

TOWN OF CHEBEAGUE ISLAND

CHEBEAGUE ISLAND, MAINE

FINANCIAL AUDIT REPORT

JUNE 30, 2020

**TOWN OF CHEBEAGUE ISLAND
CHEBEAGUE ISLAND, MAINE
JUNE 30, 2020**

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Smith & Associates, CPAs

A Professional Association

500 US Route One, Suite 102 • Yarmouth, Maine 04096

Ph (207) 846-8881 • Fax (207) 846-8882

www.smithassociatescpa.com

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Selectmen and Town Administrator
TOWN OF CHEBEAGUE ISLAND
Chebeague Island, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Town of Chebeague Island as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chebeague Island as of June 30, 2020 and the changes in financial position and, where applicable, the cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Reconciliation of Audit Adjustments to Annual Financial Data submitted to the MEDMS Financial System, the Schedule of Expenditures of Federal Awards, and the Statement of Revenues and Expenditures – Budget and Actual – Unassigned General Fund for the School Department are presented for purposes of additional analysis and are not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account 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, based on our audit and the procedures performed as described above, this information is fairly stated, in all material respects, in relation to the basic financial statements as whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) as well as the Schedule of the Town's Proportionate Share of Net Pension Liability, the Schedule of Town Pension Contributions, Schedule of Town's Health Plan Net OPEB Liability and Related Ratios, the Schedule of Town's School Department Group Life Plan Proportionate Share of Net OPEB Liability and of Department Contributions, and the Schedule of the School Department's Health Plan Net OPEB Liability and Related Ratios be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 response to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Smith & Associates

SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
April 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis is an analysis of the financial condition and operating results of the town for the fiscal year ended June 30, 2020 written by the Town Administrator. The purpose is to foster increased interest from citizenry and taxpayers and to provide an easily read overview of the town's financial condition in conjunction with the audited financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Chebeague Island exceeded its liabilities at the close of the most recent fiscal year by \$4,958,813 per Exhibit I (net position). Of this amount, \$2,198,503 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's total net position increased by \$325,927.
- At the close of the current fiscal year, the Town of Chebeague Island's governmental funds reported combined ending fund balances of \$2,248,551 representing an increase of \$79,692 over the prior year. The amount of \$678,416 is the General Fund Unassigned Fund Balance which is available for appropriation in the next budget cycle and represents roughly 20% of the total general fund expenditures and transfers.
- The Town of Chebeague Island has \$1,372,828 committed for Capital Projects. See Note 11 for details of these funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Chebeague Island's financial statements. The Town's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* (Exhibit I) presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* (Exhibit II) presents revenue and expenses and shows how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by a private-sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities), if applicable. Currently the Town conducts no activities which qualify for treatment as business-type activities.

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 Chebeague Island, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can currently be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Fiduciary funds – When the Town holds and/or manages assets and executes financial transactions on behalf of other parties, these amounts and activities are typically reported in fiduciary funds, and are accounted for using the full accrual basis of accounting, which is the same basis of accounting used in preparing the government-wide financial statements discussed earlier. However, as these assets, liabilities and activities are for the benefit of parties other than the Town and its citizenry in a broad sense, these amounts are not included in the government-wide financial statements, but are presented in a separate set of financial statements included within the attached report.

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 fund financial statements.

COMPARATIVE DATA

The following tables provide a summary of the Town of Chebeague Island’s net position and statement of activities for the year ended June 30, 2020, with comparative data for the previous year. Net position serves as a useful indicator of the Town’s financial position. Changes in net position generally indicate the direction (positive and negative) of the Town’s financial position over time. Note that the following information excludes the Town’s fiduciary fund amounts.

COMPARATIVE DATA (CONTINUED)

TOWN OF CHEBEAGUE ISLAND'S NET POSITION

Condensed Statement of Net Position	Governmental Activities	
	30-Jun-20	30-Jun-19
Assets		
Current and Other Assets	\$ 2,378,721	\$ 2,370,956
Capital Assets	<u>5,797,976</u>	<u>5,821,416</u>
Total Assets	<u>\$ 8,176,697</u>	<u>\$ 8,192,372</u>
Deferred Outflows of Resources	<u>\$ 32,079</u>	<u>\$ 13,229</u>
Liabilities		
Current and Other Liabilities	\$ 101,440	\$ 173,501
Long Term Liabilities	<u>3,135,129</u>	<u>3,383,561</u>
Total Liabilities	<u>\$ 3,236,569</u>	<u>\$ 3,557,062</u>
Deferred Inflows of Resources	<u>\$ 13,394</u>	<u>\$ 15,653</u>
Net Position		
Net Investment in Capital Assets	\$ 2,760,310	\$ 2,507,592
Restricted	0	0
Unrestricted	<u>2,198,503</u>	<u>2,125,294</u>
Total Net Position	<u>\$ 4,958,813</u>	<u>\$ 4,632,886</u>

By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$2,198,503 may be used to meet the governments' ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all applicable categories of net position. The same situation held true for the prior year. The Town's net position increased by \$325,927 during the current fiscal year as per Exhibit II.

COMPARATIVE DATA (CONTINUED)

TOWN OF CHEBEAGUE ISLAND'S CHANGES IN NET POSITION

Condensed Statement of Activities	Governmental Activities	
	30-Jun-20	30-Jun-19
Revenues:		
<i>Program Revenues</i>		
Charge for Services	\$ 64,364	\$ 69,568
Operating Grants and Contributions	133,454	155,697
Capital Grants and Contributions	0	0
<i>General Revenues</i>		
Property and Other Taxes	3,080,127	3,073,354
Grants and Contributions Not Restricted to Specific Programs	77,269	51,844
Unrestricted Investment Earnings	14,564	16,843
Miscellaneous	<u>3,818</u>	<u>14,540</u>
Total Revenues	<u>\$3,373,596</u>	<u>\$3,381,846</u>
Expenses		
General Government	\$ 526,372	\$ 479,717
Public Services	279,751	329,985
Public Safety	161,901	141,273
Health, Sanitation and Welfare	164,526	174,331
Education	1,180,746	1,166,137
Culture and Recreation	144,500	144,500
Fixed Charges	205,027	183,772
Interest	111,368	81,437
Depreciation, Unallocated and Other	<u>273,478</u>	<u>216,357</u>
Total Expenses	<u>\$3,047,669</u>	<u>\$2,917,509</u>
Increase (Decrease) In Net Position	\$ 325,927	\$ 464,337
Net Position, July 1	<u>4,632,886</u>	<u>4,168,549</u>
Net Position, June 30	<u>\$4,958,813</u>	<u>\$4,632,886</u>

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Statement of Activities indicates that the total revenues exceeded total expenses by \$325,927 indicating a strong and steadily improving financial position for the year ended June 30, 2020.

ANALYSIS OF SIGNIFICANT INDIVIDUAL FUND BALANCES, TRANSACTIONS AND CHANGES IN FUND BALANCES

General Fund – Revenues were in excess of expenditures and then decreased by net transfers to other funds in the amount of \$387,793 to arrive at a net deficit for the year of \$52,674, decreasing the fund balance to \$875,723. This includes the Chebeague Island School fund balance of \$47,307 and \$150,000 already appropriated for the 2020/2021 fiscal year budget. While the amount of fund balance that any town needs to maintain is debatable, this amount is reasonable by most standards.

Other Governmental Funds (Major and Non-Major) – The increase of \$132,366 in combined fund balances for this category is due to current year revenues and transfers into these funds exceeding current year expenditures. The most significant expenditures from such other governmental funds this past year related to the completion of the School Renovation Project, amounting to \$232,765.

