188	15,462
Public health/welfare agency	6,300	2,807	9,107	7,842	1,265
Cemetery	34,372	6,539	40,911	40,545	366
Recreation	148,232	75,160	223,392	216,854	6,538
Snowsled & ATV program	83,540	46,407	129,947	131,907	(1,960)
Airport	167,887	44,799	212,686	193,099	19,587
Holiday observation & events	7,000	-	7,000	7,600	(600)
	544,981	197,426	742,407	701,749	40,658
County tax	275,516	-	275,516	275,516	-

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
Debt service					
Principal	111,316	-	111,316	111,316	-
Interest	65,427	-	65,427	65,426	1
	<u>176,743</u>	<u>-</u>	<u>176,743</u>	<u>176,742</u>	<u>1</u>
Overlay	<u>175,853</u>	<u>-</u>	<u>175,853</u>	<u>-</u>	<u>175,853</u>
Grant funds/misc accounts					
Capital improvements	278,918	123,706	402,624	290,649	111,975
Airport	930,000	-	930,000	90,951	839,049
Miscellaneous	-	260,284	260,284	257,334	2,950
	<u>1,208,918</u>	<u>383,990</u>	<u>1,592,908</u>	<u>638,934</u>	<u>953,974</u>
Transfers to other funds					
Education fund	2,908,076	-	2,908,076	2,908,076	-
	<u>2,908,076</u>	<u>-</u>	<u>2,908,076</u>	<u>2,908,076</u>	<u>-</u>
Total Departmental Operations	<u>\$ 10,079,501</u>	<u>\$ 699,037</u>	<u>\$ 10,778,538</u>	<u>\$ 9,341,251</u>	<u>\$ 1,437,287</u>

See accompanying independent auditor's report and notes to financial statements.

Capital Reserve Funds

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

SCHEDULE C

TOWN OF MILLINOCKET, MAINE

COMBINING BALANCE SHEET - CAPITAL RESERVE FUND
JUNE 30, 2022

	General	Airport	Ambulance	Police	Fire	Public Works
ASSETS						
Cash and cash equivalents	\$ 182,263	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	24,413	91,344	30,696	42,599	1,515
TOTAL ASSETS	\$ 182,263	\$ 24,413	\$ 91,344	\$ 30,696	\$ 42,599	\$ 1,515
LIABILITIES						
Due to other funds	\$ 158,581	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	158,581	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	23,682	24,413	91,344	30,696	42,599	1,515
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	23,682	24,413	91,344	30,696	42,599	1,515
TOTAL LIABILITIES AND FUND BALANCES	\$ 182,263	\$ 24,413	\$ 91,344	\$ 30,696	\$ 42,599	\$ 1,515

TOWN OF MILLINOCKET, MAINE

COMBINING BALANCE SHEET - CAPITAL RESERVE FUND
JUNE 30, 2022

	Transfer Station	Cemetery	SMI TIF Proceeds	Wastewater	Minor Capital Projects	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,263
Due from other funds	50,586	8,351	9,477	20,125	6,195	285,301
TOTAL ASSETS	<u>\$ 50,586</u>	<u>\$ 8,351</u>	<u>\$ 9,477</u>	<u>\$ 20,125</u>	<u>\$ 6,195</u>	<u>\$ 467,564</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,581
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,581</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	50,586	8,351	9,477	20,125	6,195	308,983
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>50,586</u>	<u>8,351</u>	<u>9,477</u>	<u>20,125</u>	<u>6,195</u>	<u>308,983</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 50,586</u>	<u>\$ 8,351</u>	<u>\$ 9,477</u>	<u>\$ 20,125</u>	<u>\$ 6,195</u>	<u>\$ 467,564</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CAPITAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	General	Airport	Ambulance	Police	Fire	Public Works
REVENUES						
Interest income	\$ 334	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - JULY 1	<u>23,348</u>	<u>24,413</u>	<u>91,344</u>	<u>30,696</u>	<u>42,599</u>	<u>1,515</u>
FUND BALANCES - JUNE 30	<u>\$ 23,682</u>	<u>\$ 24,413</u>	<u>\$ 91,344</u>	<u>\$ 30,696</u>	<u>\$ 42,599</u>	<u>\$ 1,515</u>

SCHEDULE D (CONTINUED)

TOWN OF MILLINOCKET, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CAPITAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Transfer Station	Cemetery	SMI TIF Proceeds	Wastewater	Minor Capital Projects	Total
REVENUES						
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 334
TOTAL REVENUES	-	-	-	-	-	334
EXPENDITURES						
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-	334
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-	-	334
FUND BALANCES - JULY 1	50,586	8,351	9,477	20,125	6,195	308,649
FUND BALANCES - JUNE 30	\$ 50,586	\$ 8,351	\$ 9,477	\$ 20,125	\$ 6,195	\$ 308,983

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE E

TOWN OF MILLINOCKET, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 168,910	\$ 42,984	\$ 211,894
Investments	425,006	-	425,006
Accounts receivable (net of allowance for uncollectibles)	321,989	-	321,989
Due from other governments	535,946	-	535,946
Inventory	25,509	-	25,509
Due from other funds	69,891	-	69,891
TOTAL ASSETS	\$ 1,547,251	\$ 42,984	\$ 1,590,235
LIABILITIES			
Accounts payable	\$ 11,944	\$ -	\$ 11,944
Accrued payroll	76,959	-	76,959
Due to other funds	371,724	3,800	375,524
TOTAL LIABILITIES	460,627	3,800	464,427
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	57,954	-	57,954
TOTAL DEFERRED INFLOWS OF RESOURCES	57,954	-	57,954
FUND BALANCES			
Nonspendable	25,509	16,401	41,910
Restricted	823,277	22,783	846,060
Committed	74,025	-	74,025
Assigned	105,859	-	105,859
Unassigned	-	-	-
TOTAL FUND BALANCES	1,028,670	39,184	1,067,854
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,547,251	\$ 42,984	\$ 1,590,235

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE F

TOWN OF MILLINOCKET, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 2,021,985	\$ -	\$ 2,021,985
Charges for services	28,628	-	28,628
Investment income, net of unrealized gains/(losses)	-	77	77
Interest income	22,343	-	22,343
Other income	167,978	-	167,978
TOTAL REVENUES	<u>2,240,934</u>	<u>77</u>	<u>2,241,011</u>
EXPENDITURES			
Education	2,205,210	-	2,205,210
TOTAL EXPENDITURES	<u>2,205,210</u>	<u>-</u>	<u>2,205,210</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,724</u>	<u>77</u>	<u>35,801</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	14,157	-	14,157
Transfers (out)	(43,960)	-	(43,960)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(29,803)</u>	<u>-</u>	<u>(29,803)</u>
NET CHANGE IN FUND BALANCES	5,921	77	5,998
FUND BALANCES, JULY 1	<u>1,022,749</u>	<u>39,107</u>	<u>1,061,856</u>
FUND BALANCES, JUNE 30	<u>\$ 1,028,670</u>	<u>\$ 39,184</u>	<u>\$ 1,067,854</u>

See accompanying independent auditor's report and notes to financial statements.

