

*TOWN OF SOUTHWEST HARBOR, MAINE*

*FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR  
ENDED JUNE 30, 2023*

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**TABLE OF CONTENTS**

|  | <b>PAGE(S)</b> |
|--|----------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>  | 1-2            |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>  | 3-7            |
| <br>   |                |
| <b>EXHIBIT</b>   |                |
| <b><u>BASIC FINANCIAL STATEMENTS</u></b>   |                |
| <i>Government-wide Financial Statements</i>  |                |
| I Statement of Net Position  | 8              |
| II Statement of Activities   | 9              |
| <i>Governmental Fund Financial Statements</i>  |                |
| III Balance Sheet  | 10             |
| IV Statement of Revenue, Expenditures and Changes in Fund Balances                               | 11             |
| <i>Fiduciary Fund Financial Statements</i>   |                |
| V Statement of Fiduciary Net Position  | 12             |
| VI Statement of Changes in Fiduciary Net Position  | 13             |
| <br><i>Notes to the Financial Statements</i>   | <br>14-37      |
| <br>   |                |
| <b><u>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</u></b> |                |
| VII Budgetary Comparison Schedule - General Fund   | 38             |
| <i>Schedules of Historical Pension Information</i>   |                |
| VIII Schedule of Proportionate Share of Net Pension Liability                                    | 39             |
| IX Schedule of Employer Contributions  | 40             |
| <br><i>Notes to the Schedules of Historical Pension Information</i>                              | <br>41         |
| <br>   |                |
| <i>Schedules of Historical Other Post-Employment Benefit (OPEB) Information</i>                  |                |
| <i>Maine Municipal Employees Health Trust</i>  |                |
| X Schedule of Proportionate Share of Other Post-Employment Benefits Liability                    | 42             |
| XI Schedule of Other Post-Employment Benefits Employer Contributions                             | 43             |
| <i>Maine Education Association Benefits Trust</i>  |                |
| XII Schedule of Proportionate Share of Other Post-Employment Benefits Liability                  | 44             |
| XIII Schedule of Other Post-Employment Benefits Employer Contributions                           | 45             |
| <br><i>Notes to the Schedules of Historical OPEB Information</i>                                 | <br>46-47      |
| <br>   |                |
| <b><u>SUPPLEMENTARY INFORMATION</u></b>  |                |
| <i>General Fund</i>  |                |
| A-1 Schedule of Departmental Operations  | 48-49          |
| A-2 Schedule of Changes in General Unassigned Fund Balance                                       | 50             |
| A-3 Schedule of Reserve Funds  | 51-52          |
| <i>Special Revenue Funds</i>   |                |
| B-1 Schedule of Special Revenue Funds  | 53             |
| C-1 Schedule of Expenditures of Federal Awards   | 54             |

***INDEPENDENT AUDITOR'S REPORT***

Members of the Board of Selectmen  
Town of Southwest Harbor  
Southwest Harbor, ME 04679

***Report on the Audit of the Financial Statements***

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Southwest Harbor, Maine (the Town) as of and for the year ended June 30, 2023, including the related notes to the financial statements, as listed in the table of contents.

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 Southwest Harbor, Maine as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards we:

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

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension disclosure statements and other post-employment benefits disclosure statements on pages 3 through 7 and pages 38 - 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA  
July 3, 2024

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2023**

The management of the Town of Southwest Harbor, Maine (the Town) offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

*Net Position* – The assets of the Town exceeded its liabilities at the fiscal year ending June 30, 2023 by \$18,545,377 (presented as “net position”). Of this amount, \$4,714,671 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

*Changes in Net Position* – The Town's total net position increased by \$501,501 (a 2.8% increase) for the fiscal year ended June 30, 2023.

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the fiscal year ended June 30, 2023, the Town's governmental funds reported a combined ending fund balance of \$6,793,099, a decrease of \$108,551 in comparison with the prior year. Of this total fund balance, \$1,442,895 represents general unassigned fund balance. This unassigned fund balance represents approximately 13.2% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations increased \$295,730 (5.3%) during the current fiscal year. There was new debt issued during the year of \$814,596 for the Main St project and \$21,429 for capital lease on laptops. Existing debt obligations were retired according to schedule.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

**Government-wide Financial Statements**

The government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting and are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. They 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). The statement of net position includes all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt), with the difference between the two reported as net position. The statement of activities shows how the Town's net position changed during the year, regardless of the timing of related cash flows. The government-wide financial statements can be found on pages 8 - 9 of this report.

**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 fund financial statements include statements for two categories of activity – governmental funds and fiduciary funds.

The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance

provide a reconciliation to explain the differences between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 10 – 11 of this report.

The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements. The fiduciary fund financial statements can be found on pages 12 – 13 of this 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 the fund financial statements. The notes to the financial statements can be found on pages 14 – 37 of this report.

**Required Supplementary Information**

This section includes schedules of historical pension and other post-employment benefit information and a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary). Required supplementary information can be found on pages 38 –47 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

The largest portion of the Town’s net position (61.5%) reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets); 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.

|   | <i>Governmental<br/>Activities 2023</i> | <i>Governmental<br/>Activities 2022</i> |
|---|---|---|
| Current Assets  | \$ 8,075,918                            | \$ 7,621,604                            |
| Noncurrent Assets   | \$ 954,610                              | \$ 1,100,353                            |
| Capital Assets  | \$17,283,561                            | \$16,197,930                            |
| Deferred Outflows   | \$ 329,918                              | \$ 382,373                              |
| <i>Total Assets and Deferred Outflows</i>                       | \$26,644,007                            | \$25,302,260                            |
| Other Liabilities   | \$ 2,399,848                            | \$ 1,058,382                            |
| Long-Term Liabilities   | \$ 5,457,374                            | \$ 5,840,178                            |
| Deferred Inflows  | \$ 241,408                              | \$ 359,823                              |
| Net Position;   |   |   |
| Invested in Capital Assets                                      | \$11,398,327                            | \$10,638,427                            |
| Restricted  | \$ 2,432,379                            | \$ 1,940,486                            |
| Unrestricted  | \$ 4,714,671                            | \$ 5,464,963                            |
| <i>Total Liabilities, Deferred Inflows<br/>and Net Position</i> | \$26,644,007                            | \$25,302,260                            |

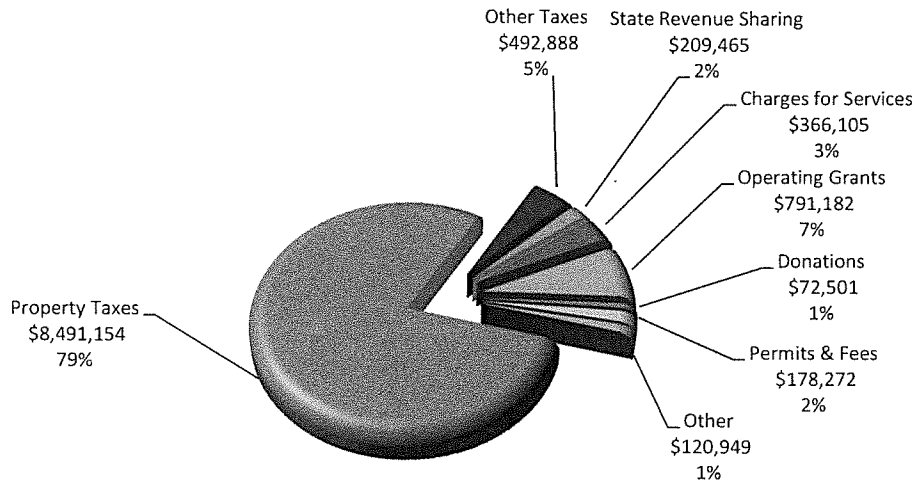
An additional portion of the Town’s net position (13.1%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (25.4%) may be used to meet the government’s ongoing obligations to citizens and creditors.

**Changes in Net Position**

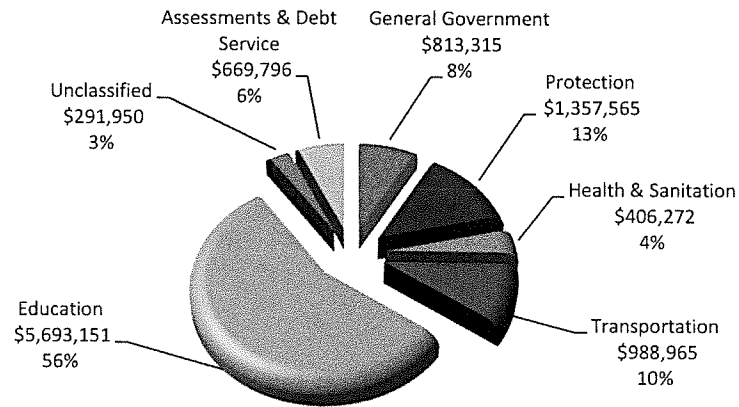
Governmental activities increased the Town’s net position by \$501,501. This increase was primarily due to conservative budgeting of revenues and the controlling of expenditures.

|                              | <i>Governmental Activities 2023</i> | <i>Governmental Activities 2022</i> |
|------------------------------|-------------------------------------|-------------------------------------|
| <i>Revenues;</i>             |                                     |                                     |
| Tax Revenues                 | \$ 8,984,042                        | \$ 8,895,719                        |
| Program Revenues             | \$ 1,157,287                        | \$ 1,259,755                        |
| Investments                  | \$ 118,274                          | \$ (18,866)                         |
| Revenue Sharing              | \$ 209,465                          | \$ 186,046                          |
| Donations                    | \$ 72,501                           | \$ 93,996                           |
| Permits & Fees               | \$ 178,272                          | \$ 157,123                          |
| Other                        | \$ 2,675                            | \$ 20,010                           |
| <i>Total Revenues</i>        | \$10,722,516                        | \$ 10,593,782                       |
| <i>Expenses;</i>             |                                     |                                     |
| General Government           | \$ 813,315                          | \$ 704,546                          |
| Protection                   | \$ 1,357,565                        | \$ 1,333,965                        |
| Health/Sanitation            | \$ 406,272                          | \$ 413,888                          |
| Transportation               | \$ 988,965                          | \$ 945,646                          |
| Education                    | \$ 5,693,151                        | \$ 5,353,011                        |
| Unclassified                 | \$ 291,950                          | \$ 301,739                          |
| Assessments and Debt Service | \$ 669,796                          | \$ 655,346                          |
| <i>Total Expenses</i>        | \$10,221,015                        | \$ 9,710,142                        |
| Changes in Net Position      | \$ 501,501                          | \$ 883,641                          |

**Revenues by Source - Governmental-Type**



## Expenditures by Source - Governmental-Type



### FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

#### Governmental Funds

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

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$6,793,099, a decrease of \$108,551 in comparison with the prior year. Approximately 21.2 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for new spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$122,738 positive variance in revenues. Tax revenues were under budget by \$6,838 mainly due to changes in unavailable tax revenue. Excise taxes, State Revenue Sharing, permits & fees and other revenues were under budget by \$8,052 mainly due to over budgeting dock and other revenue. Grants are over budget \$68,296 primarily due to ARPA grant. Plus investment earnings were over budget by \$69,332 due to better investment returns.
- \$115,022 positive variance in education expenditures which was reconciled to the school records.
- \$596,552 positive variance in highways and bridges. This is primarily due to Main St project still being in progress.
- \$62,926 negative variance in all other expenditures. This is due to conservative budgeting and controlled costs offset by usage of prior year reserves to cover costs.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The Town's investment in capital assets for its governmental activities amounts to \$33,608,149; net of accumulated depreciation of \$16,324,588, leaving a net book value of \$17,283,561. Current year additions include \$179,700 in school building improvements and equipment; \$18,835 for heat pumps; \$54,399 for building improvements; \$193,318 for new highway equipment; \$120,206 for new police department and dispatch equipment; \$28,358 for harbor improvements, \$89,994 for street lights, \$100,660 for fire truck and \$1,382,864 for road improvements, paving and Main St project work. There were



no current year retirements or impairments. Additional information on the Town's capital assets can be found in Note 4 of the notes to the financial statements on page 22 of this report.