GENERAL FUND BUDGETARY HIGHLIGHTS

As presented in Exhibit VII, the original budgeted expenditures amount to \$3,216,063 (\$2,914,590 in prior year). The total final gross budget for the year ending June 30, 2020, including transfers to and from other funds, was \$3,625,063 (\$3,384,590 in prior year). The town departmental budgets were under expended by \$255,650 (\$145,752 in prior year) and revenues were above budgeted estimates by \$41,676 (\$89,237 in prior year).

CAPITAL ASSET AND DEBT**Capital Assets**

Additions to Capital Assets before depreciation totaled \$250,037 (prior year \$1,749,817) for the fiscal year ended June 30, 2020 and retirements totaled \$0 for the current year and \$0 for the prior year. Our School Building renovation project accounted for \$232,765 of current year additions. Depreciation expense rose to \$273,478 this year from \$216,357 in 2019.

Debt

The Town's total debt decreased by \$276,158 to \$3,037,666 (prior year increased by \$1,416,138 to \$3,313,824), with principal repayments continuing as scheduled while no new debt was issued.

We now owe \$1,524,750 on the new School Building bond, with \$1,464,674 left to pay on the Town of Cumberland Bond and \$48,242 remaining on the loan for the new Fire Truck.

NEXT YEAR'S BUDGET AND OTHER CURRENTLY KNOWN FACTS AND CIRCUMSTANCES

The total budget adopted for Fiscal Year 2021 decreased by less than 2% from \$3,427,976 to \$3,376,668. The Town continued its practice of appropriating significant dollars for Capital Improvements by voting \$274,000 for such purposes for the coming year.

**TOWN OF CHEBEAGUE ISLAND
STATEMENT OF NET POSITION
JUNE 30, 2020**

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 2,266,457
Taxes Receivable	72,406
Tax Liens Receivable	16,259
Accounts Receivable	19,530
Prepaid Expenses	4,069
Capital Assets, Net of Accumulated Depreciation	<u>5,797,976</u>
Total Assets	<u>\$ 8,176,697</u>
Deferred Outflows of Resources	
Related to Pension and OPEB	<u>\$ 32,079</u>
Liabilities	
Accounts Payable	\$ 40,799
Accrued Expenses	60,641
Non-Current Liabilities	
Due Within One Year	283,679
Due in More Than One Year	<u>2,851,450</u>
Total Liabilities	<u>\$ 3,236,569</u>
Deferred Inflows of Resources	
Related to Property Taxes	\$ 8,064
Related to Pension and OPEB	<u>5,330</u>
Total Deferred Inflows of Resources	<u>\$ 13,394</u>
Net Position	
<i>Net Investment In Capital Assets</i>	\$ 2,760,310
<i>Restricted</i>	
Special Revenue Funds	0
<i>Unrestricted</i>	<u>2,198,503</u>
Total Net Position	<u>\$ 4,958,813</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF CHEBEAGUE ISLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government				
Governmental Activities				
General Government	\$ 526,372	\$ 19,194	\$ 0	\$ (507,178)
Public Services	279,751	0	15,028	(264,723)
Public Safety	161,901	0	0	(161,901)
Health, Sanitation and Welfare	164,526	21,980	0	(142,546)
Education	1,180,746	4,252	118,426	(1,058,068)
Culture and Recreation	144,500	18,938	0	(125,562)
Fixed Charges	205,027	0	0	(205,027)
Interest Expense	111,368	0	0	(111,368)
Depreciation - Unallocated	<u>273,478</u>	<u>0</u>	<u>0</u>	<u>(273,478)</u>
Total Primary Government	\$ 3,047,669	\$ 64,364	\$ 133,454	\$ (2,849,851)
General Revenues				
Property and Other Taxes				\$ 3,080,127
Grants and Contributions Not Restricted to Special Programs				77,269
Unrestricted Investment Earnings				14,564
Miscellaneous				<u>3,818</u>
Total General Revenues				\$ 3,175,778
Changes in Net Position				\$ 325,927
Net Position – July 1, 2019				\$ 4,632,886
Net Position – June 30, 2020				\$ 4,958,813

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF CHEBEAGUE ISLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Town Wharf Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 1,053,629	\$ 303,387	\$ 909,441	\$ 2,266,457
Taxes Receivable	72,406	0	0	72,406
Tax Liens Receivable	16,259	0	0	16,259
Accounts Receivable	19,530	0	0	19,530
Prepaid Expenses	4,069	0	0	4,069
Due From Other Funds	<u>0</u>	<u>0</u>	<u>160,000</u>	<u>160,000</u>
Total Assets	\$ 1,165,893	\$ 303,387	\$ 1,069,441	\$ 2,538,721
Deferred Outflows of Resources	<u> </u>	<u> </u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,165,893</u>	<u>\$ 303,387</u>	<u>\$ 1,069,441</u>	<u>\$ 2,538,721</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities				
Accounts Payable	\$ 40,799	\$ 0	\$ 0	\$ 40,799
Accrued Expenses	42,563	0	0	42,563
Due To Other Funds	<u>160,000</u>	<u>0</u>	<u>0</u>	<u>160,000</u>
Total Liabilities	<u>\$ 243,362</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 243,362</u>
Deferred Inflows of Resources	<u>\$ 46,808</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,808</u>
Fund Balance				
<i>Restricted</i>				
Special Revenue Funds	\$ 0	\$ 0	\$ 0	\$ 0
<i>Committed</i>				
School Department	47,307	0	0	47,307
Capital Projects Funds	0	303,387	1,069,441	1,372,828
<i>Assigned</i>				
For Fiscal Year 2021	150,000	0	0	150,000
<i>Unassigned</i>				
General Fund	<u>678,416</u>	<u>0</u>	<u>0</u>	<u>678,416</u>
Total Fund Balance	<u>\$ 875,723</u>	<u>\$ 303,387</u>	<u>\$ 1,069,441</u>	<u>\$ 2,248,551</u>
Total Liabilities, Deferred Inflows Of Resources and Fund Balance	<u>\$ 1,165,893</u>	<u>\$ 303,387</u>	<u>\$ 1,069,441</u>	<u>\$ 2,538,721</u>

The Notes to the Financial Statements are an Integral Part of This Statement

**TOWN OF CHEBEAGUE ISLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balance – Total Governmental Funds	\$2,248,551
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital Assets Used in Governmental Activities are not Current Financial Resources and Therefore are not reported in the Governmental Funds Balance Sheet.	5,797,976
Interest Payable on Long-Term Debt does not require Current Financial Resources. Therefore, Interest Payable is not reported as a Liability in Governmental Funds Balance Sheet.	(18,078)
Property Tax Revenues are reported in the Governmental Funds Balance Sheet under NCGA Interpretation-3, <u>Revenue Recognition-Property Taxes</u> .	38,744
Long Term Liabilities are not due and payable in the Current Period and, therefore, they are not reported in the Governmental Funds Balance Sheet	
Due in One Year	\$ 283,679
Due in More Than One Year	2,753,987
OPEB Liabilities	93,006
Accrued Compensated Absence Pay	<u>4,457</u>
	(3,135,129)
Changes Between Deferred Inflows and Deferred Outflows Regarding Pension and OPEB Due to Implementation of GASB No. 68 and No. 75	<u>26,749</u>
Net Position of Governmental Activities	<u>\$4,958,813</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