Special Revenue Funds

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

SCHEDULE G

TOWN OF MILLINOCKET, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2022

	CDBG Loan Fund	Recreation	Comprehensive Plan	School Categorical Programs	School Lunch	Adult Education	Scholarships	Student Activities	Total
ASSETS									
Cash and cash equivalents	\$ 51,642	\$ -	\$ -	\$ -	\$ 228	\$ -	\$ 44,467	\$ 72,573	\$ 168,910
Investments	-	-	-	-	-	-	398,720	26,286	425,006
Accounts receivable (net of allowance for uncollectibles)	321,318	-	-	-	671	-	-	-	321,989
Due from other governments	-	-	-	519,921	16,025	-	-	-	535,946
Inventory	-	-	-	-	25,509	-	-	-	25,509
Due from other funds	-	3,311	10,114	-	56,466	-	-	-	69,891
TOTAL ASSETS	\$ 372,960	\$ 3,311	\$ 10,114	\$ 519,921	\$ 98,899	\$ -	\$ 443,187	\$ 98,859	\$ 1,547,251
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ 8,925	\$ 3,019	\$ -	\$ -	\$ -	\$ 11,944
Accrued payroll	-	-	-	67,188	9,771	-	-	-	76,959
Due to other funds	17,098	-	-	344,626	-	-	10,000	-	371,724
TOTAL LIABILITIES	17,098	-	-	420,739	12,790	-	10,000	-	460,627
DEFERRED INFLOWS OF RESOURCES									
Deferred revenue	-	-	-	57,954	-	-	-	-	57,954
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	57,954	-	-	-	-	57,954
FUND BALANCES									
Nonspendable	-	-	-	-	25,509	-	-	-	25,509
Restricted	355,862	-	-	34,228	-	-	433,187	-	823,277
Committed	-	3,311	10,114	-	60,600	-	-	-	74,025
Assigned	-	-	-	7,000	-	-	-	98,859	105,859
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	355,862	3,311	10,114	41,228	86,109	-	433,187	98,859	1,028,670
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 372,960	\$ 3,311	\$ 10,114	\$ 519,921	\$ 98,899	\$ -	\$ 443,187	\$ 98,859	\$ 1,547,251

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE H

TOWN OF MILLINOCKET, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	CDBG Loan Fund	Recreation	Comprehensive Plan	School Categorical Programs	School Lunch	Adult Education	Scholarships	Student Activities	Total
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 1,744,896	\$ 277,089	\$ -	\$ -	\$ -	\$ 2,021,985
Charges for services	-	-	-	-	28,628	-	-	-	28,628
Interest income	10,538	-	-	-	-	-	11,805	-	22,343
Other income	-	-	-	-	11,757	-	12,471	143,750	167,978
TOTAL REVENUES	10,538	-	-	1,744,896	317,474	-	24,276	143,750	2,240,934
EXPENDITURES									
Education	-	-	-	1,696,091	271,083	-	72,269	165,767	2,205,210
TOTAL EXPENDITURES	-	-	-	1,696,091	271,083	-	72,269	165,767	2,205,210
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,538	-	-	48,805	46,391	-	(47,993)	(22,017)	35,724
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	10,000	4,157	-	-	14,157
Transfers (out)	-	-	-	(43,960)	-	-	-	-	(43,960)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(43,960)	10,000	4,157	-	-	(29,803)
NET CHANGE IN FUND BALANCES (DEFICITS)	10,538	-	-	4,845	56,391	4,157	(47,993)	(22,017)	5,921
FUND BALANCES (DEFICITS), JULY 1, RESTATED	345,324	3,311	10,114	36,383	29,718	(4,157)	481,180	120,876	1,022,749
FUND BALANCES (DEFICITS), JUNE 30	\$ 355,862	\$ 3,311	\$ 10,114	\$ 41,228	\$ 86,109	\$ -	\$ 433,187	\$ 98,859	\$ 1,028,670

See accompanying independent auditor's report and notes to financial statements.

Permanent Funds

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

SCHEDULE I

TOWN OF MILLINOCKET, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2022

	Cemetery Perpetual Fund	Peluso Welfare Trust	Ministerial and School Fund	Total
ASSETS				
Cash and cash equivalents	\$ 4,419	\$ 15,930	\$ 22,635	\$ 42,984
TOTAL ASSETS	<u>\$ 4,419</u>	<u>\$ 15,930</u>	<u>\$ 22,635</u>	<u>\$ 42,984</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 3,800	\$ 3,800
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>3,800</u>	<u>3,800</u>
FUND BALANCES				
Nonspendable	1,401	4,000	11,000	16,401
Restricted	3,018	11,930	7,835	22,783
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>4,419</u>	<u>15,930</u>	<u>18,835</u>	<u>39,184</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,419</u>	<u>\$ 15,930</u>	<u>\$ 22,635</u>	<u>\$ 42,984</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, CHANGES IN FUND
BALANCES - NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Cemetery Perpetual Fund	Peluso Welfare Trust	Ministerial and School Fund	Total
REVENUES				
Investment income, net of unrealized gains/(losses)	\$ 8	\$ 29	\$ 40	\$ 77
TOTAL REVENUES	<u>8</u>	<u>29</u>	<u>40</u>	<u>77</u>
EXPENDITURES				
Other	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	8	29	40	77
FUND BALANCES, JULY 1	<u>4,411</u>	<u>15,901</u>	<u>18,795</u>	<u>39,107</u>
FUND BALANCES, JUNE 30	<u>\$ 4,419</u>	<u>\$ 15,930</u>	<u>\$ 18,835</u>	<u>\$ 39,184</u>

See accompanying independent auditor's report and notes to financial statements.