**Debt**

The Town has total bonded debt outstanding of \$5,854,218 and \$31,016 of capital leases that are backed by the full faith and credit of the Town. Of this amount, the Southwest Harbor Water and Sewer District is responsible for \$954,610. The outstanding debt increased \$325,730 during the current fiscal year. The Town issued new debt obligations for the Main St project and a capital lease for laptops. Additional information on the Town's long-term debt can be found in Note 6 of the notes to the financial statements on pages 22 – 23 of this report.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Southwest Harbor, P.O. Box 745, Southwest Harbor, ME 04679.

TOWN OF SOUTHWEST HARBOR, MAINE  
STATEMENT OF NET POSITION  
JUNE 30, 2023

(Exhibit I)

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <u>Assets and Deferred Outflows</u>   |                                    |
| <u>Assets</u>   |                                    |
| <u>Current Assets:</u>  |                                    |
| Cash and Cash Equivalents   | \$4,187,681                        |
| Investments at Fair Market Value  | \$2,103,977                        |
| Accounts Receivable   | \$1,094,855                        |
| Inventory   | \$11,729                           |
| Property Taxes Receivable   | \$13,428                           |
| Tax Liens and Tax Acquired Property   | \$252,639                          |
| Beneficial Interest in Assets Held by ICMA  | \$29,902                           |
| Beneficial Interest in Assets Held by Maine Community Foundation (MCF)                | \$381,708                          |
| <u>Noncurrent Assets:</u>   |                                    |
| Receivable for long-term debt obligation from Southwest Harbor Water & Sewer District | \$954,610                          |
| <u>Capital Assets</u>   |                                    |
| Land  | \$461,164                          |
| Other Capital Assets, net of Accumulated Depreciation                                 | \$16,822,397                       |
| Total Capital Assets  | <u>\$17,283,561</u>                |
| <u>Total Assets</u>   | <u>\$26,314,089</u>                |
| <u>Deferred Outflows of Resources</u>   |                                    |
| Related to Pensions   | \$141,346                          |
| Related to Other Post-Employment Benefits   | \$188,572                          |
| <u>Total Deferred Outflows of Resources</u>   | <u>\$329,918</u>                   |
| <u>Total Assets and Deferred Outflows</u>   | <u>\$26,644,007</u>                |
| <u>Liabilities, Deferred Inflows and Net Position</u>                                 |                                    |
| <u>Liabilities</u>  |                                    |
| <u>Current Liabilities:</u>   |                                    |
| Obligation Under Contracted Salaries  | \$326,543                          |
| Accounts Payable  | \$762,546                          |
| <u>Long-Term Liabilities</u>  |                                    |
| Obligation Under Compensated Absences   | \$85,366                           |
| Net Pension Liability   | \$103,421                          |
| Net Other Post-Employment Benefits Liability  | \$694,112                          |
| <u>Capital Leases Payable</u>   |                                    |
| Due within one year   | \$15,260                           |
| Due in more than one year   | \$15,756                           |
| <u>Bonds and Notes Payable</u>  |                                    |
| Due within one year   | \$1,295,499                        |
| Due in more than one year   | \$4,558,719                        |
| <u>Total Liabilities</u>  | <u>\$7,857,222</u>                 |
| <u>Deferred Inflows of Resources</u>  |                                    |
| Related to Pensions   | \$45,561                           |
| Related to Post-Employment Benefits   | \$191,323                          |
| Property Taxes Collected in Advance   | \$4,524                            |
| <u>Total Deferred Inflows of Resources</u>  | <u>\$241,408</u>                   |
| <u>Net Position</u>   |                                    |
| Net Investment in Capital Assets  | \$11,398,327                       |
| Restricted  | \$2,432,379                        |
| Unrestricted  | \$4,714,671                        |
| <u>Total Net Position</u>   | <u>\$18,545,377</u>                |
| <u>Total Liabilities, Deferred Inflows and Net Position</u>                           | <u>\$26,644,007</u>                |

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

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

(Exhibit II)

| <u>Functions/Programs</u>            | <u>Expenses</u>     | <u>Program Revenues</u> |                  | <u>Net (Expense)</u>       |
|--------------------------------------|---------------------|-------------------------|------------------|----------------------------|
|                                      |                     | <u>Charges for</u>      | <u>Operating</u> | <u>Revenue and Changes</u> |
| <u>Primary Government</u>            |                     | <u>Services</u>         | <u>Grants</u>    | <u>in Net Position</u>     |
|                                      |                     |                         |                  | <u>Governmental</u>        |
|                                      |                     |                         |                  | <u>Activities</u>          |
| <u>Governmental Activities</u>       |                     |                         |                  |                            |
| General Government                   | \$813,315           | \$485                   |                  | (\$812,830)                |
| Protection                           | \$1,357,565         |                         |                  | (\$1,357,565)              |
| Health & Sanitation                  | \$406,272           | \$3,452                 |                  | (\$402,820)                |
| Transportation                       | \$988,965           | \$111,854               | \$86,820         | (\$790,290)                |
| Education                            | \$5,428,418         | \$77,374                | \$439,628        | (\$4,911,416)              |
| State On-Behalf Contributions        | \$264,733           |                         | \$264,733        | \$0                        |
| Unclassified                         | \$291,950           |                         |                  | (\$291,950)                |
| Assessments and Debt Service         | \$669,796           | \$172,939               |                  | (\$496,856)                |
| <u>Total Governmental Activities</u> | <u>\$10,221,015</u> | <u>\$366,105</u>        | <u>\$791,182</u> | <u>(\$9,063,728)</u>       |
| <u>Total Primary Government</u>      | <u>\$10,221,015</u> | <u>\$366,105</u>        | <u>\$791,182</u> | <u>(\$9,063,728)</u>       |
| <u>General Revenues</u>              |                     |                         |                  |                            |
| Tax Revenues                         |                     |                         |                  | \$8,476,370                |
| Excise Taxes                         |                     |                         |                  | \$492,888                  |
| State Revenue Sharing                |                     |                         |                  | \$209,465                  |
| Investment Earnings                  |                     |                         |                  | \$118,274                  |
| Interest on Delinquent Taxes         |                     |                         |                  | \$14,784                   |
| Donations                            |                     |                         |                  | \$72,501                   |
| Permits & Fees                       |                     |                         |                  | \$178,272                  |
| Other Revenues                       |                     |                         |                  | \$2,675                    |
| <u>Total Revenues and Transfers</u>  |                     |                         |                  | <u>\$9,565,229</u>         |
| <u>Changes in Net Position</u>       |                     |                         |                  | <u>\$501,501</u>           |
| <u>Net Position - Beginning</u>      |                     |                         |                  | <u>\$18,043,876</u>        |
| <u>Net Position - Ending</u>         |                     |                         |                  | <u>\$18,545,377</u>        |

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

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

(Exhibit III)

| <u>Assets</u>   | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Funds</u> | <u>Permanent<br/>Fund -<br/>Cemetery Trust</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|--------------------------------------|--|---|
| Cash and Cash Equivalents   | \$4,134,696             | \$52,985                             |  | \$4,187,681                             |
| Investments at Fair Market Value  | \$2,000,969             |                                      | \$103,008                                      | \$2,103,977                             |
| Accounts Receivable   | \$1,094,855             |                                      |  | \$1,094,855                             |
| Inventory   | \$11,729                |                                      |  | \$11,729                                |
| Due From Other Funds  |                         | \$29,879                             |  | \$29,879                                |
| Property Taxes Receivable   | \$13,428                |                                      |  | \$13,428                                |
| Tax Liens and Tax Acquired Property   | \$252,639               |                                      |  | \$252,639                               |
| Beneficial Interest in Assets Held by ICMA  | \$29,902                |                                      |  | \$29,902                                |
| Beneficial Interest in Assets Held by Maine<br>Community Foundation (MCF)   |                         | \$381,708                            |  | \$381,708                               |
| <u>Total Assets</u>   | <u>\$7,538,218</u>      | <u>\$464,572</u>                     | <u>\$103,008</u>                               | <u>\$8,105,798</u>                      |
| <u>Liabilities, Deferred Inflows &amp; Fund Balances</u>  |                         |                                      |  |   |
| <u>Liabilities:</u>   |                         |                                      |  |   |
| Obligation Under Contracted Salaries  | \$326,543               |                                      |  | \$326,543                               |
| Accounts Payable  | \$762,546               |                                      |  | \$762,546                               |
| Due to Other Funds  | \$29,879                |                                      |  | \$29,879                                |
| <u>Total Liabilities</u>  | <u>\$1,118,968</u>      | <u>\$0</u>                           | <u>\$0</u>                                     | <u>\$1,118,968</u>                      |
| <u>Deferred Inflows of Resources</u>  |                         |                                      |  |   |
| Property Taxes Collected in Advance   | \$4,524                 |                                      |  | \$4,524                                 |
| Unavailable Property Tax Revenue  | \$189,207               |                                      |  | \$189,207                               |
| <u>Total Deferred Inflows of Resources</u>  | <u>\$193,731</u>        | <u>\$0</u>                           | <u>\$0</u>                                     | <u>\$193,731</u>                        |
| <u>Fund Balance:</u>  |                         |                                      |  |   |
| Nonspendable  | \$11,729                |                                      |  | \$11,729                                |
| Restricted  | \$1,956,078             | \$464,572                            |  | \$2,420,650                             |
| Committed   | \$2,753,708             |                                      |  | \$2,753,708                             |
| Assigned  | \$61,109                |                                      | \$103,008                                      | \$164,117                               |
| Unassigned  | \$1,442,895             |                                      |  | \$1,442,895                             |
| <u>Total Fund Balances</u>  | <u>\$6,225,519</u>      | <u>\$464,572</u>                     | <u>\$103,008</u>                               | <u>\$6,793,099</u>                      |
| <u>Total Liabilities, Deferred Inflows &amp; Fund Balances</u>  | <u>\$7,538,218</u>      | <u>\$464,572</u>                     | <u>\$103,008</u>                               | <u>\$8,105,798</u>                      |
| <u>Total Fund Balance - Governmental Funds</u>  |                         |                                      |  | \$6,793,099                             |
| <i>Net position reported for governmental activities in the statement of net position is different because:</i>   |                         |                                      |  |   |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds  |                         |                                      |  | \$17,283,561                            |
| Deferred outflows of resources related to pension plans and other post-employment benefits  |                         |                                      |  | \$329,918                               |
| Deferred inflows of resources related to pension plans and other post-employment benefits   |                         |                                      |  | (\$236,884)                             |
| Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are reported as deferred revenue (a liability) in governmental funds |                         |                                      |  | \$189,207                               |
| Some liabilities are not due and payable in the current period and therefore, are not reported in the funds, including:   |                         |                                      |  |   |
| Bonds Payable, net of receivable  |                         |                                      |  | (\$4,899,608)                           |
| Capital Leases Payable  |                         |                                      |  | (\$31,016)                              |
| Compensated Absences  |                         |                                      |  | (\$85,366)                              |
| Net Pension and Other Post-Employment Benefits Liabilities  |                         |                                      |  | (\$797,533)                             |
| <u>Net Position of Governmental Activities</u>  |                         |                                      |  | <u>\$18,545,377</u>                     |