TOWN OF CHEBEAGUE ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Town Wharf Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Taxes	\$ 3,076,403	\$ 0	\$ 0	\$ 3,076,403
Intergovernmental	164,694	0	23,236	187,930
Licenses, Permits and Fees	30,680	0	0	30,680
Charges For Services	33,684	0	0	33,684
Investment Income	7,687	1,679	5,198	14,564
Miscellaneous	<u>3,591</u>	<u>0</u>	<u>227</u>	<u>3,818</u>
Total Revenues	<u>\$ 3,316,739</u>	<u>\$ 1,679</u>	<u>\$ 28,661</u>	<u>\$ 3,347,079</u>
Expenditures				
<i>Current</i>				
General Government	\$ 523,974	\$ 0	\$ 0	\$ 523,974
Public Services	267,257	0	0	267,257
Public Safety	161,901	0	0	161,901
Health, Sanitation and Welfare	164,526	0	0	164,526
Education	1,129,723	0	23,236	1,152,959
Culture and Recreation	144,500	0	0	144,500
Debt Services	384,712	0	0	384,712
Fixed Charges	205,027	0	0	205,027
<i>Capital Outlay</i>	<u>0</u>	<u>0</u>	<u>262,531</u>	<u>262,531</u>
Total Expenditures	<u>\$ 2,981,620</u>	<u>\$ 0</u>	<u>\$ 285,767</u>	<u>\$ 3,267,387</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 335,119</u>	<u>\$ 1,679</u>	<u>\$ (257,106)</u>	<u>\$ 79,692</u>
Other Financing Sources (Uses)				
Operating Transfers, Net	\$ (387,793)	\$ 0	\$ 387,793	\$ 0
Proceeds from Borrowing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>\$ (387,793)</u>	<u>\$ 0</u>	<u>\$ 387,793</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (52,674)	\$ 1,679	\$ 130,687	\$ 79,692
Fund Balance – July 1, 2019	<u>\$ 928,397</u>	<u>\$ 301,708</u>	<u>\$ 938,754</u>	<u>\$ 2,168,859</u>
Fund Balance – June 30, 2020	<u>\$ 875,723</u>	<u>\$ 303,387</u>	<u>\$ 1,069,441</u>	<u>\$ 2,248,551</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF CHEBEAGUE ISLAND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balance – Total Governmental Funds \$ 79,692

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

Governmental Funds report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount of Capital Assets Recorded in the Current Period, Net. 250,037

Depreciation Expense on Capital Assets is Reported in the Government-Wide Statement of Activities and Changes in Net Position, but They Do Not Require the Use of Current Financial Resources. Therefore, Depreciation Expense is Not Reported as Expenditure in Governmental Funds. (273,478)

Some Property Tax Will Not be Collected for Several Months After the Town's Fiscal Year End; They are Not Considered Current Financial Resources in the Governmental Funds. This Amount is the Net Effect of the Differences. 3,724

The Issuance of Long-Term Debt (e.g. Bonds, Leases, and Notes and Loans Payable) Provides Current Financial Resources to Governmental Funds, while the Repayment of the Principal of Long-Term Debt Consumes the Current Financial Resources of Governmental Funds. Neither Transaction, However, has Any Effect on Net Position. In addition, Governmental Funds Report the Effect of Issuance Cost, Premiums, Discounts, and Similar Items When Debt is First Issued, Whereas the Amounts are Deferred and Amortized in the Statement of Activities. This Amount is the Net Effect of These Differences in the Treatment of Long-Term Debt and Related Items. 276,158

Accrued Interest Expense on Long-Term Debt is reported in the Government-Wide Statement of Activities and Changes in Net Position, But Does Not Require the Use of Current Financial Resources; Therefore, Accrued Interest Expense is Not Reported as Expenditures in Governmental Funds. (2,814)

Change in Accrued Compensated Absence Obligations. 400

Changes Between Deferred Inflows, Deferred Outflows and Liabilities Related to Pension and OPEB Pursuant to Implementation of GASB No. 68 and No. 75. (7,792)

Change In Net Position of Governmental Activities \$ 325,927

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF CHEBEAGUE ISLAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Property and Other Taxes	\$ 3,074,121	\$ 3,074,121	\$ 3,076,403	\$ 2,282
Intergovernmental	146,142	146,142	164,694	18,552
Licenses, Permits and Fees	19,800	19,800	30,680	10,880
Charges For Services	31,500	31,500	33,684	2,184
Investment Income	3,500	3,500	7,687	4,187
Miscellaneous	0	0	3,591	3,591
Total Revenues	\$ 3,275,063	\$ 3,275,063	\$ 3,316,739	\$ 41,676
Expenditures				
<i>Current</i>				
General Government	\$ 552,920	\$ 552,920	\$ 523,974	\$ 28,946
Public Services	262,995	284,202	267,257	16,945
Public Safety	150,406	150,406	161,901	(11,495)
Health, Sanitation and Welfare	167,815	167,815	164,526	3,289
Education	1,316,065	1,316,065	1,129,723	186,342
Culture and Recreation	144,500	144,500	144,500	0
Debt Services	388,249	388,249	384,712	3,537
Fixed Charges	233,113	233,113	205,027	28,086
Total Expenditures	\$ 3,216,063	\$ 3,237,270	\$ 2,981,620	\$ 255,650
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ 59,000	\$ 37,793	\$ 335,119	\$ 297,326
Other Financing Sources (Uses)				
Transfers In (Out)	(249,000)	(387,793)	(387,793)	0
Net Change in Fund Balance	\$ (190,000)	\$ (350,000)	\$ (52,674)	\$ 297,326
Fund Balance – July 1, 2019	\$ 928,397	\$ 928,397	\$ 928,397	\$ 0
Fund Balance – June 30, 2020	\$ 738,397	\$ 578,397	\$ 875,723	\$ 297,326

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT VIII

**TOWN OF CHEBEAGUE ISLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	Private-Purpose Trust Funds <u>Cemeteries</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ <u>89,799</u>
Net Position	
Held in Trust	\$ <u>89,799</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF CHEBEAGUE ISLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

	Private-Purpose Trust Funds <u>Cemeteries</u>
Additions	
Interest Income	\$ 487
Fees	<u>1,825</u>
Total Additions	<u>\$ 2,312</u>
Deductions	
Program Expenditures	<u>\$ 0</u>
Changes in Net Position	\$ 2,312
Net Position – July 1, 2019	<u>87,487</u>
Net Position – June 30, 2020	<u>\$ 89,799</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The Town of Chebeague Island, Maine, incorporated in July 2007, operates under a Board of Selectmen – Town Administrator-Town Meeting form of government. The Board consists of five members elected by the registered voters for staggered three-year terms.

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town’s activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

B. – Financial Reporting Entity

The Town's financial statements include the accounts of all Town of Chebeague Island operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The town holds the corporate powers of the organization.
- The town appoints a voting majority of the organization's board.
- The town is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the town.
- There is fiscal dependency by the organization on the town.

Based on the aforementioned criteria, the Town of Chebeague Island has no component units that are not included in this report.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. – Financial Statements – Government-Wide Statements

The Town's 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 (if applicable).

In the government-wide Statement of Net Position, both the governmental and business-type activities (if applicable) columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are 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. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.)

D. – Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, 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.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in 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:

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.

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

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Town Wharf Fund is a major fund.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Financial Statements – Fund Financial Statements (Continued)

Fiduciary Funds (Not Included in the Government-Wide Statements)

Private-Purpose Trust and Agency Funds are used to account for assets held by the Town in a trustee capacity. Non-expendable trust funds are those whose principal must be preserved intact. Expendable trust funds are those whose principal and income may be expended in the course of their designated operations.

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 No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either 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.