Federal Compliance

Federal compliance includes financial information and reports that are required in accordance with Government Auditing Standards and/or the Uniform Guidance in accordance with 2 CFR § 515. Such financial information and reports include:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- 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
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

See accompanying independent auditor's report and notes to financial statements.

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal AL Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed-through State of Maine - Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$ 86,829	\$ -
Donated Commodities	10.555	N/A	12,343	-
National School Lunch Program	10.555	N/A	14,452	-
National School Lunch Program	10.555	3020	159,782	-
National School Lunch Program	10.555	N/A	8,353	-
Summer Food Service Program for Children	10.559	N/A	32,233	-
Summer Food Service Program for Children	10.559	3016	3,304	-
Subtotal Child Nutrition Cluster			<u>317,296</u>	<u>-</u>
Pandemic EBT Administrative Costs	10.649	N/A	<u>1,228</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>318,524</u>	<u>-</u>
U.S. Department of Transportation				
Passed-through State of Maine - Department of Transportation:				
Airport Improvement Program and COVID-19 Airports Programs	20.106	3-23-0030-023-2021	13,000	-
Airport Improvement Program and COVID-19 Airports Programs	20.106	3-23-0030-021-2020	76,468	-
Airport Improvement Program and COVID-19 Airports Programs	20.106	3-23-0030-024-2021	14,483	-
			<u>103,951</u>	<u>-</u>
Total U.S. Department of Transportation			<u>103,951</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Passed-through State of Maine - Department of Economic Development:				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	N/A	185,284	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	N/A	740,536	-
			<u>925,820</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>925,820</u>	<u>-</u>
U.S. Environmental Protection Agency				
Direct Funding:				
Clean Water State Revolving Fund Cluster:				
Clean Water Revolving Loan Fund	66.458	N/A	1,166,701	-
Subtotal Clean Water State Revolving Fund Cluster			<u>1,166,701</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>1,166,701</u>	<u>-</u>
U.S. Department of Education				
Passed-through State of Maine - Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3107	268,553	-
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	3046	163,475	-
Subtotal Special Education Cluster (IDEA)			<u>163,475</u>	<u>-</u>
Rural Education	84.358	3305	<u>15,867</u>	<u>-</u>
Education Stabilization Fund	84.425D	7006	357,362	-
Education Stabilization Fund	84.425D	N/A	113,601	-
Education Stabilization Fund	84.425U	N/A	639,702	-
			<u>1,110,665</u>	<u>-</u>
Total U.S. Department of Education			<u>1,558,560</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 4,073,556</u>	<u>\$ -</u>

TOWN OF MILLINOCKET, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Millinocket, Maine under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Town of Millinocket, Maine, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Millinocket, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Town of Millinocket, Maine has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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

Town Council
Town of Millinocket
Millinocket, 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, business-type activities, each major fund and the aggregate remaining fund information of the Town of Millinocket, Maine as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Town of Millinocket, Maine's basic financial statements and have issued our report thereon dated March 28, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Millinocket, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Millinocket in a separate letter dated March 28, 2023.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
March 28, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Town Council
Town of Millinocket
Millinocket, Maine

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Town of Millinocket, 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 the Town of Millinocket, Maine's major federal programs for the year ended June 30, 2022. The Town of Millinocket, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on ALN 84.425D Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Town of Millinocket, Maine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on ALN 84.425D Education Stabilization Fund for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Town of Millinocket, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative

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Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibility section of our report.

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

Matter Giving Rise to Qualified Opinion on ALN 84.425D Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, the Town of Millinocket, Maine did not comply with requirements regarding ALN 84.425D Education Stabilization Fund as described in finding number 2022-001 - Allowable Costs/Cost Principles.

Compliance with such requirements is necessary, in our opinion, for the Town of Millinocket, Maine to comply with the requirements applicable to that program.

Management's Responsibility

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

Auditor's Responsibility

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

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

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

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibility section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material

weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be significant deficiency.

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

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

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.

RHR Smith & Company

Buxton, Maine
March 28, 2023

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ no
- 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? ☒ yes ☐ no

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported
in accordance with §200.516 of Uniform Guidance? ☒ yes ☐ no

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
66.458	Capitalization Grants for Clean Water State Revolving Funds
84.425D/84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II - Financial Statement Findings

None

TOWN OF MILLINOCKET, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Section III - Federal Awards Findings and Questioned Costs

SIGNIFICANT DEFICIENCIES

2022-001 - Allowable Costs/Cost Principles

Federal Program Information:

Department of Education:

ALN - 84.425D - Education Stabilization Fund

Criteria: The following CFR(s) apply to this finding: 2 CFR 200.430(i)(1)(vii)

Condition: During audit procedures, it was identified that the School Department certifications for time and effort records were missing or incomplete.

Cause: The School Department does not have the necessary internal controls over compliance.

Effect: The School Department is not obtaining the required employee certifications that 100% of their time was spent on the grant cost objective ensuring that charges to the program reflect an accurate account of the employee's time and effort devoted to the program.

Identification of Questioned Costs: None identified.

Context: The School Department does not collect time certifications for the employees that were paid with the federal funds.

Repeat Finding: This is not a repeat finding.

Recommendation: It is recommended that the School Department implement internal control processes and procedures to ensure that time certifications are completed at the period end to ensure charges reflect an accurate account of the employee's time devoted to the program.

Views of Responsible Officials and Corrective Action Plan: Please see the Corrective Action Plan issued by the School Department.

State Compliance

State compliance includes financial information and reports that are presented for purposes of additional analysis as required by Title 20-A MRSA §6051 of the Maine Revised Statutes as amended. Such financial information and reports include:

- Independent Auditor's Report on State Requirements
- Reconciliation of Audit Adjustments to Annual Financial Data Submitted to the Maine Education Financial System



INDEPENDENT AUDITOR'S REPORT ON STATE REQUIREMENTS

Town Council
Town of Millinocket, Maine
Millinocket, Maine

We have audited the financial statements of Town of Millinocket, Maine for the year ended June 30, 2022 and have issued our report thereon dated March 28, 2023. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the Town of Millinocket, Maine's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Town of Millinocket, Maine complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Millinocket, Maine was in noncompliance with or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Town of Millinocket, Maine and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the Maine Education Financial System maintained at the Maine Department of Education.