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

TOWN OF SOUTHWEST HARBOR, MAINE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Exhibit IV)  
(Page 1 of 2)

|   | General<br>Fund     | Special<br>Revenue<br>Funds | Debt<br>Service<br>Fund | Permanent<br>Fund -<br>Cemetery Trust | Total<br>Governmental<br>Funds |
|---|---------------------|-----------------------------|-------------------------|---------------------------------------|--------------------------------|
| <u>Revenues:</u>  |                     |                             |                         |                                       |                                |
| Tax Revenues  | \$8,457,172         |                             |                         |                                       | \$8,457,171.62                 |
| Intergovernmental   |                     |                             | \$172,939               |                                       | \$172,939.42                   |
| Local Road Assistance   | \$18,524            |                             |                         |                                       | \$18,524.00                    |
| Excise Taxes  | \$492,888           |                             |                         |                                       | \$492,888.24                   |
| State Revenue Sharing   | \$209,465           |                             |                         |                                       | \$209,464.65                   |
| State On-Behalf Contributions   | \$264,733           |                             |                         |                                       | \$264,733.34                   |
| Investment Earnings (Losses)  | \$91,331            | \$26,033                    |                         | \$910                                 | \$118,273.96                   |
| Interest on Delinquent Taxes  | \$14,784            |                             |                         |                                       | \$14,784.39                    |
| Docks & Floats  | \$111,854           |                             |                         |                                       | \$111,854.38                   |
| Solid Waste Revenue   | \$3,452             |                             |                         |                                       | \$3,452.20                     |
| Donations   |                     | \$72,501                    |                         |                                       | \$72,500.60                    |
| Permits & Fees  | \$178,272           |                             |                         |                                       | \$178,272.18                   |
| Grant Revenues  | \$68,296            |                             |                         |                                       | \$68,296.40                    |
| Other Revenues  | \$3,160             |                             |                         |                                       | \$3,160.23                     |
| <u>Total Revenues</u>   | <u>\$9,913,932</u>  | <u>\$98,534</u>             | <u>\$172,939</u>        | <u>\$910</u>                          | <u>\$10,186,316</u>            |
| <u>Expenditures (Net of Governmental Revenues):</u>   |                     |                             |                         |                                       |                                |
| <u>Current:</u>   |                     |                             |                         |                                       |                                |
| General Government  | \$732,317           | \$63,634                    |                         |                                       | \$795,952                      |
| Protection  | \$1,239,510         | \$271                       |                         |                                       | \$1,239,781                    |
| Health & Sanitation   | \$406,272           |                             |                         |                                       | \$406,272                      |
| Transportation  | \$429,017           |                             |                         |                                       | \$429,017                      |
| Education   | \$4,708,325         |                             |                         |                                       | \$4,708,325                    |
| State On-Behalf Contributions   | \$264,733           |                             |                         |                                       | \$264,733                      |
| Unclassified  | \$276,679           |                             |                         | \$767                                 | \$277,446                      |
| Assessments and Debt Service  | \$861,407           |                             | \$172,939               |                                       | \$1,034,347                    |
| <u>Capital Outlay, net of Retirements</u>   | <u>\$1,975,016</u>  |                             |                         |                                       | <u>\$1,975,016</u>             |
| <u>Total Expenditures</u>   | <u>\$10,893,279</u> | <u>\$63,905</u>             | <u>\$172,939</u>        | <u>\$767</u>                          | <u>\$11,130,890</u>            |
| <u>Excess Revenues Over Expenditures</u>  | <u>(\$979,346)</u>  | <u>\$34,629</u>             | <u>\$0</u>              | <u>\$143</u>                          | <u>(\$944,575)</u>             |
| <u>Other Financing Sources (Uses):</u>  |                     |                             |                         |                                       |                                |
| Bond Proceeds   | \$836,024           |                             |                         |                                       | \$836,024                      |
| <u>Total Other Financing Sources (Uses)</u>   | <u>\$836,024</u>    | <u>\$0</u>                  | <u>\$0</u>              | <u>\$0</u>                            | <u>\$836,024</u>               |
| <u>Excess Revenues and Other Sources<br/>Over Expenditures and Other Uses</u>   | <u>(\$143,322)</u>  | <u>\$34,629</u>             | <u>\$0</u>              | <u>\$143</u>                          | <u>(\$108,551)</u>             |
| <u>Beginning Fund Balances</u>  | <u>\$6,368,841</u>  | <u>\$429,943</u>            | <u>\$0</u>              | <u>\$102,865</u>                      | <u>\$6,901,649</u>             |
| <u>Ending Fund Balances</u>   | <u>\$6,225,519</u>  | <u>\$464,572</u>            | <u>\$0</u>              | <u>\$103,008</u>                      | <u>\$6,793,099</u>             |
| <u>Reconciliation to Statement of Activities, change in Net Position</u>  |                     |                             |                         |                                       |                                |
| Net Change in Fund Balances - Above   |                     |                             |                         |                                       | (\$108,551)                    |
| Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are recorded as deferred revenue (a liability) in governmental funds   |                     |                             |                         |                                       | \$19,199                       |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:   |                     |                             |                         |                                       |                                |
| Compensated Absences  |                     |                             |                         |                                       | \$4,357                        |
| Pension Plan (Deferred Outflows, Net Liability, Deferred Inflows)   |                     |                             |                         |                                       | \$4,880                        |
| Other Post-Employment Benefits (Deferred Outflows, Net Liability, Deferred Inflows)   |                     |                             |                         |                                       | (\$32,541)                     |
| Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position |                     |                             |                         |                                       |                                |
| This amount represents long-term debt proceeds  |                     |                             |                         |                                       | (\$836,024)                    |
| This amount represents long-term debt for water and sewer long-term receivable  |                     |                             |                         |                                       | (\$145,743)                    |
| This amount represents long-term debt payments  |                     |                             |                         |                                       | \$510,294                      |
| Governmental funds report capital outlays as expenditures, while in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. The following is the capital expenditure activity:  |                     |                             |                         |                                       |                                |
| Capital Outlay, net of retirements  |                     |                             |                         |                                       | \$1,975,016                    |
| Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds  |                     |                             |                         |                                       | (\$889,386)                    |
| <u>Changes in Net Position of Governmental Activities</u>   |                     |                             |                         |                                       | <u>\$501,501</u>               |

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

TOWN OF SOUTHWEST HARBOR, MAINE  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2023

(Exhibit V)

|                                  | <u>Dickey<br/>Fund</u> | <u>Agency Fund<br/>General<br/>Trust</u> | <u>Total<br/>Fiduciary<br/>Funds</u> |
|----------------------------------|------------------------|--|--------------------------------------|
| <u>Assets</u>                    |                        |  |                                      |
| Investments at Fair Market Value | \$61,833               | \$82,368                                 | \$144,201                            |
| <u>Total Assets</u>              | <u>\$61,833</u>        | <u>\$82,368</u>                          | <u>\$144,201</u>                     |
| <u>Net Position</u>              |                        |  |                                      |
| Unrestricted                     | \$61,833               | \$82,368                                 | \$144,201                            |
| <u>Total Net Position</u>        | <u>\$61,833</u>        | <u>\$82,368</u>                          | <u>\$144,201</u>                     |

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

TOWN OF SOUTHWEST HARBOR, MAINE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Exhibit VI)

|                               | <u>Dickey<br/>Fund</u> | <u>Agency Fund<br/>General<br/>Trust</u> | <u>Total<br/>Fiduciary<br/>Funds</u> |
|-------------------------------|------------------------|--|--------------------------------------|
| <u>Additions</u>              |                        |  |                                      |
| Investment Earnings           | \$5,184                | \$6,871                                  | \$12,055                             |
| <u>Total Additions</u>        | <u>\$5,184</u>         | <u>\$6,871</u>                           | <u>\$12,055</u>                      |
| <u>Reductions</u>             |                        |  |                                      |
| Fees                          | \$439                  | \$581                                    | \$1,020                              |
| <u>Total Reductions</u>       | <u>\$439</u>           | <u>\$581</u>                             | <u>\$1,020</u>                       |
| <u>Change in Net Position</u> | \$4,745                | \$6,290                                  | \$11,035                             |
| <u>Beginning Net Position</u> | <u>\$57,088</u>        | <u>\$76,078</u>                          | <u>\$133,166</u>                     |
| <u>Ending Net Position</u>    | <u>\$61,833</u>        | <u>\$82,368</u>                          | <u>\$144,201</u>                     |

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

TOWN OF SOUTHWEST HARBOR, MAINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Southwest Harbor, Maine (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the governmental accounting and financial reporting principles. The more significant of the Town's accounting principles are described below.

A. Financial Reporting Entity

The accompanying financial statements present the government of the Town of Southwest Harbor, Maine, which is identified based upon the criteria identified in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The Town is governed under a Town Manager/Selectmen form of government. The Town engages in a comprehensive range of municipal services, including administrative services, police and fire protection, health and sanitation, highways and bridges and education. The financial statements include all operations of the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and the appointment of the respective governing board.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Fiduciary activities, whose resources are not available to finance the Town's programs are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recognized when transactions occur and expenses and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports unavailable revenue on its governmental fund financial statements. Unavailable revenues arise when a potential



revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unavailable revenue is removed from the balance sheet and the revenue is recognized.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The capital projects fund is used to account for financial resources to be used for the acquisition of construction of major capital assets or facilities. A capital projects fund is usually established when the acquisition or construction of the capital project extends beyond a single fiscal year and the capital asset is financed by specifically designated resources, such as general obligation bonds and grants.