E. – Measurement Focus/Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

A one-year availability period is used for recognition of all other Governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. – Budgetary Control

Formal budgetary accounting is employed as a management control for the general fund of the Town of Chebeague Island. The Town of Chebeague Island'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.

G. – Cash and Cash Equivalents

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests certain funds in checking, savings accounts, or certificates of deposit.

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with a fiscal agent. Investments are recorded at fair market value, if applicable.

H. - Capital Assets

Capital assets purchased or acquired with an original cost of \$4,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives which range from 5 to 50 years.

I. - Compensated Absences

The Town of Chebeague Island recognizes accumulated sick leave, vacation, and comp time compensation during the period in which the related liability is incurred. In compliance with Town personnel policies the liability for accrued compensated absence pay was \$4,457 at June 30, 2020.

J. - Interfund Activity

Interfund activity is reported as either, loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. – Equity Classifications

Government-Wide Statements

Net position represent the differences between assets and liabilities. Equity is classified as net position and displayed in three components:

- *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. The Town’s fund balances represent:

(1) Nonspendable Fund Balance, resources that cannot be spent because of legal or contractual provisions that require they be maintained intact. (e.g. the principal of an endowment). **(2) Restricted Purposes**, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; **(3) Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen; **(4) Assigned Purposes**, which includes balances that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. **(5) Unassigned Fund Balance**, net resources in excess of what is properly categorized in one of the four categories already described. A positive amount of unassigned fund balance will never be reported in a governmental fund other than the general fund , because GASB Statement 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund. However, funds other than the general fund could report a negative amount of unassigned fund balance should the total of nonspendable, restricted and committed fund balance exceeds the total net resources of the fund.

L. – Deferred Outflows and Inflows of Resources

The GASB emphasizes in GASB No. 63 that deferred inflows and deferred outflows are not assets or liabilities and therefore should be separately categorized in the financial statements.

The deferred inflows and outflows of resources listed at June 30, 2020 in Exhibit I amounted to \$13,394 (relating to OPEB and property taxes) and \$32,079 (relating to OPEB and pension), respectively. Per Exhibit III, the deferred inflows of resources listed at June 30, 2020 amounted to \$46,808 related to property taxes and there was no deferred outflow of resources.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. – Accounts Receivable

Accounts Receivable at June 30, 2020 primarily consists of various governmental receivables.

The Town recognizes bad debts using the specific write-off method, which is not materially different from the allowance method as required under generally accepted accounting principles.

N. – Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Town's deposits may be subject to the following risks:

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy is to invest in only financial institutions that are insured by the F.D.I.C. or additional insurance. The Town's bank balances were all covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Interest Rate Risk – The Town does not currently have a deposit policy for interest rate risk.

Credit Risk – The Town does not have a formal policy regarding credit risk. Maine statutes authorized the Town to invest in obligations of the U.S. Treasury and U.S. agencies and certain bonds.

Concentration of Credit Risk – The Town does not have a policy for concentration of credit risk.

NOTE 3 – PROPERTY TAXES

The Town is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. The Town of Chebeague Island's property tax is levied on the assessed value listed as of the prior April 1st for all taxable real property located in the Town. Assessed values are periodically established by the Assessor at 100% of assumed market value. The assessed value for the list of April 1, 2019, upon which the levy for the year ended June 30, 2020, was based amounted to \$181,060,816. The assessed value of \$181,060,816 was 76.36% of the 2020 State valuation of \$237,100,000.

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 \$37,087 for the year ended June 30, 2020.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – PROPERTY TAXES (CONTINUED)

In the fund financial statements, property taxes are recognized in compliance with NCGA Interpretation – 3, *Revenue Recognition – Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. In the government-wide financial statements, property taxes are recognized under the accrual method.

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.

Assessed Value	\$ 181,060,816
Less: BETE and Homestead Exemption	<u>(1,580,926)</u>
Net Assessed Value	\$ 179,479,890
Tax Rate (Per \$1,000)	<u>16.50</u>
Commitment	\$ 2,961,418
Supplemental Taxes Assessed	<u>855</u>
Sub-Total	\$ 2,962,273
Less: Abatements	(1,712)
Less: Collections	<u>(2,888,174)</u>
Receivable at Year End	<u><u>\$ 72,387</u></u>
Collection Rate	<u>97.5%</u>

Property taxes were to be paid in two installments with due dates of October 1, 2019, and April 1, 2020, with interest charged at a rate of 8.0% on delinquent accounts.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	Beginning Balance July 1	Additions/ Completions	Retirements/ Adjustments	Ending Balance June 30
<i>Capital Assets not being Depreciated</i>				
Land	\$ 196,881	\$ 0	\$ 0	\$ 196,881
Construction in Progress	<u>1,888,684</u>	<u>0</u>	<u>(1,808,352)</u>	<u>80,332</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,085,565</u>	<u>\$ 0</u>	<u>\$(1,808,352)</u>	<u>\$ 277,213</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	\$ 59,051	\$ 0	\$ 0	\$ 59,051
Buildings and Improvements	2,021,958	1,808,352	0	3,830,310
Machinery and Equipment	921,944	17,272	0	939,216
Infrastructure	2,104,389	232,765	0	2,337,154
Vehicles	<u>330,109</u>	<u>0</u>	<u>0</u>	<u>330,109</u>
Total Capital Assets being Depreciated	<u>\$ 5,437,451</u>	<u>\$2,058,389</u>	<u>\$ 0</u>	<u>\$ 7,495,840</u>
<i>Less Accumulated Depreciation for</i>				
Land Improvements	\$ 54,609	\$ 319	\$ 0	\$ 54,928
Buildings and Improvements	552,492	91,645	0	644,137
Machinery and Equipment	414,025	55,496	0	469,521
Infrastructure	611,846	104,979	0	716,825
Vehicles	<u>68,628</u>	<u>21,039</u>	<u>0</u>	<u>89,667</u>
Total Accumulated Depreciation	<u>\$ 1,701,600</u>	<u>\$ 273,478</u>	<u>\$ 0</u>	<u>\$ 1,975,078</u>
Total Capital Assets being Depreciated, Net	<u>\$ 3,735,851</u>	<u>\$1,784,911</u>	<u>\$ 0</u>	<u>\$ 5,520,762</u>
Governmental Activities Capital Assets, Net	<u>\$5,821,416</u>	<u>\$1,784,911</u>	<u>\$(1,808,352)</u>	<u>\$5,797,975</u>

Depreciation expense has not been charged as a direct expense.

NOTE 5 – LONG-TERM DEBT

At June 30, 2020, loans, leases, and bonds payable consisted of the following individual issues:

	Governmental Activities
Maine Municipal Bond Bank	
General Obligation Bond of 2008, Interest Rate 2% to 5.5%, Annual Principal Payments of \$131,902 - \$215,622, Maturity in 2027.	\$ 1,464,674
General Obligation Bond of 2019, Interest Rates 1.72% to 3.764%, Annual Principal Payments of \$80,250, Maturity in 2038.	\$ 1,524,750

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Machias Savings Bank

Vehicle Loan of 2016, Interest Rate of 2.19%,
 Monthly Payments of Principal and Interest
 Of \$4,069, Maturity in 2021.