This report is intended solely for the information of the Town Council, School Board, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
March 28, 2023

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MILLINOCKET SCHOOL DEPARTMENT

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM FOR THE YEAR ENDED JUNE 30, 2022

	General Fund (1000)	Special Revenue Funds (2000) & (6000)	Capital Projects Fund (3000) & (4000)	Total
June 30 Balance per Maine Education Financial System	\$ 1,240,547	\$ (120,970)	\$ -	\$ 1,119,577
Adjustments:				
Fund 2000	-	(22,234)	-	(22,234)
Other scholarships	-	(12,879)	-	(12,879)
Pre-K grant	-	14,244	-	14,244
Adult education	-	6,999	-	6,999
Title IA	-	28,221	-	28,221
Tier III Program Improvement	-	5,274	-	5,274
Local entitlement (247)	-	43,753	-	43,753
ESSER 1 (2605)	-	18,883	-	18,883
ESSER 2	-	20,900	-	20,900
ESSER 3	-	332,839	-	332,839
Title V	-	7,526	-	7,526
Summer food program (293)	-	1,134	-	1,134
School lunch (600)	-	49,913	-	49,913
Sarah Thompson scholarship	-	186,733	-	186,733
Student activities	-	98,859	-	98,859
REAP grant	-	188	-	188
Revenues not reported	422,585	-	-	422,585
Expenses not reported	(659,621)	-	-	(659,621)
Scholarships	-	-	-	-
Capital Project Reserve (400)	-	-	6,195	6,195
Audited GAAP Basis Fund Balance June 30	\$ 1,003,511	\$ 659,383	\$ 6,195	\$ 1,669,089

Audited Financial Statements and
Other Financial Information

Millinocket School Department

June 30, 2022



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MILLINOCKET SCHOOL DEPARTMENT

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JUNE 30, 2022

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Proven Expertise & Integrity

INDEPENDENT AUDITOR'S REPORT

School Committee
Millinocket School Department
Millinocket, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Millinocket School Department, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Millinocket School Department as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Millinocket School Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Millinocket School Department are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of each major fund and the aggregate remaining fund information of the Town of Kittery, Maine that is attributable to the transactions of the Millinocket School Department. They do not

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purport to, and do not, present fairly the financial position of the Town of Millinocket, Maine as of June 30, 2022, the changes in its financial position or, where applicable, its cash flows for the year then

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Millinocket School Department's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 26 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information also comprises the reconciliation of audit adjustments to annual financial data submitted to the Maine Education Financial System and the accompanying schedule of expenditures of federal awards presented for purposes of additional analysis as required by Title 20-A MRSA §6051, Sub-chapter 1(K) of the Maine Revised Statutes as amended. This additional information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we concluded that an unrecorded material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Maine Revised Statutes

In accordance with Maine Revised Statutes, we have also issued our report dated March 28, 2023, on our consideration of Millinocket School Department's budgetary controls that are in place, the accuracy of the annual financial report that was submitted to the Maine Department of Education and Millinocket School Department's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, § 6051. The purpose of that report is to describe the scope of our testing over Millinocket School Department's other information, as described above, and provide an opinion on Millinocket School Department's internal control and compliance with the provisions of the Maine Finance Act as noted under MRSA Title 20A, § 6051 and not to provide an opinion on the effectiveness of Millinocket School Department's internal control over financial reporting. That report is an integral part of an audit performed in accordance with Maine Revised Statutes in considering Millinocket School Department's internal control and compliance over the applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, § 6051.

RHR Smith & Company

Buxton, Maine
March 28, 2023

MILLINOCKET SCHOOL DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

STATEMENT A

	General Fund	International Program	ESSER 2	ESSER 3	Sarah Thompson Scholarship	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 44,344	\$ 72,924	\$ 117,268
Investments	-	-	-	-	142,389	282,617	425,006
Accounts receivable (net of allowance for uncollectibles)	70,054	-	-	-	-	671	70,725
Due from Town of Millinocket	1,316,993	-	-	-	-	-	1,316,993
Due from other governments	-	-	-	357,362	-	178,584	535,946
Inventory	-	-	-	-	-	25,509	25,509
Due from other funds	361,723	234	-	-	-	69,524	431,481
TOTAL ASSETS	\$ 1,748,770	\$ 234	\$ -	\$ 357,362	\$ 186,733	\$ 629,829	\$ 2,922,928
LIABILITIES							
Accounts payable	\$ 128,081	\$ 234	\$ -	\$ -	\$ -	\$ 11,710	\$ 140,025
Accrued payroll	543,677	-	-	5,639	-	71,320	620,636
Due to other funds	69,758	-	-	351,723	-	10,000	431,481
TOTAL LIABILITIES	741,516	234	-	357,362	-	93,030	1,192,142
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	3,743	-	-	-	-	57,954	61,697
TOTAL DEFERRED INFLOWS OF RESOURCES	3,743	-	-	-	-	57,954	61,697
FUND BALANCES							
Nonspendable	-	-	-	-	-	25,509	25,509
Restricted	-	-	-	-	186,733	341,282	528,015
Committed	392,360	-	-	-	-	6,195	398,555
Assigned	-	-	-	-	-	105,859	105,859
Unassigned	611,151	-	-	-	-	-	611,151
TOTAL FUND BALANCES	1,003,511	-	-	-	186,733	478,845	1,669,089
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,748,770	\$ 234	\$ -	\$ 357,362	\$ 186,733	\$ 629,829	\$ 2,922,928

See accompanying independent auditor's report and notes to financial statements.