The debt service fund is used to account for financial resources to be used for payment of debt service of the Town that is to be retired by funding from the Southwest Harbor Water & Sewer District (the District). Resources obtained for loan repayments from the District for debt service payments are presented as Intergovernmental revenues.

Permanent funds are used to account for assets held in perpetuity and therefore cannot be used to support the Town's own programs, but the investment earnings may be used for designated purposes.

Additionally, the Town reports the following fund types:

Private purpose trust funds account for monies held in trust by the Town, the investment earnings from which may only be used for the operation of the program.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

#### D. Assets, Liabilities and Net Position or Fund Equity

##### Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. These investments are not specifically identified with any one fund.

The Town may invest in certificates of deposit, in time deposits, and in any securities in which State of Maine Statutes authorize them to invest in.

Investments are carried at fair market value. Income from investments held by the individual funds are recorded in the respective funds as it is earned.

##### Accounts Receivable and Payable

All material receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented

by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

#### Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are accounted for using the consumption method. Under this method, inventories are recorded as expenditures when used rather than when purchased. Inventory in the School Lunch Program consists of food, supplies and U.S.D.A. Donated Commodities. Inventories in the General Fund consist of gas and diesel for town vehicles and equipment.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The prepayments are charged to expenditures on the governmental fund financial statements over the period of their economic benefit. Amounts of governmental fund inventories are offset by a fund balance reserve account to indicate that they do not represent "available spending resources".

#### Capital Assets

Capital assets, which property, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>  | <u>Years</u> |
|----------------|--------------|
| Buildings      | 50           |
| Infrastructure | 10-50        |
| Equipment      | 4-20         |

#### Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet will report a separate section for deferred outflows and/or inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until then. Deferred inflows or resources represent and acquisition of net position that applies to future period(s) and therefore will not be recognized as revenue until that time. The Town has two items that qualify as deferred outflows of resources, and it has three items that qualify as deferred inflows. All are related to pensions and other post-employment benefits, other than a deferred inflow for property taxes received in advance. These amount are considered unavailable and will be recognized as an outflow of resources (expenditure) and an inflow of resources (revenues) in the period that the amounts become available.

#### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (System) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recognized when incurred.

#### Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Maine Education Association Benefits Trust

(MEABT) and the Maine Municipal Employees Health Trust (MMEHT) and additions to / deductions from MEABT's and MMEHT's fiduciary net position have been determined on the same basis as they are reported by MEABT and MMEHT, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred.

Interfund Activities

During the course of normal operations, the Town has various transactions between funds, including transfers of revenues and expenditures. The accompanying governmental fund financial statements reflect such activities as operating transfers.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on length of service. Vacation pay is cumulative to 25 days and sick leave is cumulative to 60 days. Unused vacation days are payable to employees upon termination of employment after one year's employment. Employees shall receive pay of twenty five percent (25%) of any accumulated sick time upon termination after ten (10) years of continuous service. The value of the unpaid vacation pay and sick pay has been recorded on the government-wide financial statements as compensated absences. School Department employees are granted compensated leave as per their negotiated contracts.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

Governmental Fund Balances

The Town has identified June 30, 2023 fund balances on the balance sheet as follows:

|  | <u>General<br/>Fund</u> | <u>Special Revenue<br/>Fund</u> | <u>Permanent<br/>Fund</u> | <u>Total</u> |
|--|-------------------------|---------------------------------|---------------------------|--------------|
| <u>Nonspendable</u>                      |                         |                                 |                           |              |
| Gas/Oil Inventory                        | \$10,280                |                                 |                           | \$10,280     |
| School Lunch Inventory                   | \$1,448                 |                                 |                           | \$1,448      |
| <u>Restricted</u>                        |                         |                                 |                           |              |
| School Department                        | \$991,520               |                                 |                           | \$991,520    |
| Restriction Due to Non-Current Assets    | \$500,177               |                                 |                           | \$500,177    |
| Conservation Commission                  |                         | \$403,963                       |                           | \$403,963    |
| Conservation Commission - Future Project |                         | \$39,595                        |                           | \$39,595     |
| Police Reserves                          |                         | \$1,135                         |                           | \$1,135      |
| State Revenue Sharing                    | \$267,007               |                                 |                           | \$267,007    |
| Bond Reserve Fund                        | \$197,154               |                                 |                           | \$197,154    |
| ARPA Grant                               | \$219                   |                                 |                           | \$219        |
| Safe Routes to School Grant              |                         | \$9,886                         |                           | \$9,886      |
| Trail Grant                              |                         | \$4,276                         |                           | \$4,276      |
| Septic Tank Grant                        |                         | \$131                           |                           | \$131        |
| Wellness Grant                           |                         | \$125                           |                           | \$125        |
| Harbor Grant                             |                         | \$5,460                         |                           | \$5,460      |

Committed

|                                       |             |  |             |
|---------------------------------------|-------------|--|-------------|
| School HRA Deductible Reserve         | \$58,073    |  | \$58,073    |
| School Maintenance Reserve            | \$55,156    |  | \$55,156    |
| School Bus Purchase Reserve           | \$33,235    |  | \$33,235    |
| School Special Education Reserve      | \$306,617   |  | \$306,617   |
| School Playground Maintenance Reserve | \$75,000    |  | \$75,000    |
| Legal & Accounting Reserve            | \$27,583    |  | \$27,583    |
| School Crossing Lights/Maintenance    | \$19,539    |  | \$19,539    |
| Water/Sewer Infrastructure            | \$163,047   |  | \$163,047   |
| Comprehensive Plan Committee          | \$14,826    |  | \$14,826    |
| Unemployment Reserve                  | \$4,390     |  | \$4,390     |
| Rhoades Park                          | \$9,778     |  | \$9,778     |
| HRA Insurance Reserve                 | \$31,001    |  | \$31,001    |
| SWH Historic Cemetery Reserve         | \$1,365     |  | \$1,365     |
| Shellfish Reserve                     | \$7,528     |  | \$7,528     |
| Contract Snow Removal                 | \$5,350     |  | \$5,350     |
| Highway Small Projects                | (\$18,040)  |  | (\$18,040)  |
| Culvert Replacement                   | \$18,762    |  | \$18,762    |
| Salt & Sand Reserve                   | \$342       |  | \$342       |
| Paving/Town Highway                   | \$66,670    |  | \$66,670    |
| General Assistance                    | \$11,565    |  | \$11,565    |
| Records Preservation                  | \$11,700    |  | \$11,700    |
| Map Update                            | \$1,488     |  | \$1,488     |
| Police Recruitment                    | \$37,338    |  | \$37,338    |
| Fire Equipment Emergency Repair       | \$7,519     |  | \$7,519     |
| Property Revaluation Reserve          | \$92,500    |  | \$92,500    |
| CIP Funds (see Exhibit A-3)           | \$1,711,376 |  | \$1,711,376 |

Assigned

|                             |          |           |           |
|-----------------------------|----------|-----------|-----------|
| Wage/Benefit                | \$15,605 |           | \$15,605  |
| Abatement                   | \$9,060  |           | \$9,060   |
| Professional Development    | \$187    |           | \$187     |
| Dare Program                | \$1,000  |           | \$1,000   |
| Junior Fire Department      | \$30     |           | \$30      |
| Police Drug Enforcement     | \$14,534 |           | \$14,534  |
| Police Department Donations | \$7,642  |           | \$7,642   |
| Swap Shop                   | \$364    |           | \$364     |
| Fire Department Donations   | \$5,700  |           | \$5,700   |
| Highway Truck Repair        | \$6,986  |           | \$6,986   |
| Cemetery Trust              |          | \$103,008 | \$103,008 |

Unassigned

|             |  |  |             |
|-------------|--|--|-------------|
| \$1,442,895 |  |  | \$1,442,895 |
|-------------|--|--|-------------|

Total Fund Balances

|                    |                  |                  |                    |
|--------------------|------------------|------------------|--------------------|
| <u>\$6,225,519</u> | <u>\$464,572</u> | <u>\$103,008</u> | <u>\$6,793,099</u> |
|--------------------|------------------|------------------|--------------------|

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the Town classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Town through formal action at the highest level of decision making authority and does not lapse at the end of the year.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned - includes positive fund balance amounts within the general fund which has not been classified within the above mentioned categories and negative fund balance amounts in other governmental funds.

The Town considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

The Board of Selectmen are authorized to make assignments pursuant to their appointment. Committed fund balances are determined based on the need of town meeting votes.

#### Net Position

Net position are required to be classified into three components - net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted* - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$2,432,379 of restricted net position, of which enabling legislation restricts \$0.

*Unrestricted* - This component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

#### E. Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with GAAP. Budgetary control is exercised at the town manager and selectmen level, with support from individual department heads. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

#### F. Endowments

Included in the General Fund, there are established endowment funds of \$54,570 for the Catherine Johnson Trust Fund. The investment earnings of this fund is used for the specific purposes that the funds were established for and shall be paid out by order of those persons responsible for administering the funds. State law directs that, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established.

#### G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Note 2 - Deposits and Investments

##### Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town's deposit policy for custodial credit risk requires compliance with the provisions authorized by Maine State Statutes. The Town requires that, at the time funds are deposited, there is collateral in place to cover the deposits in excess of the FDIC insurance limits.

State Statutes require banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the Town in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

The financial institution holding the Town's cash accounts is participating in the FDIC Program. For time and savings deposit accounts, the Town's savings accounts, including certificates of deposit, are insured up to \$250,000 by the FDIC. Separately, for demand deposit accounts, the Town's cash accounts, including checking and money market accounts, are insured up to \$250,000 by the FDIC. Any cash deposits in excess of the \$250,000 FDIC limits are not covered by collateral and thus, custodial credit risk could exist. In order to protect deposits in excess of the \$250,000 FDIC limits, the bank has pledged additional collateral to cover deposits in excess of the \$250,000 FDIC limits and is adjusted daily based on bank activity in the Town accounts.

At year end, the carrying value of the Town's deposits was \$4,187,381 and the bank balance was \$4,245,164. The Town has no uninsured and uncollateralized deposits as of June 30, 2023.