48,242

Total Loans and Bonds Payable

\$ 3,037,666

Changes in Outstanding Debt

Transactions for the year ended June 30, 2020, are summarized as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>June 30</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds	\$ 3,313,824	\$ 0	\$ 276,158	\$ 3,037,666	\$ 283,679
OPEB Liabilities	64,880	28,126	0	93,006	0
Compensated Absences	<u>4,857</u>	<u>0</u>	<u>400</u>	<u>4,457</u>	<u>0</u>
Total Governmental Activities	<u>\$ 3,383,561</u>	<u>\$ 28,126</u>	<u>\$ 276,558</u>	<u>\$ 3,135,129</u>	<u>\$ 283,679</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2020, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020/21	\$ 283,679	\$ 99,702	\$ 383,381
2021/22	241,969	88,978	330,947
2022/23	249,433	74,929	324,362
2023/24	257,428	50,755	308,183
2024/25	265,832	44,058	309,890
2026/30	1,017,075	149,551	1,166,626
2031/35	401,250	89,303	490,553
2036/40	<u>321,000</u>	<u>23,084</u>	<u>344,084</u>
Total	<u>\$ 3,037,666</u>	<u>\$ 620,360</u>	<u>\$ 3,658,026</u>

In accordance with 30-A M RSA, Section 5702, as amended, the amount of long-term debt that can be incurred by the Municipality is limited by state statute. Total outstanding long-term obligations during a year can be no greater than 7.5%, with certain exceptions, of the state valuation of taxable property as of the beginning of the fiscal year. As of June 30, 2020, the amount of outstanding long-term debt was equal to 1.28% of property valuation for the year then ended.

TOWN OF CHEBEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – RETIREMENT PLANS

The Town's School Department provides a retirement pension plan for its employees through a defined benefit pension plan and deferred compensation plan.

I. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

Plan Description and Funding Policy

Qualifying personnel of the School Department participate in the Maine Public Employees Retirement System. The plan is a multiple employer, cost-sharing pension plan with a special funding situation. The State of Maine is a non-employer contributing entity in that the state pays the unfunded actuarial liability (UAL) on behalf of the teachers, while the School Department contributes the normal cost, which is actuarially calculated. MEPERS is established under Maine law found in 5 MRSA Part 20. The authority to establish and amend benefit provisions rests with the State legislature. The School Department makes available to all full time employees the option to make a one-time irrevocable election to participate in the Maine Public Employees Retirement System (MEPERS), State Employees and Teachers Plan, with teachers automatically required to participate. The employee pays, through payroll deduction(s), his/her required contribution determined by MEPERS, 7.65%. The School shall pay its required contribution determined by MEPERS. This benefit shall be offered to eligible employees on the date of hire.

Pension Benefits

Benefit terms are established in Maine Statute. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility of benefits upon reaching qualification) occurs upon the earning of 25 years of service credit for School Department employees. Normal retirement age of State Employees and Teachers members is age 60 to 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. 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 interest credited to member's accounts is set by the System's Board of Trustees.

Member and Employer 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. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. For the year ended June 30, 2020, the member contribution rate was 7.65%, the School Department's contribution rate was 4.16% (normal cost), and the State of Maine contributed 14.95% (UAL).

**TOWN OF CHEBEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – RETIREMENT PLAN (CONTINUED)

I. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred.

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

At June 30, 2020, the School Department reported a net pension liability of \$0. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The School Department proportion of the net pension liability was based on a projection of the School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating members.

At the June 30, 2019 measurement date, the School Department proportion was 0%, which was unchanged from the June 30, 2018 measurement date.

At June 30, 2020 the School Department's reported net pension liability was a portion of the total proportionate share of the collective net pension liability associated with the School Department's participation in the Teacher plan, as follows:

School Department's Proportionate Share of Net Pension Liability	\$ 0
State of Maine's Proportionate Share of Net Pension Liability	<u>276,871</u>
Total	<u>\$276,871</u>

For the fiscal year ended June 30, 2020, the School Department recognized pension expense of \$62,098, State support of \$48,996, and State on-behalf payments of \$26,207. At June 30, 2020, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources are as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between Expected and Actual Experience	\$ 0	\$ 0
Changes in Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	0
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions.	0	0
School Department Contributions Subsequent to the Measurement Date	<u>14,086</u>	<u>0</u>
Total	\$ <u>14,086</u>	\$ <u>0</u>

TOWN OF CHEBEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – RETIREMENT PLANS (CONTINUED)

I. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended June 30,	<u>Amount</u>
2021	\$ 14,086
2022	0
2023	0
2024	<u>0</u>
Total	\$ <u>14,086</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

- **Inflation** 2.75%
- **Salary Increases** 2.75% to 14.50%
- **Investment Rate of Return** 6.75%
- **Cost of Living Benefit Increases** 2.20%

For the School Department employees, the mortality rate is based on the RP2014 Total Dataset Healthy Mortality Tables for males and females.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates or 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 weighing 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 of June 30, 2019 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	30%	6.0%
US Government	7.5%	2.3%
Private Equity	15%	7.6%
Real Assets:		
Real Estate	10%	5.2%
Infrastructure	10%	5.3%
Natural Resources	5%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5%	4.2%
Diversifiers	<u>10%</u>	5.9%
	<u>100%</u>	

**TOWN OF CHEBEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – RETIREMENT PLANS (CONTINUED)

I. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contribution 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.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School Department’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the School Department proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (<u>5.75%</u>)	Current Discount Rate (<u>6.75%</u>)	1% Increase (<u>7.75%</u>)
Proportionate Share of the Net Pension Liability	\$0	\$0	\$0

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2019 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

II. Deferred Compensation Plan

The Town offers its employees deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to eligible Town employees, permits them to defer a portion of their salary until future years. The Town matches up to 3.5% of each qualified employees’ earnings. Employer contributions were \$11,610 for the year ended June 30, 2020.

Assets of the plan are placed in trusts for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for compensation deferred, including earnings on plan assets, are not included in the Town’s financial statements.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 – INTERFUND ACTIVITY

Interfund balances as of June 30, 2020 consisted of \$160,000 due from the general fund and due to non-major capital projects funds, and arise as the result of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Net interfund transfers for the year ended June 30, 2020, consisted of the following:

Transfer To	
Capital Project Funds	<u>\$ 387,793</u>
Total	<u>\$ 387,793</u>
Transfer From	
General Fund	<u>\$ 387,793</u>
Total	<u>\$ 387,793</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 – RISK MANAGEMENT

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.

There have been no significant reductions in insurance coverages during the fiscal year and no significant settlements that exceeded insurance coverage.

NOTE 9 – OVERLAPPING DEBT

The Town's proportionate share of Cumberland County's debt is not recorded in the financial statements of the Town of Chebeague Island. At June 30, 2020, the Town's share was 0.47% (or \$166,594) of the County's outstanding debt of \$35,425,000.

The Town's proportionate share of MSAD #51's debt is not recorded in the financial statements of the Town of Chebeague Island. At June 30, 2020, the Town's share was 1.83% (or \$436,922) of the County's outstanding debt of \$23,815,019.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not expected to be material.

NOTE 11 – GOVERNMENTAL FUND BALANCES

The Town of Chebeague Island has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the Town's policy to use committed or assigned resources first, then unassigned resources as they are needed.

The General Fund unassigned fund balance total of \$678,416 represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund, and falls above the guidelines established by the Town's fund balance policy which calls for a balance of between 16% and 25% of the Town's operating budget.

As per Exhibit III, a summary of the nature and purpose of these reserves by fund type at June 30, 2020 follows.