STATEMENT B

MILLINOCKET SCHOOL DEPARTMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	International Program	ESSER 2	ESSER 3	Sarah Thompson Scholarship	Other Governmental Funds	Total Governmental Funds
REVENUES							
Local support from Town	\$ 2,895,934	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,895,934
Intergovernmental revenues	3,843,299	102,791	639,702	357,362	-	922,130	5,865,284
State of Maine PERS on-behalf payments	349,324	-	-	-	-	-	349,324
Charges for services	71,879	-	-	-	-	28,628	100,507
Investment income	-	-	-	-	11,805	-	11,805
Other revenue	112,957	-	-	-	-	167,978	280,935
TOTAL REVENUES	7,273,393	102,791	639,702	357,362	11,805	1,118,736	9,503,789
EXPENDITURES							
Current:							
Regular instruction	2,329,474	-	-	-	-	-	2,329,474
Special education	1,189,471	-	-	-	-	-	1,189,471
Other instruction	248,266	-	-	-	-	-	248,266
Student and staff support	378,690	-	-	-	-	-	378,690
System administration	730,912	-	-	-	-	-	730,912
School administration	327,612	-	-	-	-	-	327,612
Transportation	259,627	-	-	-	-	-	259,627
Facilities maintenance	984,501	-	-	-	-	-	984,501
State of Maine PERS on-behalf payments	349,324	-	-	-	-	-	349,324
Program expenditures	-	58,831	639,702	357,362	36,919	1,112,396	2,205,210
Debt service:							
Principal	93,208	-	-	-	-	-	93,208
Interest	3,716	-	-	-	-	-	3,716
TOTAL EXPENDITURES	6,894,801	58,831	639,702	357,362	36,919	1,112,396	9,100,011
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	378,592	43,960	-	-	(25,114)	6,340	403,778
OTHER FINANCING SOURCES (USES)							
Transfers In	43,960	-	-	-	-	14,157	58,117
Transfers (Out)	(14,157)	(43,960)	-	-	-	-	(58,117)
TOTAL OTHER FINANCING SOURCES (USES)	29,803	(43,960)	-	-	-	14,157	-
NET CHANGE IN FUND BALANCES	408,395	-	-	-	(25,114)	20,497	403,778
FUND BALANCES - JULY 1	595,116	-	-	-	211,847	458,348	1,265,311
FUND BALANCES - JUNE 30	\$ 1,003,511	\$ -	\$ -	\$ -	\$ 186,733	\$ 478,845	\$ 1,669,089

See accompanying independent auditor's report and notes to financial statements.

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Millinocket School Department was incorporated under the laws of the State of Maine and operates as a department of the Town of Millinocket, Maine, the financial statements of which have been issued in a separate report for the year ended June 30, 2022. Therefore, the financial statements that follow present only the operations for the Department and are not intended to present fairly the financial position and results of operations of the Town of Millinocket, Maine in accordance with generally accepted accounting principles (GAAP). Certain disclosures relevant to both the Town of Millinocket, Maine and the Millinocket School Department have been omitted from these financial statements and have been disclosed in the Town's financial statements.

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2022, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 87 "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined the impact of this Statement is not material to the financial statements.

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 91 "Conduit Debt Obligations". The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 92 "Omnibus 2020". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 "Replacement of Interbank Offered Rates (paragraphs 13-14)". The primary objectives of paragraphs 13-14 concern provisions of lease contracts that are amended while the contract is in effect. Management has determined the impact of this Statement is not material to the financial statements.

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

1. Governmental Funds:

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

Major funds:

- a. The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The International Program fund is used to account for financial resources to be used for the international program of the Department. The major revenue sources for this project were intergovernmental.
- c. The ESSER 2 fund is used to account for financial resources received by the Department for the ESSER Grant II. The major revenue sources for this fund are federal funds.
- d. The Sarah Thompson scholarship is used to account for financial resources received by the Department for scholarships. The major revenue sources for this fund is investment income.

Nonmajor funds:

- e. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- f. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

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

Revenue Recognition

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For Millinocket School Department, available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Nonexchange transactions, in which Millinocket School Department receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which Millinocket School Department must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to Millinocket School Department on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However,

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

principal and interest on long-term debt which has not matured are recognized when paid. Allocation of costs, such as depreciation, is not recognized in the governmental funds.

Budgetary Accounting

Millinocket School Department utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. The budget is established in accordance with the various laws that govern Millinocket School Department operations. Annually, the Millinocket School Committee votes on the budget by the eleven cost centers. The School Committee then submits its budget to the Millinocket Town Council for approval. The Millinocket Town Council approves the total budget and it then goes to the voters as part of the budget validation referendum process. Budgetary control at the appropriation account level resides with the School Committee. During the year, the School Committee may transfer up to 5% of one cost center to another cost center.

Budget

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

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, 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.

Revenues per bugetary basis	\$ 6,968,029
Add: State of Maine PERS on-behalf payments	349,324
Total GAAP basis	<u>\$ 7,317,353</u>
Expenditures per budgetary basis	\$ 6,559,634
Add: State of Maine PERS on-behalf payments	349,324
Total GAAP basis	<u>\$ 6,908,958</u>

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Department cash and cash equivalents and investment balances, as described in Note 2, have been subject to the control of the School Committee who directs the action of the Superintendent in relation to those deposits. The Town Treasurer does not directly supervise these funds.

The Department does not have the authority to approve any of their own policies concerning cash and cash equivalents or investments. Their procedures, as noted here and described in Note 2, have been subject to the control of the School Committee who directs the action of the Superintendent in relation to these funds. The Town Treasurer does not directly supervise procedures concerning these funds. It has been the Department's procedure to value investments at fair value. None of the Department's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent.

The Town of Millinocket has no formal investment policy but instead follows the State of Maine Statutes.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible amounts is estimated to be \$0 as of June 30, 2022. Accounts receivable netted with allowances for uncollectible accounts were \$1,923,664 for the year ended June 30, 2022.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the Department consists of school nutrition supplies and food on hand at the end of the year.

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

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

Transactions Between Funds

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

Accrued Compensated Absences

It is the School Department's policy to permit employees to accumulate earned but unused sick pay benefits. All sick pay is accrued when incurred in the Town's government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A liability is recognized in the Town's government-wide financial statements for that portion of accumulated sick leave benefits that it is estimated will be taken as "terminal leave" at retirement. No expenditure is reported for these amounts in the fund financial statements. As of June 30, 2022, the Department's liability for accrued compensated absences is \$43,831.