### Investments

Investments are separated into short-term and long-term categories. All short-term investments are held in an investment account containing money market mutual funds. Long-term investments are held in an investment account that is invested in equity stocks, bond funds and government securities. All short-term and long-term investments are recorded based on level 1 inputs and measured on a recurring basis.

|                              | <u>Governmental<br/>Fund</u> | <u>Fiduciary<br/>Fund</u> |
|------------------------------|------------------------------|---------------------------|
| Short-Term Investments       |                              |                           |
| Cash and Money Market Funds  | \$2,009,167                  | \$10,054                  |
| Fixed Income                 |                              | \$0                       |
| Total Short-Term Investments | <u>\$2,009,167</u>           | <u>\$10,054</u>           |
| Long-Term Investments        |                              |                           |
| Equity Securities            |                              | \$88,272                  |
| Fixed Income                 | \$94,810                     | \$45,875                  |
| Total Long-Term Investments  | <u>\$94,810</u>              | <u>\$134,146</u>          |

The long-term investments are managed by a broker to maximize long-term gain while minimizing volatility. These investments are maintained to protect deposits in excess of the FDIC limits. Additionally, a portion is maintained as private purpose trust funds to be used for the operation of the respective program.

|                                     | <u>Governmental<br/>Fund</u> | <u>Fiduciary<br/>Fund</u> |
|-------------------------------------|------------------------------|---------------------------|
| Investment returns were as follows: |                              |                           |
| Investment Income (Loss)            | <u>\$6,903</u>               | <u>\$12,055</u>           |

### Return Objectives

Assets are to be invested to provide sufficient growth in the form of total return from dividends, income, earnings and price appreciation to meet the Town's requirements and to maintain a balance within the investment account for future availability as directed by each fund.

### Risk Parameters

To meet the stated objectives, the Town's portfolio is divided between a fixed income and an equity position in order to provide a steady and consistent level of income as well as produce long-term appreciation of principal. The allocation of holdings should reasonably attempt to reduce overall portfolio volatility.

### Fair Value

Certain assets are recorded at fair value to provide additional insight into the Town's financial position. These certain assets are measured on a recurring basis. Assets are grouped in three levels, based on the markets in which the assets are traded and the

reliability of the assumptions used to determine value. A brief description of each follows:

- Level 1 - Valuation is based on quoted prices for identical instruments in active markets.
- Level 2 - Valuation is based on quoted prices for similar instruments or on prices determined
- Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market.

Fair values of assets at June 30, 2023 measured on a recurring basis are as follows:

|  | 2023        | Fair Value of Measurements Using |           |           |
|--|-------------|----------------------------------|-----------|-----------|
|  | Fair Value  | Level I                          | Level II  | Level III |
| Investments by fair value level        |             |                                  |           |           |
| Cash and money market funds            | \$2,019,221 | \$2,019,221                      |           |           |
| Equity Securities                      |             |                                  |           |           |
| Mutual funds and exchange-traded funds | \$88,272    | \$88,272                         |           |           |
| Total Equity Securities                | \$88,272    | \$88,272                         | \$0       | \$0       |
| Fixed Income Funds                     |             |                                  |           |           |
| Bond Funds                             | \$140,685   |                                  | \$140,685 |           |
|  | \$140,685   | \$0                              | \$140,685 | \$0       |
| Total                                  | \$2,248,178 | \$2,107,493                      | \$140,685 | \$0       |

Investments - Funds held by Community Foundation

The Town has transferred assets to the Maine Community Foundation (MCF) which is holding them as an invested special revenue fund (Fund) for the benefit of the Town's Conservation Commission. The purpose of these asset transfers is for the MCF to invest the assets and generate income to be distributed to the Town under the guidelines of the agreement. Variance power was granted to the MCF. The Board of Directors of the MCF shall have the power to modify, consistent with state law, including seeking approval of the appropriate court or Attorney General, where applicable, any restriction or condition on the distribution of funds for any specified organization if, in the sole judgment of the Board, (without the necessity of the approval of any participating trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

The aggregate amount of cumulative transfers plus related earnings recognized in the statement of financial position at June 30, 2023 was \$381,708.

The Town reports the fair value of the Fund as a beneficial interest in assets in the Special Revenue Funds - Governmental Funds. Changes in the Fund for the year ended June 30, 2023 are as follows:

|                                     |                  |
|-------------------------------------|------------------|
| <u>Balance at July 1:</u>           | \$362,645        |
| Additional amounts invested in fund | \$15,000         |
| Share of appreciation of Fund       | \$25,258         |
| Share of expenses of Fund           | (\$6,195)        |
| Grants & Scholarships Distributed   | (\$15,000)       |
| <u>Balance at June 30:</u>          | <u>\$381,708</u> |

Note 3 - Property Taxes

Property taxes were assessed on April 1, 2022 and committed on July 1, 2022. Interest of 4.0% per annum is charged on delinquent taxes. Tax liens are recorded on property taxes remaining unpaid twelve months after the commitment date. Tax liens unpaid for a period of eighteen months expire and the property becomes tax acquired by the Town. For governmental funds, only property taxes which are intended to finance the current fiscal year and collected within 60 days subsequent to year-end are recorded as revenue. Accordingly, \$189,207 of the property taxes receivable have been classified as unavailable property tax revenue on the general fund balance sheet.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| <u>Governmental Activities:</u>                     |                              |                    |                  |                           |
| <u>Capital assets not being depreciated</u>         |                              |                    |                  |                           |
| Land  | \$461,164                    |                    |                  | \$461,164                 |
| <u>Capital assets being depreciated</u>             |                              |                    |                  |                           |
| Land Improvements                                   | \$594,759                    |                    |                  | \$594,759                 |
| Buildings   | \$8,523,056                  | \$225,099          |                  | \$8,748,155               |
| Equipment   | \$3,885,432                  | \$367,053          |                  | \$4,252,485               |
| Infrastructure                                      | \$18,168,722                 | \$1,382,864        |                  | \$19,551,586              |
| <u>Total capital assets being depreciated</u>       | <u>\$31,171,969</u>          | <u>\$1,975,016</u> | <u>\$0</u>       | <u>\$33,146,985</u>       |
| <u>Less accumulated depreciation for</u>            |                              |                    |                  |                           |
| Land Improvements                                   | \$333,585                    | \$29,552           |                  | \$363,137                 |
| Buildings   | \$3,477,608                  | \$187,931          |                  | \$3,665,539               |
| Equipment   | \$2,531,532                  | \$209,017          |                  | \$2,740,549               |
| Infrastructure                                      | \$9,092,531                  | \$462,832          |                  | \$9,555,363               |
| <u>Total accumulated depreciation</u>               | <u>\$15,435,256</u>          | <u>\$889,332</u>   | <u>\$0</u>       | <u>\$16,324,588</u>       |
| <u>Net capital assets being depreciated</u>         | <u>\$15,736,713</u>          | <u>\$1,085,684</u> | <u>\$0</u>       | <u>\$16,822,397</u>       |
| <u>Governmental Activities, Capital Assets, net</u> | <u>\$16,197,876</u>          | <u>\$1,085,684</u> | <u>\$0</u>       | <u>\$17,283,561</u>       |

Depreciation expense was charged to functions/programs of the primary government as follows;

Governmental Activities

|   |                  |
|---|------------------|
| General Government  | \$10,659         |
| Protection  | \$124,021        |
| Education   | \$175,718        |
| Transportation, including depreciation of general infrastructure assets | \$564,430        |
| Unclassified  | \$14,504         |
| <u>Total Depreciation Expense - Governmental Activities</u>             | <u>\$889,332</u> |

Note 5 - Interfund Balances and Activity

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. They are classified as Due from Other Funds, with an offsetting payable classified as Due to Other Funds. At June 30, 2023, individual fund interfund receivable and payable balances consisted of the following:

|                 | <u>Due to</u>   | <u>Due from</u> |
|-----------------|-----------------|-----------------|
| General Fund    | \$29,879        |                 |
| Special Revenue |                 | \$29,879        |
|                 | <u>\$29,879</u> | <u>\$29,879</u> |

The change in the balance of the accounts during the current fiscal year represents cash activity for the special revenue funds. Monies are held in the General Fund for ease of investing and disbursements. This fund has sufficient liquid assets to retire the interfund balances at any given time.

Note 6 - Long-Term Debt

The following is a summary of the Town's long-term debt transactions for the year ended June 30, 2023:

|   |                    |
|---|--------------------|
| <u>Long-Term Debt payable at July 1:</u>  | \$5,559,504        |
| Long-Term Debt proceeds                   | \$836,024          |
| Long-Term Debt retired                    | (\$510,294)        |
| <u>Long-Term Debt payable at June 30:</u> | <u>\$5,885,234</u> |



| <u>Purpose</u>  | <u>Dated</u> | <u>Principal Payment</u> | <u>Interest Rate</u> | <u>Balance</u> |
|---|--------------|--------------------------|----------------------|----------------|
| <b>General Long-Term Debt</b>   |              |                          |                      |                |
| <u>New Fire Station</u><br>Maine Municipal Bond Bank  | 5/26/2005    | \$44,000                 | 4.75%                | \$352,000      |
| <u>Wesley Ave/Mansell Lane Project - Town</u>   | 10/28/2010   | Varies                   | 0.831%-5.094%        | \$390,916      |
| <u>Wesley Ave/Mansell Lane Project - Town Water</u>   | 10/28/2010   | Varies                   | 0.831%-5.094%        | \$189,380      |
| <u>Wesley Ave/Mansell Lane Project - Town Sewer</u><br>Maine Municipal Bond Bank                  | 10/28/2010   | Varies                   | 0.831%-5.094%        | \$174,806      |
| <u>Water Department Water Tank - Town Water</u><br>Maine Municipal Bond Bank                      | 9/5/2012     | \$18,569                 | 0.00%                | \$352,819      |
| <u>Main Street Project - Town</u>   | 10/24/2013   | \$39,000                 | 0.45%-4.57%          | \$429,000      |
| <u>Main Street Project - Town Water</u>   | 10/24/2013   | \$35,778                 | 0.45%-4.57%          | \$524,468      |
| <u>Main Street Project - Town Sewer</u><br>Maine Municipal Bond Bank                              | 10/24/2013   | \$19,911                 | 0.45%-4.57%          | \$257,998      |
| <u>Infrastructure Project</u><br>Maine Municipal Bond Bank  | 5/24/2018    | \$75,451                 | 1.92%-3.85%          | \$1,207,220    |
| <u>Infrastructure Project</u><br>Maine Municipal Bond Bank  | 5/23/2019    | \$12,142                 | 1.72%-3.67%          | \$206,406      |
| <u>Main St Project</u><br>The First   | 11/15/2022   | Varies                   | 5.19%                | \$814,596      |
| <u>School Department Copier Finance Agreement</u>   | 8/1/2019     | Varies                   | 3.95%                | \$9,587        |
| <u>School Department Laptop Finance Agreement</u><br>MST Government Leasing                       | 8/1/2019     | Varies                   | 3.95%                | \$21,429       |
| <b>Town debt to be retired by funds received from Southwest Harbor Water &amp; Sewer District</b> |              |                          |                      |                |
| <u>Sewer Bond:</u><br>Maine Municipal Bond Bank   | 10/28/2010   | \$53,805                 | 2.0%-5.5%            | \$562,160      |
| <u>Water Bond</u><br>Maine Municipal Bond Bank  | 10/28/2010   | Varies                   | 2.0%-5.5%            | \$167,907      |
| <u>Drinking Water</u><br>Maine Municipal Bond Bank  | 7/21/2009    | \$12,404                 | 0.00%                | \$80,626       |
| <u>Drinking Water</u><br>Maine Municipal Bond Bank  | 7/21/2009    | \$22,141                 | 0.00%                | \$143,917      |
|   |              |                          |                      | \$5,885,234    |