Committed

Capital Projects

Wharf (Major Fund)	\$303,387
Paving	197,886
School's Special Education Reserve	141,023
Rescue Vehicles and Equipment	122,581
Dredging	101,167
School's Tuition Reserve	82,385
School's Capital Improvement Fund	80,002
Fire Truck	54,632
Easements and Drainage	53,948
Town Office	35,379
Floats and Ramps	32,513
Town Match for Grants	27,667
School's Transportation Reserve	25,000
Cousins Island Parking/CTC Escrow	17,815
Revaluation	14,466
School Playground	10,599
Equipment	10,369
Boat Ramp	10,312
Coastal Access Fund	10,078
Solar Array	10,042
Harbor Master Vessel	6,484
Cemetery Capital Reserve	6,217
Facilities	5,117
Fire Pond	4,805

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – GOVERNMENTAL FUND BALANCES (CONTINUED)

<i>Committed</i>	
Capital Projects (Continued)	
Vehicles	3,273
Recycling Compactor	2,878
Stone Wharf Parking	<u>2,803</u>
Total	<u>\$ 1,372,828</u>
<i>Committed</i>	
General Fund – School Department	<u>\$ 47,307</u>
<i>Assigned</i>	
General Fund – Assigned for Fiscal 2021	<u>\$ 150,000</u>
<i>Unassigned</i>	
General Fund	<u>\$ 678,416</u>

NOTE 12 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. - Budgetary Accounting

The Town of Chebeague Island utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established by the Board of Selectmen and must be approved at the Annual Town Meeting.

B. - Excess of Expenditures over Appropriations

For the year ended June 30, 2020, no expenditures exceeded appropriations as per Exhibit VII, other than an overdraft within the public safety line of \$11,495.

C. - Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. As of June 30, 2020, no individual funds held deficit balances.

NOTE 13 – OTHER COMMITMENTS

Pursuant to negotiations between the Chebeague Island Secession Representatives, the Town of Cumberland and Maine School Administrative District No. 51 (MSAD 51) agreed that the Town will pay to the Town of Cumberland on an annual basis, 50% of the property taxes committed to the Town from properties located on Outer Island for a period of 50 years, commencing July 1, 2007. For the year ended June 30, 2020 the Town paid \$47,027 under this arrangement.

Additionally, the Town agreed to pay to MSAD 51 a proportionate share of the District's annual debt service, such share based on the ratio of the State valuation of the Town of Chebeague Island to the combined State valuations of the Towns of Cumberland, North Yarmouth and Chebeague Island. For the year ended June 30, 2020, the Town paid \$138,974 under this arrangement.

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – OPEB PLANS

The Chebeague Island School Department provides certain other postemployment benefits to its employees through the following plans:

I. Group Life Insurance Plan - Maine Public Employees Retirement System (MEPERS)

Plan Description

Qualifying personnel of the School Department participate in the Maine Public Employees Retirement System, including that system's Group Life Insurance Plan. This plan is a multiple employer, cost-sharing OPEB plan with a special funding situation. The State of Maine is a non-employer contributing entity in that the state pays 100% of the actuarially determined contributions for retirees.

Benefits

Under the GLI OPEB plan, MPERS 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 level of coverage 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.

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

At June 30, 2020, the School Department reported a net OPEB liability of \$0, as the State of Maine's non-employer contributing entity required participation level is 100%. At June 30, 2020 the School Department's reported net OPEB liability was a portion of the total proportionate share of the collective net pension liability associated with the School Department's participation in the Teacher plan, as follows:

School Department's Proportionate Share of Net OPEB Liability	\$ 0
State of Maine's Proportionate Share of Net OPEB Liability	<u>1,605</u>
Total	<u>\$ 1,605</u>

For the fiscal year ended June 30, 2020, the School Department recognized OPEB expense of \$152, State support of \$152, and State on-behalf payments of \$148.

No deferred inflows of resources or deferred outflows of resources arising in connection with this plan are reportable by the Town of Chebeague Island given that the State of Maine is obligated to fund 100% of the actuarially required contributions attributable to retirees.

Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2019 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

**TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 – OPEB PLANS (CONTINUED)

II. Group Health Insurance Plan – Maine Municipal Employee Health Trust (MMEHT)

Plan Description

Qualifying personnel of the Town participate in the MMEHT Group Health Plan. This plan is a single-employer OPEB plan not administered through a trust or similar arrangement. Accordingly, no assets are accumulated within the plan for the payment of future benefits. Currently, there are 7 active participants in this plan with no retirees.

Benefits

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with at least 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium.

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

The Town’s total Health Plan OPEB liability of \$42,093 was measured as of January 1, 2020 and was determined by an actuarial valuation as of that date. For the year ended June 30, 2020 the Town recognized OPEB expense of \$5,978 related to the Health Plan. At June 30, 2020 the Town reported deferred inflows of resources and deferred outflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between Expected and Actual Experience	\$ 8,210	\$ 1,582
Changes in Assumptions	<u>5,756</u>	<u>1,327</u>
Total	\$ <u>13,966</u>	\$ <u>2,909</u>

For the Year Ended June 30,	<u>Amount</u>
2021	\$ 1,449
2022	1,449
2023	1,452
2024	2,049
2025	2,327
Thereafter	<u>2,331</u>
Total	\$ <u>11,057</u>

**TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 – OPEB PLANS (CONTINUED)

**II. Group Health Insurance Plan – Maine Municipal Employee Health Trust (MMEHT)
(Continued)**

The total OPEB liability in the January 1, 2020 actuarial valuation as updated was determined using the following actuarial assumptions applied to all period included in the measurement:

➤ Inflation	2.00%
➤ Salary Increases	2.75%
➤ Discount Rate	2.74%
➤ Healthcare Cost Trend Rates	
Medicare	7.84% for 2020, variable decreases thereafter
Non-Medicare	8.55% for 2020, variable decreases thereafter
➤ Retirees' Share of Benefit Costs	100% of projected premiums

For the Health Plan, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females.

The discount rate of 2.74% used to measure the Health Plan OPEB liability was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

The following presents the Town's total OPEB liability related to the Health Plan calculated using the discount rate of 2.74%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher (3.74%) than the current rate:

	1% Decrease <u>(1.74%)</u>	Current Discount <u>Rate (2.74%)</u>	1% Increase <u>(3.74%)</u>
Total OPEB Liability	\$48,089	\$42,093	\$37,141

The following presents the Town's total OPEB liability related to the Health Plan calculated using the healthcare cost trend rates noted above, as well as what the liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current assumed trend rates:

	1% Decrease	Health Care Cost <u>Trend Rates</u>	1% Increase
Total OPEB Liability	\$37,028	\$42,093	\$48,343

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – OPEB PLANS (CONTINUED)

III. Group Health Insurance Plan – Maine Education Association Benefits Trust (MEABT)

Plan Description

Qualifying personnel of the Town’s School Department participate in the MEABT Group Health Plan. This plan is a single-employer OPEB plan not administered through a trust or similar arrangement. Accordingly, no assets are accumulated within the plan for the payment of future benefits. Currently, there are 12 active participants in this plan and 4 retirees covered under its provisions.

Benefits

Under the Health Plan, MEABT provides healthcare insurance benefits for retirees and their dependents. School Department employees over the age of 50 with at least 5 years of continuous service and plan enrollment are allowed to participate in the plan, while employees under the age of 50 with 10 years of continuous service and plan enrollment are eligible. Retirees pay 55% of the single coverage premium and 100% of the family coverage premium.