Fund Balance

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

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

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

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Program Revenues

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

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. While the Department does utilize encumbrance accounting for its general fund, encumbrances outstanding at June 30, 2022 lapse and are re-appropriated and/or re-encumbered as part of the subsequent year's budget.

Use of Estimates

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

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

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

At June 30, 2022, the Department's cash balances amounting to \$117,268 were comprised of bank deposits of \$115,066. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Department's cash balance. All of these cash deposits were covered by FDIC insurance and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 70,722
Cash equivalents	44,344
	<u>\$ 115,066</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of the Department's investments or collateral securities that are in possession of an outside party.

As of June 30, 2022, the Department had \$425,006 in investments.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Of the investments, \$168,675 were covered by the Securities Investor Protection Corporation (SIPC) and consequently were not exposed to custodial credit risk and \$250,000 were covered by National Credit Union

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Share Insurance Fund (NCUSIF) and consequently were not exposed to custodial credit risk. The remaining investments of \$6,331 were insured and uncollateralized.

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2022 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 361,723	\$ 69,758
ESSER 3	-	351,723
Nonmajor special revenue funds	63,329	10,000
Nonmajor capital project funds	6,195	-
	<u>\$ 431,481</u>	<u>\$ 431,481</u>

The result of amounts owed between funds are considered to be in the course of normal operations by the Department. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - NONSPENDABLE FUND BALANCE

The Department has the following nonspendable fund balance at June 30, 2022:

Nonmajor special revenue funds (Schedule D)	<u>\$ 25,509</u>
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MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - RESTRICTED FUND BALANCES

The Department has the following restricted fund balances at June 30, 2022:

Sarah Thompson scholarship	\$ 186,733
Nonmajor special revenue funds (Schedule D)	<u>341,282</u>
	<u>\$ 528,015</u>

NOTE 6 - COMMITTED FUND BALANCES

The Department has the following committed fund balances at June 30, 2022:

General fund	\$ 392,360
Nonmajor capital projects funds (Schedule F)	<u>6,195</u>
	<u>\$ 398,555</u>

NOTE 7 - ASSIGNED FUND BALANCES

The Department has the following assigned fund balances at June 30, 2022:

Nonmajor special revenue funds (Schedule D)	<u>\$ 105,859</u>
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NOTE 8 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Department carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association and Maine School Management Association.

Based on the coverage provided by the insurance purchased, the Department is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2022. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

Plan Description

School employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.mainebers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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 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. For PLD members, normal retirement age is 60 or 65. 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 contract with PLD employers under applicable statutory provisions. As of June 30, 2021, there were 305 employers in the plan.

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

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Department's AC plan members are required to contribute 7.8% of their annual covered salary. The Department is required to contribute at an actuarially determined rate. The current rate is 10.3% for the AC plan of covered payroll. The contribution rates of plan members and the Department are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Department's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2022 was \$45,706.

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also 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. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. 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). 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

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. As of June 30, 2021, there were 238 employers, including the State of Maine, participating in the plan.

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

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. The Department's teachers are required to contribute 7.65% of their compensation to the retirement system. The Department's payroll for teachers covered by this program was approximately \$2,646,435 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 14.29% of the Department's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$341,584 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated also requires the Department to contribute at an actuarially determined normal cost rate of 3.84%, which totaled \$124,432 for 2021. In addition, the Department is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 14.89% of compensation and totaled \$38,128 the year ended June 30, 2022.

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also 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. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. As of June 30, 2020, there were 233 employers, including the State of Maine, participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan 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

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2022 was approximately \$7,740.

OPEB Expense

For the year ended June 30, 2022, the Department recognized net OPEB expense of \$8,155 and revenue of \$8,155 for support provided by the State of Maine.

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

Plan Description

The State of Maine and School retirees contribute to the Department's OPEB Plan with the Maine Education Association Benefits Trust (MEABT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the State, the Department and/or the Department retirees. MEABT is a fully funded, self-insured trust which provides benefits to education organizations and acts as the agent to the Department concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MEABT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MEABT participants and are administered by a number of third-party administrators contracted by MEABT. No assets are accumulated in a trust that meets the criterion of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MEABT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting MEABT at (888) 622-4418.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The employee must have participated in a plan for the 12 months prior to retirement and have 10 years (under age 50) or 5 years (age 50 or above) of continuous active service and enrollment in the health plan to be eligible for this Plan. The retiree who terminates coverage may elect to re-enroll in coverage if they participated in the health plan for 12 months prior to terminating coverage, as long as re-enrollment occurs within 5 years from coverage termination and as long as the retiree

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

is not past age 62. The retiree must have maintained continuous health insurance coverage during the break in coverage with MEABT to be eligible for re-enrollment and is only eligible for re-enrollment once.

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Active members	54
Retirees and spouses	<u>135</u>
Total	<u>189</u>

Cost Sharing Provisions/Contributions

Retirees are eligible for a State subsidy of 45% of the blended single premium for the retiree. The blended premium is determined by blending rates for active members and retired members, as determined by State law. The retiree contributes the remaining 55% of blended single premium and spouse must contribute 100% of the blended premium amount coverage elected.

NOTE 12 - 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 Department's financial position.

The Department participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Department'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.

The Department receives subsidy funding payments through the State of Maine. The State subsidy payment amount is adjusted quarterly for the Department's share of MaineCare Seed, which is the required local share of MaineCare revenue that the State pays on behalf of the Department and then recovers through the ED 279. Adjustments made by the State in the fiscal year of 2023 could include expenditures from the fiscal year of 2022 that would normally be accrued. The actual amount cannot be determined at this time however, it is the position of the Department that this practice is consistent

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - CONTINGENCIES (CONTINUED)

with the formal recommendation of the Maine Department of Education to all Maine units concerning this matter.

Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund

MILLINOCKET SCHOOL DEPARTMENT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 595,116	\$ 595,116	\$ 595,116	\$ -
Resources (Inflows):				
Taxes	2,908,076	2,908,076	2,895,934	(12,142)
Intergovernmental revenues	3,769,889	3,769,889	3,843,299	73,410
Charges for services	202,800	202,800	71,879	(130,921)
Other revenues	91,000	91,000	112,957	21,957
Transfers from other funds	203,632	203,632	43,960	(159,672)
Amounts Available for Appropriation	<u>7,770,513</u>	<u>7,770,513</u>	<u>7,563,145</u>	<u>(207,368)</u>
Charges to Appropriations (Outflows):				
Regular instruction	2,614,728	2,610,571	2,329,474	281,097
Special education	1,304,178	1,304,178	1,189,471	114,707
Other instruction	321,488	321,488	248,266	73,222
Student and staff support	397,446	397,446	378,690	18,756
System administration	779,081	779,081	730,912	48,169
School administration	357,817	357,817	327,612	30,205
Transportation	267,065	267,065	259,627	7,438
Facilities maintenance	1,026,386	1,026,386	984,501	41,885
Debt service:				
Principal	93,208	93,208	93,208	-
Interest	4,000	4,000	3,716	284
Transfers to other funds	10,000	14,157	14,157	-
Total Charges to Appropriations	<u>7,175,397</u>	<u>7,175,397</u>	<u>6,559,634</u>	<u>615,763</u>
Budgetary Fund Balance, June 30	<u>\$ 595,116</u>	<u>\$ 595,116</u>	<u>\$ 1,003,511</u>	<u>\$ 408,395</u>

See accompanying independent auditor's report and notes to financial statements.

Other Supplementary Information

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

- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - School Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds

SCHEDULE A

MILLINOCKET SCHOOL DEPARTMENT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 72,924	\$ -	\$ 72,924
Investments	282,617	-	282,617
Accounts receivable (net of allowance for uncollectibles)	671	-	671
Due from other governments	178,584	-	178,584
Inventory	25,509	-	25,509
Due from other funds	63,329	6,195	69,524
TOTAL ASSETS	\$ 623,634	\$ 6,195	\$ 629,829
LIABILITIES			
Accounts payable	\$ 11,710	\$ -	\$ 11,710
Accrued payroll	71,320	-	71,320
Due to other funds	10,000	-	10,000
TOTAL LIABILITIES	93,030	-	93,030
DEFERRED INFLOWS OR RESOURCES			
Deferred revenue	57,954	-	57,954
TOTAL DEFERRED INFLOWS OF RESOURCES	57,954	-	57,954
FUND BALANCES			
Nonspendable	25,509	-	25,509
Restricted	341,282	-	341,282
Committed	-	6,195	6,195
Assigned	105,859	-	105,859
Unassigned	-	-	-
TOTAL FUND BALANCES	472,650	6,195	478,845
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 623,634	\$ 6,195	\$ 629,829

See accompanying independent auditor's report and notes to financial statements.

MILLINOCKET SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 922,130	\$ -	\$ 922,130
Charges for services	28,628	-	28,628
Other income	167,978	-	167,978
TOTAL REVENUES	<u>1,118,736</u>	<u>-</u>	<u>1,118,736</u>
EXPENDITURES			
Program expenditures	1,112,396	-	1,112,396
TOTAL EXPENDITURES	<u>1,112,396</u>	<u>-</u>	<u>1,112,396</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,340</u>	<u>-</u>	<u>6,340</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	14,157	-	14,157
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>14,157</u>	<u>-</u>	<u>14,157</u>
NET CHANGE IN FUND BALANCES	20,497	-	20,497
FUND BALANCES - JULY 1	<u>452,153</u>	<u>6,195</u>	<u>458,348</u>
FUND BALANCES - JUNE 30	<u><u>\$ 472,650</u></u>	<u><u>\$ 6,195</u></u>	<u><u>\$ 478,845</u></u>

See accompanying independent auditor's report and notes to financial statements.

Special Revenue Funds

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

SCHEDULE C

MILLINOCKET SCHOOL DEPARTMENT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2022

	School Categorical Programs	Other Scholarships	Student Activities	School Lunch Fund	Adult Education	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ 123	\$ 72,573	\$ 228	\$ -	\$ 72,924
Investments	-	256,331	26,286	-	-	282,617
Accounts receivable (net of allowance for uncollectibles)	-	-	-	671	-	671
Due from other governments	162,559	-	-	16,025	-	178,584
Inventory	-	-	-	25,509	-	25,509
Due from other funds	6,863	-	-	56,466	-	63,329
TOTAL ASSETS	\$ 169,422	\$ 256,454	\$ 98,859	\$ 98,899	\$ -	\$ 623,634
LIABILITIES						
Accounts payable	\$ 8,691	\$ -	\$ -	\$ 3,019	\$ -	\$ 11,710
Accrued payroll	61,549	-	-	9,771	-	71,320
Due to other funds	-	10,000	-	-	-	10,000
TOTAL LIABILITIES	70,240	10,000	-	12,790	-	93,030
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	57,954	-	-	-	-	57,954
TOTAL DEFERRED INFLOWS OF RESOURCES	57,954	-	-	-	-	57,954
FUND BALANCES						
Nonspendable	-	-	-	25,509	-	25,509
Restricted	34,228	246,454	-	60,600	-	341,282
Committed	-	-	-	-	-	-
Assigned	7,000	-	98,859	-	-	105,859
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	41,228	246,454	98,859	86,109	-	472,650
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 169,422	\$ 256,454	\$ 98,859	\$ 98,899	\$ -	\$ 623,634

See accompanying independent auditor's report and notes to financial statements.

MILLINOCKET SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	School Categorical Programs	Other Scholarships	Student Activities	School Lunch Fund	Adult Education	Total
REVENUES						
Intergovernmental revenues	\$ 645,041	\$ -	\$ -	\$ 277,089	\$ -	\$ 922,130
Charges for services	-	-	-	28,628	-	28,628
Other revenues	-	12,471	143,750	11,757	-	167,978
TOTAL REVENUES	645,041	12,471	143,750	317,474	-	1,118,736
EXPENDITURES						
Program expenditures	640,196	35,350	165,767	271,083	-	1,112,396
TOTAL EXPENDITURES	640,196	35,350	165,767	271,083	-	1,112,396
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,845	(22,879)	(22,017)	46,391	-	6,340
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	10,000	4,157	14,157
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	10,000	4,157	14,157
NET CHANGE IN FUND BALANCES (DEFICITS)	4,845	(22,879)	(22,017)	56,391	4,157	20,497
FUND BALANCES (DEFICITS) - JULY 1	36,383	269,333	120,876	29,718	(4,157)	452,153
FUND BALANCES (DEFICITS) - JUNE 30	\$ 41,228	\$ 246,454	\$ 98,859	\$ 86,109	\$ -	\$ 472,650