Annual debt service requirements to maturity, including estimated interest are as follows:

| <u>Year</u>   | <u>Governmental Activities</u> |                 |              |
|---------------|--------------------------------|-----------------|--------------|
|               | <u>Principal</u>               | <u>Interest</u> | <u>Total</u> |
| 2024          | \$1,310,759                    | \$171,342       | \$1,482,101  |
| 2025          | \$499,422                      | \$119,145       | \$618,568    |
| 2026          | \$482,212                      | \$109,389       | \$591,601    |
| 2027          | \$431,968                      | \$99,598        | \$531,566    |
| 2028          | \$435,342                      | \$94,300        | \$529,642    |
| 2029-2033     | \$1,805,252                    | \$240,011       | \$2,045,263  |
| 2034-2038     | \$746,266                      | \$67,870        | \$814,136    |
| 2039-2042     | \$174,012                      | \$2,349         | \$176,361    |
| <b>Totals</b> | \$5,885,234                    | \$904,004       | \$6,789,238  |

**Note 7 - Obligation Under Contracted Salaries**

The Southwest Harbor School Department's teaching staff operates under contracts which are on a different fiscal year than the Town. The teacher contracts are on a September through August fiscal year as compared to a July through June fiscal year for the Town. At June 30, 2023, the Town is obligated for July and August 2023 salaries and related benefits for these contracted employees. This obligation, along with the obligation for compensated absences represents GAAP reporting for the School Department and the Town and has been recorded on the general fund financial statement.

Note 8 - Defined Benefit Employee Pension Plan - School Department Employees

A. Plan Description

Qualifying personnel of the Department participate in the Maine Public Employees Retirement System (System) State Employee and Teacher (SET) Plan. The plan is a multiple-employer, cost-sharing pension plan with a special funding situation. The State of Maine is the non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school systems contribute the normal cost, calculated actuarially, for their teacher members.

B. 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 for benefits upon reaching qualification) occurs upon the earning of five years of service credit for State employees and teachers. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members.

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 members' accounts is set by the System's Board of Trustees.

C. Member and Employer Contributions

Retirement benefits are funded by contributions from members, employers, State contributions 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, 2023, the member contribution rate was 7.65% and the employer contribution rate was 3.84% of applicable member compensation. The employer is also responsible for contributing 14.89% of all federally funded member compensation. The State of Maine, as a non-employer contributing entity, pays 14.29% of the applicable member compensation into the System.

The required contributions paid into the System for the year ended June 30, 2023 and the previous year are as follows:

| <i>For the<br/>year ended<br/>June 30,</i> | <i>Employee<br/>Contributions</i> | <i>Employer<br/>Contributions</i> | <i>State of Maine<br/>Contributions</i> | <i>Applicable<br/>Member<br/>Compensation</i> | <i>Applicable<br/>Member Federal<br/>Compensation</i> |
|--|-----------------------------------|-----------------------------------|---|---|---|
| 2023                                       | \$149,642                         | \$96,666                          | \$258,659                               | \$1,955,077                                   | \$145,005   |
| 2022                                       | \$138,768                         | \$79,255                          | \$250,004                               | \$1,813,964                                   | \$64,463  |
| 2021                                       | \$133,441                         | \$82,151                          | \$240,777                               | \$1,774,321                                   | \$64,088  |

D. 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. For the teacher group, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by local school systems on behalf of their employees. This leaves contributions toward the net pension liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those School Systems contributing towards the net pension liability of the Plan using grant funding.

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

At June 30, 2023, the School Department reported a net pension liability of \$65,856. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The School Department's 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 June 30, 2022, the School Department's proportion was .004435%, which was an decrease of 0.000496% from its proportion measured at June 30, 2021.

For the fiscal year ended June 30, 2023, the School Department recognized pension expense of \$86,729. At June 30, 2023, the School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$3,281                                   | \$0                                      |
| Changes in Assumptions  | \$12,788                                  | \$0                                      |
| Net Difference between projected and actual earnings on pension plan investments                              | \$0                                       | \$12,971                                 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | \$4,182                                   | \$6,628                                  |
| Employer Contributions made subsequent to measurement date  | <u>\$96,666</u>                           | <u>\$0</u>                               |
|   | <u>\$116,917</u>                          | <u>\$19,599</u>                          |

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

| <u>Year ended June 30,</u> |           |
|----------------------------|-----------|
| 2023                       | \$107,239 |
| 2024                       | (\$6,701) |
| 2025                       | (\$9,338) |
| 2026                       | \$6,118   |

F. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.75%  |
| Salary Increases          | 2.80% - 13.03%   |
| Investment Rate of Return | 6.50%, net of administrative and pension plan investment expense |
| Cost of Living increases  | 2.20%  |

For the School Department employees, the mortality rate is based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table for males and females projected generationally using the RPEC\_2020 model.

The actuarial assumptions used in the June 30, 2022 valuation were based on the Entry Age Normal actuarial funding method. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

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

The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by 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, 2022 are summarized in the following table:

| <i>Asset Class</i> | <i>Target Allocation</i> | <i>Long-Term Expected Real Rate of Return</i> |
|--------------------|--------------------------|---|
| Public Equities    | 30.0%                    | 6.0%  |
| U.S. Government    | 7.5%                     | 2.3%  |
| Private Equity     | 15.0%                    | 7.6%  |
| Real Assets:       |                          |   |
| Real Estate        | 10.0%                    | 5.2%  |
| Infrastructure     | 10.0%                    | 5.3%  |
| Natural Resources  | 5.0%                     | 5.0%  |
| Traditional Credit | 7.5%                     | 3.0%  |
| Alternative Credit | 5.0%                     | 7.2%  |
| Diversifiers       | 10.0%                    | 5.9%  |
|                    | 100%                     |   |

G. Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made 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.

H. 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 6.50%, as well as what the School Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

|  | <u>1% Decrease<br/>(5.50%)</u> | <u>Current Discount<br/>Rate (6.50%)</u> | <u>1% Increase<br/>(7.50%)</u> |
|--|--------------------------------|--|--------------------------------|
| Proportionate Share of the Net Pension Liability | \$128,961                      | \$65,856                                 | \$13,314                       |

I. Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the System's 2022 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

Note 9 - Defined Benefit Employee Pension Plan - Town Employees

A. Plan Description

Qualifying personnel of the Town participate in the Maine Public Employees Retirement System (System) Participating Local District Consolidated (PLD) Plan. The plan is a multiple-employer, cost-sharing pension plan with a special funding situation. The State of Maine is the non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of Town employees, while Towns contribute the normal cost, calculated actuarially, for their members.

B. 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 for benefits upon reaching qualification) occurs upon the earning of five to ten years of service credit for PLD employees, depending upon when employment began. Normal retirement age for PLD employees is age 60 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for PLD 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 members' accounts is set by the System's Board of Trustees and is currently .93%.

C. Member and Employer Contributions

Retirement benefits are funded by contributions from members, employers, State Contributions 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 by the System's Board of Trustees and depend on the terms of the Plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. For the year ended June 30, 2023, the member contribution rate was 8.20% and the employer contribution rate was 11.40% (regular AN plan) of applicable member compensation.

The required contributions paid into the System for the year ended June 30, 2023 and the previous two years are as follows:

| <i>For the year ended</i><br><u>June 30,</u> | <i>Employee</i><br><u>Contributions</u> | <i>Employer</i><br><u>Contributions</u> | <i>Applicable</i><br><i>Member</i><br><u>Compensation</u> |
|--|---|---|---|
| 2023   | \$7,065                                 | \$9,823                                 | \$86,162  |
| 2022   | \$7,950                                 | \$10,695                                | \$94,645  |
| 2021   | \$8,178                                 | \$10,904                                | \$100,965   |

D. 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. For the PLD consolidated plan, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by local employers on behalf of their employees. This leaves contributions toward the unfunded liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those employers contributing towards the net pension liability of the plan using grant funding.

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

At June 30, 2023, the Town reported a net pension asset of \$37,565. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2022, the Town's proportion was 0.01413, which was an increase of 0.02944% from its proportion measured at June 30, 2021.

For the fiscal year ended June 30, 2023, the Town recognized pension expense of \$15,332. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <i>Deferred Outflows<br/>of Resources</i> | <i>Deferred Inflows<br/>of Resources</i> |
|---|---|--|
| Differences between expected and actual experience  | \$6,982                                   | \$0                                      |
| Changes in Assumptions  | \$7,624                                   | \$0                                      |
| Net Difference between projected between projected and actual earnings on pension plan investments            | \$0                                       | \$15,766                                 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | \$0                                       | \$10,196                                 |
| Employer Contributions made subsequent to measurement date  | \$9,823                                   | \$0                                      |
|   | <u>\$24,429</u>                           | <u>\$25,962</u>                          |

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

| <i>Year ended June 30,</i> |           |
|----------------------------|-----------|
| 2023                       | \$5,464   |
| 2024                       | (\$4,608) |
| 2025                       | (\$9,795) |
| 2026                       | \$7,405   |

#### F. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Investment Rate of Return | 6.50%, net of both administrative and investment expense       |
| Salary Increases          | 2.75% - 11.48% per year depending on years of service interval |
| Cost of Living Benefit:   | 1.91%  |
| Inflation                 | 2.75%  |

For the Town employees, the mortality rate is based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC\_2020 model.

The actuarial assumptions used in the June 30, 2022 valuation were based on the Entry Age Normal actuarial funding method. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by 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, 2022 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Public Equities    | 30.0%                    | 6.0%  |
| U.S. Government    | 7.5%                     | 2.3%  |
| Private Equity     | 15.0%                    | 7.6%  |
| Real Assets:       |                          |   |
| Real Estate        | 10.0%                    | 5.2%  |
| Infrastructure     | 10.0%                    | 5.3%  |
| Natural Resources  | 5.0%                     | 5.0%  |
| Traditional Credit | 7.5%                     | 3.0%  |
| Alternative Credit | 5.0%                     | 7.2%  |
| Diversifiers       | 10.0%                    | 5.9%  |
|                    | <u>100%</u>              |   |

G. Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made 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.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|  | <u>1% Decrease<br/>(5.50%)</u> | <u>Current Discount<br/>Rate (6.50%)</u> | <u>1% Increase<br/>(7.50%)</u> |
|--|--------------------------------|--|--------------------------------|
| Proportionate Share of the Net Pension Liability | \$110,978                      | \$37,565                                 | (\$23,113)                     |

I. Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the System's 2022 Comprehensive Annual Financial Report available online at [www.mainepepers.org](http://www.mainepepers.org) or by contacting the System at (207) 512-3100.