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

The Town’s total Health Plan OPEB liability of \$50,913 was measured as of June 30, 2019 and was determined by an actuarial valuation as of one year prior to that date as updated. For the year ended June 30, 2020 the Town recognized OPEB expense of \$2,798 related to the Health Plan. At June 30, 2020 the Town reported deferred inflows of resources and deferred outflows of resources related to the Health Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 0	\$ 0
Changes in Assumptions	<u>4,027</u>	<u>2,421</u>
Total	\$ <u>4,027</u>	\$ <u>2,421</u>

For the Year Ended June 30,	<u>Amount</u>
2021	\$ 201
2022	201
2023	201
2024	200
2025	<u>803</u>
Total	\$ <u>1,606</u>

TOWN OF CHEBEAGUE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – OPEB PLANS (CONTINUED)

**III. Group Health Insurance Plan – Maine Education Association Benefits Trust (MEABT)
(Continued)**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

➤ Inflation	Included in Health Care Cost Trend Rates
➤ Salary Increases	2.75%
➤ Discount Rate	3.50%
➤ Healthcare Cost Trend Rates	
Medicare	5.49% for 2019, decreasing 0.06% per year
Non-Medicare	3.69 for 2019, decreasing 0.03% per year
➤ Retirees’ Share of Benefit Costs	55% of projected retiree premiums, 100% of family coverage

For the Health Plan, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females.

The discount rate of 3.50% used to measure the Health Plan OPEB liability was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

The following presents the Town’s total OPEB liability related to the Health Plan calculated using the discount rate of 3.50%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate:

	1% Decrease <u>(2.50%)</u>	Current Discount <u>Rate (3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB Liability	\$66,717	\$50,913	\$38,883

The following presents the Town’s total OPEB liability related to the Health Plan calculated using the healthcare cost trend rates noted above, as well as what the liability would be if it were calculated using trend rates 1 percentage point lower or 1 percentage point higher than the current rates:

	1% Decrease	Health Care Cost <u>Trend Rates</u>	1% Increase
Total OPEB Liability	\$37,899	\$50,913	\$68,276

NOTE 15 – DATE OF MANAGEMENT’S REVIEW AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 5, 2021 date on which these financial statements were available to be issued.

As of the date of this report, the COVID-19 pandemic continues to spread throughout the world, including Maine. The ultimate impact of this global health crisis on the financial condition of the Town is not knowable at this time.

Smith & Associates, CPAs

A Professional Association

500 US Route One, Suite 102 • Yarmouth, Maine 04096

Ph (207) 846-8881 • Fax (207) 846-8882

www.smithassociatescpa.com

TOWN OF CHEBEAGUE ISLAND SCHOOL DEPARTMENT INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

School Committee, Superintendent and Town Administrator
TOWN OF CHEBEAGUE ISLAND SCHOOL DEPARTMENT
Chebeague Island, Maine

We have audited the financial statements of the Town of Chebeague Island School Department for the year ended June 30, 2020, and have issued our report thereon dated April 5, 2021.

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

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

- 1) A determination of whether or not the school has complied with budget content requirements pursuant to section 15693, subsection 1 and cost summary budget format requirement pursuant to sections 1305-C, 1485-C, 1701-C and 2307.
- 2) A determination of whether or not the school has exceeded its authority to expend funds, as provided by the total budget summary article.
- 3) A determination of whether or not the annual financial data submitted to the department is correct.
- 4) A determination of whether or not the School Department was in compliance with applicable provisions of the Essential Programs and Services Funding Act pursuant to chapter 606-B, Sec. 15671.

The results of our tests indicate that, for the items tested, the Town of Chebeague Island School Department complied with those provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for the items not tested, the Town of Chebeague Island School Department was not in compliance with Maine laws and regulations. A reconciliation between amounts reported to the Department via the NEO financial system and those per the audited statements is attached herewith.

Smith & Associates

SMITH & ASSOCIATES, CPAs

A Professional Association

**Yarmouth, Maine
April 5, 2021**

**TOWN OF CHEBEAGUE ISLAND SCHOOL DEPARTMENT
RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL
DATA SUBMITTED TO THE NEO FINANCIAL SYSTEM
JUNE 30, 2020**

	General Fund (100 Series)	Special Revenue Funds (200 Series)	Capital Projects Funds (300 Series)	Total
June 30, 2020 Balance as Per NEO Financial System	\$ 249,865	\$ 0	\$ 199,159	\$ 449,024
Overstatement of Town Assessment	(46,000)	0	0	(46,000)
Overstatement of Education Expenses	3,441	0	0	3,441
Capital Projects Funds Activity, Net	(160,000)	0	134,250	(25,750)
Immaterial Adjustments	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Audited GAAP Basis Fund Balance - June 30, 2020	<u>\$ 47,307</u>	<u>\$ 0</u>	<u>\$ 333,409</u>	<u>\$ 380,716</u>

EXHIBIT XII

**TOWN OF CHEBEAGUE ISLAND SCHOOL DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor Pass Through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass Thru Grantor <u>Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education Passed Through Maine Department of Education			
<i>Special Education Grants to States</i> Local Entitlement IDEA	84.027	013-05A-3046-12	\$ <u>12,590</u>
Total Passed Through Maine Department of Education			\$ <u>12,590</u>
Direct Program			
<i>Title IV Rural Grant</i>	84.358A	N/A	\$ <u>10,646</u>
Total U.S. Department of Education			\$ <u>23,236</u>
Total Expenditures of Federal Awards			\$ <u>23,236</u>

See Independent Auditors' Report

**TOWN OF CHEBEAGUE ISLAND SCHOOL DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – UNASSIGNED GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Taxes (Town Assessment)	\$ 1,197,668	\$ 1,197,668	\$ 1,197,668	\$ 0
Intergovernmental – State Subsidy	72,397	72,397	72,397	0
Charges for Services	6,000	6,000	4,252	(1,748)
Other Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 1,276,065</u>	<u>\$ 1,276,065</u>	<u>\$ 1,274,317</u>	<u>\$ (1,748)</u>
Expenditures				
Instruction				
Elementary and Secondary	\$ 632,875	\$ 632,875	\$ 571,068	\$ 61,807
Special Education	<u>89,041</u>	<u>89,041</u>	<u>76,405</u>	<u>12,636</u>
Total Instruction	<u>\$ 721,916</u>	<u>\$ 721,916</u>	<u>\$ 647,473</u>	<u>\$ 74,443</u>
Student Support				
Guidance and Counseling	\$ 11,217	\$ 11,217	\$ 18,742	\$ (7,525)
Health	<u>1,100</u>	<u>1,100</u>	<u>444</u>	<u>656</u>
Total Student Support	<u>\$ 12,317</u>	<u>\$ 12,317</u>	<u>\$ 19,186</u>	<u>\$ (6,869)</u>
Instructional Support				
Technology Services	\$ 1,450	\$ 1,450	\$ 1,549	\$ (99)
Library and Improvement of Instruction	<u>5,000</u>	<u>5,000</u>	<u>4,156</u>	<u>844</u>
Total Instructional Support	<u>\$ 6,450</u>	<u>\$ 6,450</u>	<u>\$ 5,705</u>	<u>\$ 745</u>
General Administration				
School Committee	\$ 12,092	\$ 12,092	\$ 9,568	\$ 2,524
Office of Superintendent/Principal	<u>121,200</u>	<u>121,200</u>	<u>116,719</u>	<u>4,481</u>
Total General Administration	<u>\$ 133,292</u>	<u>\$ 133,292</u>	<u>\$ 126,287</u>	<u>\$ 7,005</u>
Operation and Maintenance of Building	<u>\$ 52,351</u>	<u>\$ 52,351</u>	<u>\$ 46,622</u>	<u>\$ 5,729</u>
Student Transportation	<u>\$ 105,544</u>	<u>\$ 105,544</u>	<u>\$ 77,280</u>	<u>\$ 28,264</u>
Other Outlays				
Debt Service	\$ 138,974	\$ 138,974	\$ 138,974	\$ 0
Food Service	37,721	37,721	29,875	7,846
Contingency	<u>107,500</u>	<u>107,500</u>	<u>11,965</u>	<u>95,535</u>
Total Other Outlays	<u>\$ 284,195</u>	<u>\$ 284,195</u>	<u>\$ 180,814</u>	<u>\$ 103,381</u>
Total Expenditures	<u>\$ 1,316,065</u>	<u>\$ 1,316,065</u>	<u>\$ 1,103,367</u>	<u>\$ 212,698</u>
Net Change in Fund Balance Before Transfers	\$ (40,000)	\$ (40,000)	\$ 170,950	\$ 210,950
Transfers In (Out) From (To) Other Funds	<u>0</u>	<u>(160,000)</u>	<u>(160,000)</u>	<u>0</u>
Net Change in Fund Balance	\$ (40,000)	\$ (200,000)	\$ 10,950	\$ 210,950
Fund Balance – July 1, 2019	<u>28,489</u>	<u>28,489</u>	<u>28,489</u>	<u>0</u>
Fund Balance – June 30, 2020	<u>\$ (11,511)</u>	<u>\$ (171,511)</u>	<u>\$ 39,439</u>	<u>\$ 210,950</u>