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE E

MILLINOCKET SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SCHOOL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

		Balances (Deficits) Beginning of Year	Revenues	Expenditures	Transfers	Balances (Deficits) End of Year
2002	MYAN Grant	\$ 4	\$ -	\$ -	-	\$ 4
2010	Teacher Incentive Fund	6,172	-	-	-	6,172
2050	King Foundation Reserve	6,480	-	5,894	-	586
2232	Transition Grant	50	-	-	-	50
2300	Title IA	-	268,553	268,553	-	-
2310	Tier III Program Improvement	-	5,348	5,348	-	-
2400	ML TI	-	47,097	47,097	-	-
2457	Pre-K Grant	7,966	-	7,966	-	-
2470	Local Entitlement	-	179,639	163,475	-	16,164
2605	ESSER I	-	113,601	113,601	-	-
2640	Title V	-	15,867	15,867	-	-
2901	REAP Grant	188	-	-	-	188
2930	Summer Food Program	15,523	14,936	12,395	-	18,064
	Total	\$ 36,383	\$ 645,041	\$ 640,196	\$ -	\$ 41,228

See accompanying independent auditor's report and notes to financial statements.

Capital Project Funds

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

MILLINOCKET SCHOOL DEPARTMENT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2022

	Minor Capital Projects	Total
ASSETS		
Due from other funds	\$ 6,195	\$ 6,195
TOTAL ASSETS	<u>\$ 6,195</u>	<u>\$ 6,195</u>
LIABILITIES		
Due to other funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	6,195	6,195
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>6,195</u>	<u>6,195</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE G

MILLINOCKET SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Minor Capital Projects	Total
REVENUES		
Interest income	\$ -	\$ -
TOTAL REVENUES	-	-
EXPENDITURES		
Capital outlay	-	-
TOTAL EXPENDITURES	-	-
NET CHANGE IN FUND BALANCES	-	-
FUND BALANCES - JULY 1	6,195	6,195
FUND BALANCES - JUNE 30	\$ 6,195	\$ 6,195

See accompanying independent auditor's report and notes to financial statements.

State Compliance

State compliance includes financial information and reports that are presented for purposes of additional analysis as required by Title 20-A MRSA §6051 of the Maine Revised Statutes as amended. Such financial information and reports include:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditor's Report on State Requirements
- Reconciliation of Audit Adjustments to Annual Financial Data Submitted to the Maine Education Financial System

MILLINOCKET SCHOOL DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal ALN	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed through State of Maine - Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$ 86,829	\$ -
National School Lunch Program	10.555	N/A	12,343	-
National School Lunch Program	10.555	N/A	14,452	-
National School Lunch Program	10.555	3020	159,782	-
National School Lunch Program	10.555	N/A	8,353	-
Summer Food Service Program for Children	10.559	N/A	32,233	-
Summer Food Service Program for Children	10.559	3016	3,304	-
Subtotal Child Nutrition Cluster			<u>317,296</u>	<u>-</u>
Pandemic EBT Administrative Costs	10.649	N/A	<u>1,228</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>318,524</u>	<u>-</u>
U.S. Department of Education				
Passed through State of Maine - Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3107	<u>268,553</u>	<u>-</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	3046	<u>163,475</u>	<u>-</u>
Subtotal Special Education Cluster (IDEA)			<u>163,475</u>	<u>-</u>
Rural Education	84.358	3305	<u>15,867</u>	<u>-</u>
Education Stabilization Fund	84.425D	7006	357,362	-
Education Stabilization Fund	84.425D	N/A	113,601	-
Education Stabilization Fund	84.425D	N/A	<u>639,702</u>	<u>-</u>
			<u>1,110,665</u>	<u>-</u>
Total U.S. Department of Education			<u>1,558,560</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,877,084</u>	<u>\$ -</u>

MILLINOCKET SCHOOL DEPARTMENT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Millinocket School Department under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Millinocket School Department it is not intended to and does not present the financial position, changes in net position or cash flows of the Millinocket School Department.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Millinocket School Department has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



Proven Expertise & Integrity

INDEPENDENT AUDITOR'S REPORT ON STATE REQUIREMENTS

School Committee
Millinocket School Department
Millinocket, Maine

We have audited the financial statements of Millinocket School Department for the year ended June 30, 2022 and have issued our report thereon dated March 28, 2023. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the Millinocket School Department's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Millinocket School Department complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Millinocket School Department was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Millinocket School Department and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the Maine Education Financial System maintained at the Maine Department of Education.

This report is intended solely for the information of the School Committee, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
March 28, 2023

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

MILLINOCKET SCHOOL DEPARTMENT

RECONCILIATION OF MAINE EDUCATION FINANCIAL SYSTEM ANNUAL REPORT TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund (1000)	Special Revenue Funds (1500), (2000) & (6000)	Capital Projects Fund (3000) & (4000)	Total
June 30 Balance per Maine Education Financial System	\$ 1,240,547	\$ (120,970)	\$ -	\$ 1,119,577
Adjustments:				
Fund 2000	-	(22,234)	-	(22,234)
Other scholarships	-	(12,879)	-	(12,879)
Pre-K grant	-	14,244	-	14,244
Adult education	-	6,999	-	6,999
Title IA	-	28,221	-	28,221
Tier III Program Improvement	-	5,274	-	5,274
Local entitlement (247)	-	43,753	-	43,753
ESSER 1 (2605)	-	18,883	-	18,883
ESSER 2	-	20,900	-	20,900
ESSER 3	-	332,839	-	332,839
Title V	-	7,526	-	7,526
Summer food program (293)	-	1,134	-	1,134
School lunch (600)	-	49,913	-	49,913
Sarah Thompson scholarship	-	186,733	-	186,733
Student activities	-	98,859	-	98,859
REAP grant	-	188	-	188
Revenues not reported	422,585	-	-	422,585
Expenses not reported	(659,621)	-	-	(659,621)
Capital Project Reserve (400)	-	-	6,195	6,195
Audited GAAP Basis Fund Balance June 30	\$ 1,003,511	\$ 659,383	\$ 6,195	\$ 1,669,089