Note 10 - Other Retirement Benefits

Full time municipal employees, not covered under the Maine Public Employees Retirement System can elect to participate in Internal Revenue Code Section 401 and 457 pension plans. The plans are covered by ICMA Retirement Corporation. Employees who elect coverage under the 401 plan contribute 6% of their salary to the plan. The Town contributes 6% to the plan. Employees who elect coverage under the Section 457 plan can contribute up to amounts allowed by law of their annual covered salary. The Town's costs totaled \$27,238 for the fiscal year ended June 30, 2023.

Note 11 - Other Post-Employment Benefits

A. Plan Description - School Department Employees Group Life Insurance Plan

Qualifying personnel of the School Department participate in the Group Life Insurance Plan for Retired State Employees and Teachers as provided by the Maine Public Employees Retirement System (SET Plan) The plan is a multiple-employer, cost sharing plan with a special funding situation. As of June 30, 2022 there were 228 employers, including the State of Maine participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the Plan.

B. Benefits

The Group Life Insurance Plans (the Plans) provide basis group life insurance benefits, during retirement to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10 year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at a rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

C. Funding Policy

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit monthly a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

D. Actuarial Methods and Assumptions

The collective total OPEB liability for the plans was determined by an actuarial valuation as of June 30, 2022 using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Projections of benefits for financial reporting purposes are based on the provisions of the Plans in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the funding methodologies. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Experience gains and losses, i.e., actual decreases or increases in the liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Significant Actuarial Assumptions

|   |  |
|---|--|
| Inflation                               | 2.75%  |
| Salary Increases                        | 2.80% - 13.03% at selected years of service  |
| Investment Rate of Return               | 6.50%, net of administrative and pension plan investment expense                   |
| Participation Rates for Future Retirees | 100% of those currently enrolled   |
| Conversion Charges                      | Apply to the cost of active group life insurance, not retiree group life insurance |
| Form of Benefit Payment                 | Lump Sum   |

For the School Department employees, the mortality rate is based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table for males and females, projected generationally using the RPEC\_2020 model.

E. On-Behalf Payments

As mentioned in Section A. above, contributions are made by the System for participating retired teachers. The summary below provides the School Department's allocation of these contributions as well as the proportionate share of the Net OPEB liability. The Net OPEB Liability is not recorded on the School Department financial statements since it is a liability of the State of Maine and not a liability of the School Department.



|      | <i>Allocation of:</i>         |                             |                               |
|------|-------------------------------|-----------------------------|-------------------------------|
|      | <i>On-Behalf<br/>Payments</i> | <i>Benefits<br/>Expense</i> | <i>Net OPEB<br/>Liability</i> |
| 2022 | \$6,074                       | \$5,415                     | \$50,961                      |

**A. Plan Description - Town Employees Health Insurance Plan**

Qualifying personnel of the Town can participate in the Maine Municipal Employees Health Trust postretirement benefit plan. The plan is a single employer OPEB plan.

**B. Eligibility**

The employee must have enrolled in the MMEHT health plan when first eligible, continue coverage without interruption, have obtained the age of 55 at retirement and have 5 years of continuous active service and enrollment in the health plan (under age 50), in order to be eligible for postretirement benefits.

A retiree who terminates coverage for any reason is not eligible for subsequent enrollment. The employer must be a participating employer at the time of retirement and the retiree must be covered under the Plan immediately prior to retirement and the retiree is receiving (or has received) retirement benefits, other than Social Security, from the Participating Employer's retirement plan. If the employer has no sponsored retirement plan or the employee has waived their right to participate in the employer sponsored plan, the employee must be employed for at least 5 consecutive years prior to retirement and be at least 55 years of age at retirement.

**C. Benefits Provided**

*Medical/Prescription Drug:* The non-Medicare retirees are offered the same plans that are available to the active employees, as described in the benefits summaries. Medicare retirees are assumed to be enrolled in Medicare Part A and Part B which are primary, and the Retiree Group Companion Plan which includes prescription drug coverage.

*Medicare:* Medicare benefits will be taken into account for any member or dependent while they are eligible to apply for Medicare. The Fund will determine a family member's benefit allowance, if any, based upon the applicable Medicare statutes and regulations. The Fund does not participate in the Medicare Retiree Drug Subsidy program.

*Duration of Coverage:* Medical benefits are provided for the life of retiree and surviving spouses.

*Life Insurance:* The \$2,000 life insurance benefit is provided automatically to all retirees participating in the retiree medical plan. Spouses are not covered for life insurance, but surviving spouses covered by the retiree medical plan are covered for a \$2,000 life insurance benefit as well.

*Dental:* Prior to January 1, 2017, retirees do not have access to dental benefits. Retirees who retire on and after January 1, 2017 have access to purchase dental coverage at the Plan COBRA rates. Since retirees pay for the coverage and rates are set to mirror plan experience costs, no additional obligation is anticipated. Program experience will be monitored with future valuations and updated as with all benefit provisions and assumptions.

**D. Cost Sharing Provisions**

The retiree pays the premium equivalent rate for the coverage elected. Retirees and spouses must contribute 100% of the pre-Medicare and/or Medicare premium rates, depending on eligibility and enrollment.

|              | <i>Retiree<br/>Contributions</i> | <i>Spouse<br/>Contributions</i> |
|--------------|----------------------------------|---------------------------------|
| Pre-Medicare | 100%                             | 100%                            |
| Medicare     | 100%                             | 100%                            |

**E. Employees covered by benefit terms:**

At January 1, 2023, the following employees were covered under the benefit terms:

|                              |       |
|------------------------------|-------|
| Active employees             | 14    |
| Average age                  | 43.70 |
| Average service              | 7.66  |
| Retirees Over 65             | 2     |
| Retirees Over 65 Average Age | 79.24 |
| Spouses Over 65              | 1     |
| Spouses Over 65 Average Age  | 80.18 |

F. Net OPEB Liability

The Town’s net OPEB liability was measured as of January 1, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions* The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|  |  |
|--|--|
| <i>Discount Rate</i>                     | 3.72% per annum for 2023 reporting<br>2.06% per annum for 2022 reporting             |
| <i>Salary Rate Increase</i>              | 2.75% per year   |
| <i>Administration and claims expense</i> | 3% per annum   |
| <i>Healthcare cost trend rates:</i>      |  |
| <i>Pre -Medicare Medical:</i>            | Initial trend of 7.90% applied in FYE 2022 grading over 20 years to 4.55% per annum. |
| <i>Pre -Medicare Drug:</i>               | Initial trend of 8.15% applied in FYE 2022 grading over 20 years to 4.55% per annum. |
| <i>Medicare Medical:</i>                 | Initial trend of 4.80% applied in FYE 2022 grading over 20 years to 4.55% per annum. |
| <i>Medicare Drug:</i>                    | Initial trend of 8.15% applied in FYE 2022 grading over 20 years to 4.55% per annum. |

G. Actuarial Assumptions

Rates of mortality are based on 112.1% and 118.5% of the 2010 Public Plan General Benefits Weighted Healthy Retiree Mortality Table, respectively, for males and females, using the RPEC-2020 model with an ultimate rate of 1.00% for ages 80 and under, grading down to .05% at 95 and further grading down to 0.00% at age 115, along with convergence to the ultimate rate in the year 2027. As prescribed by the Trust mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021.

The actuarial assumptions are the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020.

The Entry Age Normal Actuarial Cost Method was used to value the Plan’s actuarial liabilities and to set the normal cost. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for the Plan. An open 30-year amortization period was used. The amortization method is a level dollar amortization method. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records assembled and provided by Maine Municipal through June 30, 2021 were used by the Actuary. Medical and prescription experience for Medicare eligible (ME) and non-Medicare eligible (NME) (actives and retired covered persons) were analyzed by the Actuary. The Actuary assumed that the current enrollment distribution of Benefit Options will remain constant in the future for retirees. The Actuary distributed the cost based on the current covered population and Cheiron’s (Actuary) standard age curves which vary by age, gender, and Medicare status. Children costs are converted to a load on the non-Medicare (NME) retirees which implicitly assumes that future retirees will have the same child distributions as current retirees.

The Actuary report does not reflect future changes in benefits, subsidies, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

H. Discount Rate

Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year, tax-exempt general obligation municipal bond index. Using the Bond Buyer 20-Bond GO Index, the discount rate is based on an earlier measurement date, as of December 31, 2023, and is 3.72% per annum. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

I. Changes in the Net OPEB Liability

|  | <u>Total OPEB<br/>Liability</u> | <u>Plan Fiduciary<br/>Net Position</u> | <u>Net OPEB<br/>Liability</u> |
|--|---------------------------------|--|-------------------------------|
| <u>Balances at 1/1/2022</u>                        | \$164,384                       | \$0                                    | \$164,384                     |
| <u>Changes for the year:</u>                       |                                 |  |                               |
| Service Cost                                       | \$8,465                         |  | \$8,465                       |
| Interest   | \$3,489                         |  | \$3,489                       |
| Changes of assumptions                             | (\$15,648)                      |  | (\$15,648)                    |
| Changes of benefits                                | \$0                             |  | \$0                           |
| Differences between expected and actual experience | \$0                             |  | \$0                           |
| Contributions - employer                           | \$0                             | \$6,948                                | (\$6,948)                     |
| Benefit payments                                   | (\$6,948)                       | (\$6,948)                              | \$0                           |
| <u>Net changes</u>                                 | <u>(\$10,642)</u>               | <u>\$0</u>                             | <u>(\$10,642)</u>             |
| <u>Balances at 1/1/2023</u>                        | <u>\$153,742</u>                | <u>\$0</u>                             | <u>\$153,742</u>              |

J. Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.72%) or 1 percentage point higher (4.72%) than the current discount rate:

|                                   | <u>1.0% Decrease<br/>(2.72%)</u> | <u>Discount Rate<br/>(3.72%)</u> | <u>1.0% Increase<br/>(4.72%)</u> |
|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <i>Net OPEB Liability (Asset)</i> | \$173,586                        | \$153,742                        | \$137,319                        |

K. Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

|                                   | <u>1.0% Decrease</u> | <u>Healthcare<br/>Trend Rate</u> | <u>1.0% Increase</u> |
|-----------------------------------|----------------------|----------------------------------|----------------------|
| <i>Net OPEB Liability (Asset)</i> | \$134,910            | \$153,742                        | \$177,262            |

L. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The impact of experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining services life of all active and inactive members of the Plan. As of the beginning of the measurement period, the average was 16 years.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next five years, and thereafter.