SCHEDULE I

**TOWN OF CHEBEAGUE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
JUNE 30, 2020**

	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
School Department's Proportion of Net Pension Liability	<u>0.0%</u>	<u>0.0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
School Department's Proportionate Share of the Net Pension Liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State of Maine's Proportionate Share of the Net Pension Liability	<u>276,871</u>	<u>170,840</u>	<u>174,948</u>	<u>215,760</u>	<u>163,296</u>	<u>146,579</u>
Total	<u>\$ 276,871</u>	<u>\$ 170,840</u>	<u>\$ 174,948</u>	<u>\$ 215,760</u>	<u>\$ 163,296</u>	<u>\$ 146,579</u>
School Department's Covered Payroll / Covered Employee Payroll	<u>\$ 207,446</u>	<u>\$ 195,813</u>	<u>\$ 196,534</u>	<u>\$ 245,800</u>	<u>\$ 242,756</u>	<u>\$ 200,492</u>
School Department's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll / Covered Employee Payroll	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>84.52%</u>	<u>85.17%</u>	<u>83.35%</u>	<u>76.21%</u>	<u>83.55%</u>	<u>86.46%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available. Payroll amounts represent covered employee payroll through 6/30/17 and covered payroll thereafter. Determination of covered payroll prior to implementation of GASB Statement No. 82 not deemed practicable.

Significant Changes in Benefit Terms – None
Significant Changes in Assumptions – None

The Notes to the Financial Statements are an Integral Part of This Statement.

See Independent Auditors' Report

SCHEDULE II

**TOWN OF CHEBEAGUE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN PENSION CONTRIBUTIONS
JUNE 30, 2020**

	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Contractually Required Contribution	\$ 14,086	\$ 13,229	\$ 6,920	\$ 5,958	\$ 5,716	\$ 4,735
Actual Contribution	<u>(14,086)</u>	<u>(13,229)</u>	<u>(5,861)</u>	<u>(4,899)</u>	<u>(4,657)</u>	<u>(3,676)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,059</u>	<u>\$ 1,059</u>	<u>\$ 1,059</u>	<u>\$ 1,059</u>
Covered Payroll / Covered Employee Payroll	\$ 332,814	\$ 207,446	\$ 195,813	\$ 196,534	\$ 245,800	\$ 242,756
Contributions as a Percentage of Covered Payroll / Covered Employee Payroll	<u>4.23%</u>	<u>6.38%</u>	<u>3.53%</u>	<u>3.03%</u>	<u>2.33%</u>	<u>1.95%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined for each Town fiscal year presented, which differs from the timeframes utilized in Schedule I. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available. Payroll amounts represent covered employee payroll through 6/30/16 and covered payroll thereafter. Determination of covered payroll prior to implementation of GASB Statement No. 82 not deemed practicable.

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See Independent Auditors' Report

SCHEDULE III

**TOWN OF CHEBEAGUE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S OPEB LIABILITY – HEALTH PLAN
JUNE 30, 2020**

	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
Service Cost	\$ 4,360	\$ 4,692	\$ 4,088
Interest	1,053	769	778
Changes of Benefit Terms	(884)	0	0
Differences Between Expected and Actual Service	9,578	0	(3,166)
Changes of Assumptions or Other Inputs	6,715	(1,668)	(431)
Benefit Payments	<u>(126)</u>	<u>(121)</u>	<u>(68)</u>
Net Changes	20,696	3,672	1,201
Total OPEB Liability - Beginning	<u>21,397</u>	<u>17,725</u>	<u>16,524</u>
Total OPEB Liability - Ending	<u>\$ 42,093</u>	<u>\$ 21,397</u>	<u>\$ 17,725</u>
Covered-Employee Payroll	\$ 281,812	\$ 247,671	\$ 247,671
Total OPEB Liability as a Percentage Of Covered-Employee Payroll	14.9%	8.6%	7.2%

Amounts presented for each fiscal year were determined as of the prior January 1. The data above was determined by the actuarial valuation date which was six-months prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

Significant Changes in Benefit Terms – None

Significant Changes in Assumptions –Decrease in Discount Rate from 4.10% to 2.74%

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF CHEBEAGUE ISLAND
SCHOOL DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DEPARTMENT'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY – GROUP LIFE PLAN
JUNE 30, 2020**

	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
School Department's Proportion of Net OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
School Department's Proportionate Share of the Net OPEB Liability	\$ 0	\$ 0	\$ 0
State of Maine's Proportionate Share of the Net OPEB Liability	<u>1,605</u>	<u>3,078</u>	<u>2,983</u>
Total	<u>\$ 1,605</u>	<u>\$ 3,078</u>	<u>\$ 2,983</u>
School Department's Covered Employee Payroll	<u>\$ 207,446</u>	<u>\$ 248,595</u>	<u>\$ 246,534</u>
School Department's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>62.29%</u>	<u>61.14%</u>	<u>60.11%</u>
Contractually Required Contributions	\$ 0	\$ 0	\$ 0
Contributions Made in Relation to Contractually Required Amounts	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
Contribution Excess (Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll Contributions as a Percentage of Covered Employee Payroll	0.00%	0.00%	0.00%

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

Changes in Benefit Terms – None

Changes in Assumptions - None

The Notes to the Financial Statements are an Integral Part of This Statement.

See Independent Auditors' Report

**TOWN OF CHEBEAGUE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DEPARTMENT'S OPEB LIABILITY – HEALTH PLAN
JUNE 30, 2020**

	<u>6/30/20</u>	<u>6/30/19</u>
Service Cost	\$ 880	\$ 956
Interest	1,717	1,628
Changes of Benefit Terms	0	0
Differences Between Expected and Actual Experience		0
Changes of Assumptions or Other Inputs	4,833	(3,631)
Benefit Payments	<u>0</u>	<u>0</u>
Net Changes	7,430	(1,047)
Total OPEB Liability – Beginning	<u>43,483</u>	<u>44,530</u>
Total OPEB Liability - Ending	<u>\$ 50,913</u>	<u>\$ 43,483</u>
Covered-Employee Payroll (a)	\$ 656,774	\$ 639,196
Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.8%	6.8%

(a) Estimate provided by plan actuary using state-wide data and assumptions.

Amounts presented for each fiscal year were determined as of the prior June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

Significant Changes in Benefit Terms – None

Significant Changes in Assumptions – None other than reduction in discount rate from 3.87% to 3.50%

The Notes to the Financial Statements are an Integral Part of This Statement.