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$0                                       | \$38,094                                 |
| Changes in Assumptions                             | \$26,877                                  | \$16,926                                 |

|   |                 |                 |
|---|-----------------|-----------------|
| Net Difference between projected and actual earnings on OPEB plan investments | \$0             | \$0             |
| Employer contributions made subsequent to measurement date                    | \$7,468         | \$0             |
|   | <u>\$34,345</u> | <u>\$55,020</u> |

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

| <u>Year ended</u> |           |
|-------------------|-----------|
| 2024              | \$3,946   |
| 2025              | (\$3,406) |
| 2026              | (\$1,790) |
| 2027              | (\$4,854) |
| 2028              | (\$6,311) |
| Thereafter        | (\$8,260) |

#### A. Plan Description - School Department Employees Health Insurance Plan

Qualifying personnel of the School Department can participate in the Maine Education Association Benefits Trust (MEABT) postretirement benefit plan. The plan is a multi-employer, cost sharing OPEB plan.

#### B. Eligibility

The employee must have participated in the MEABT health plan for the 12 months prior to retirement, and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits.

A retiree who terminates coverage may elect to re-enroll in coverage at a later date if the participant participated in the health plan for 12 months prior to terminating coverage, if the re-enrollment occurs within 5 years from the date of termination coverage, and if the retiree does not surpass attaining age 62 at the time of re-enrollment. The participant has to have maintained continuous health insurance coverage during this break in coverage. To be eligible for re-enrollment, a retiree may not take more than one break in coverage.

#### C. Cost Sharing Provisions

The retiree is eligible for a State subsidy of 55% of the blended single premium for the retiree only. Under State law, the blended premium is determined by blending rates for active members and retired members.

The retiree pays 45% of the blended premium rate for coverage elected. Spouses must contribute 100% of the blended premium amounts. This the total premium is paid for by both the State and the retiree and/or spouse. The MEABT is not responsible for the premium, but instead the implicit rate subsidy. The implicit rate subsidy is the value of the cost of care minus the premiums charged. Since the premiums are based on the average active and per-Medicare retirees, the retirees are implicitly paying less than the true cost of coverage, thus an implied subsidy.

#### D. Employees covered by benefit terms:

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

|  |       |
|--|-------|
| Inactive employees or beneficiaries currently receiving benefit payments | 12    |
| Inactive Average age   | 74    |
| Active employees   | 34    |
| Average age  | 50.47 |
| Average service  | 12.53 |

### E. Net OPEB Liability

The School Department's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions* The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|  |   |
|--|---|
| <i>Discount Rate</i>                     | 3.54% per annum for 2022 reporting<br>2.16% per annum for 2021 reporting  |
| <i>Salary Increase Rate</i>              | 2.75% per year.   |
| <i>Administration and claims expense</i> | Included in per capita claims cost  |
| <i>Healthcare cost trend rates:</i>      |   |
| <i>Pre -Medicare Medical:</i>            | Initial trend of 7.95% applied in FYE 2023 grading over 19 years to 4.00% per annum                               |
| <i>Medicare Medical:</i>                 | Initial trend of 0.00% applied in FYE 2023 and 5.62% applied in FYE 2024 grading over 18 years to 4.20% per annum |

### F. Actuarial Assumptions

Rates of mortality for the different level of participants are described below:

*Healthy Annuitants:* based on 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table adjusted to 98.1% and 87.5 % respectively of the rates for males before age 85 and females before age 80 and 106.4% and 122.3% respectively of the rates for males on or after age 85 and females on or after age 80. Rates are projected generationally using the RPEC\_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95 and further grading down to 0.00% at age 115 along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC\_2020 model are those included in the published MP\_2020 scale.

*Healthy Employees:* based on 93.1% and 91.9% of the 2010 Public Plan Teacher Benefits Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC\_2020 model as described in the healthy annuitant mortality.

*Disabled Annuitants:* based on 94.2% and 123.8% of the 2010 Public Plan Non-Safety Benefits-Weighted Disabled Retiree Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC\_2020 model described in the healthy annuitant mortality.

The actuarial assumptions are the assumptions that were adopted by the Maine Public Employees Retirement System State Employee and Teacher Program valuation at June 30, 2022 and are based on the experience study covering the period from June 30, 2015 through June 30, 2020.

The Entry Age Normal Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for the Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets. The plan has no assets to apply against the liabilities.

For claim curves, the Actuary used actual community rated premiums and census records provided by MEABT through June 30, 2022. Participation experience for Medicare eligible (ME) and non-Medicare eligible (NME) (activities and retired covered persons) were analyzed by the Actuary. The Actuary assumed that the current enrollment distribution of Benefit Options will remain constant in the future for retirees. The Actuary distributed the cost based on the current covered population and Cheiron's (Actuary) standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare (NME) retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

The Actuary report does not reflect future changes in benefits, subsidies, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

### G. Discount Rate

Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year, tax-exempt general obligation municipal bond index. Using the Bond Buyer 20-Bond GO Index, the discount rate as of June 30, 2021 is 2.16% per annum. The

discount rate as of June 30, 2022 is 3.54% per annum. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

H. Changes in the Net OPEB Liability

|  | <u>Total OPEB<br/>Liability</u> | <u>Plan Fiduciary<br/>Net Position</u> | <u>Net OPEB<br/>Liability</u> |
|--|---------------------------------|--|-------------------------------|
| <u>Balances at 6/30/2021</u>                       | \$500,793                       | \$0                                    | \$500,793                     |
| <u>Changes:</u>                                    |                                 |  |                               |
| Service Cost                                       | \$20,348                        | \$0                                    | \$20,348                      |
| Interest   | \$11,235                        | \$0                                    | \$11,235                      |
| Changes of benefits                                | \$0                             | \$0                                    | \$0                           |
| Differences between expected and actual experience | \$21,289                        | \$0                                    | \$21,289                      |
| Changes of assumptions                             | (\$11,311)                      | \$0                                    | (\$11,311)                    |
| Contributions - Employer                           | \$0                             | \$1,984                                | (\$1,984)                     |
| Benefits Payments                                  | (\$1,984)                       | (\$1,984)                              | \$0                           |
| <u>Net changes</u>                                 | <u>\$39,577</u>                 | <u>\$0</u>                             | <u>\$39,577</u>               |
| <u>Balances at 6/30/2022</u>                       | <u>\$540,370</u>                | <u>\$0</u>                             | <u>\$540,370</u>              |

I. Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School Department, as well as what the School Department's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current discount rate:

|                                   | <u>1.0% Decrease<br/>(2.54%)</u> | <u>Discount Rate<br/>(3.54%)</u> | <u>1.0% Increase<br/>(4.54%)</u> |
|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <i>Net OPEB Liability (Asset)</i> | \$622,535                        | \$540,370                        | \$472,527                        |

J. Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the net OPEB liability of the School Department, as well as what the School Department's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

|                                   | <u>1.0% Decrease</u> | <u>Healthcare<br/>Trend Rate</u> | <u>1.0% Increase</u> |
|-----------------------------------|----------------------|----------------------------------|----------------------|
| <i>Net OPEB Liability (Asset)</i> | \$464,751            | \$540,370                        | \$634,339            |

J. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The impact of experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining services life of all active and inactive members of the Plan. As of the beginning of the measurement period, the average was 6 years.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next five years, and thereafter.

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$136,666                                 | \$0                                      |
| Changes in Assumptions   | \$14,866                                  | \$136,303                                |
| Net Difference between projected and actual earnings on<br>OPEB plan investments | \$0                                       | \$0                                      |
| Employer contributions made subsequent to measurement date                       | \$2,695                                   | \$0                                      |
|  | <u>\$154,227</u>                          | <u>\$136,303</u>                         |

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

| <u>Year ended</u> |         |
|-------------------|---------|
| 2023              | \$5,385 |
| 2024              | \$2,693 |
| 2025              | \$5,814 |
| 2026              | \$1,803 |
| 2027              | \$2,229 |
| Thereafter        | \$0     |

**Note 12 - Restricted Net Position**

The Town reports restricted net position totaling \$2,432,379 on its statement of net position. This restricted net position represents the nonspendable and restricted fund balances detailed in the Governmental Fund Balances note above.

**Note 13 - Commitment and Contingencies**

The School Department participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time, however, the School Department does not believe such amounts would be significant.

**Note 14 - Risk Management**

The Town participates in Public Entity Risk Pools for the purposes of Workers Compensation Insurance, Property and Liability Insurance. The Public Entity Risk Pool is administered by the Maine Municipal Association. The Public Entity Risk Pools were established for the purposes of lowering costs for member are for developing specific programs to control losses. Member pay annual premiums to the Maine Municipal Association for the participation in the respective program.

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters for which the Town carries municipal and commercial insurance. Based on the coverage provided by this insurance, the Town is not aware of any material actual and potential claim liabilities which should be recorded at June 30, 2023.

**Note 15 - Pending Litigation**

According to management, there are no matters that would result in material adverse losses, claims or assessments against the Town of Southwest Harbor through the date of the audit report.

**Note 16 - Lease and Service Based Information Technology Agreement (SBITA) Reporting**

Governmental Accounting Standards Board (GASB) Statement No. 87 related to lease reporting became effective during the fiscal year ended June 30, 2022. This Statement requires the recognition of certain lease assets and liabilities, deferred inflows and outflows related to lease activity previously classified as operating leases by governmental entities. Governmental Accounting Standards Board (GASB) Statement No. 96 related to service based information technology agreement (SBITA) reporting became effective during the fiscal year ended June 30, 2023.

During the fiscal year ended June 30, 2023 the Town had no material lease or SBITA activity to report. The Town has immaterial lease agreement in effect. The Town has immaterial SBITA agreements in effect related to accounting software.

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

(Exhibit VII)

|  | <u>Original<br/>Budget</u>  | <u>Final<br/>Budget</u>     | <u>Actual</u>              | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-----------------------------|-----------------------------|----------------------------|---|
| <b><u>Revenues:</u></b>  |                             |                             |                            |   |
| Tax Revenues, Including Homestead Exemption  | \$8,464,009                 | \$8,464,009                 | \$8,457,172                | (\$6,838)                                       |
| Local Road Assistance  | \$17,872                    | \$17,872                    | \$18,524                   | \$652   |
| Excise Taxes   | \$496,595                   | \$496,595                   | \$492,888                  | (\$3,707)                                       |
| State Revenue Sharing  | \$152,702                   | \$152,702                   | \$209,465                  | \$56,763  |
| Interest Earned  | \$21,999                    | \$21,999                    | \$91,331                   | \$69,332  |
| Interest on Delinquent Taxes   | \$23,757                    | \$23,757                    | \$14,784                   | (\$8,973)                                       |
| Docks & Floats Rentals   | \$166,060                   | \$166,060                   | \$111,854                  | (\$54,206)                                      |
| Solid Waste Revenue  | \$9,000                     | \$9,000                     | \$3,452                    | (\$5,548)                                       |
| Permits & Fees   | \$143,666                   | \$143,666                   | \$178,272                  | \$34,606  |
| Grant Revenues   | \$0                         | \$0                         | \$68,296                   | \$68,296  |
| Other Revenues   | \$30,801                    | \$30,801                    | \$3,160                    | (\$27,641)                                      |
| <b><u>Total Revenues</u></b>   | <b><u>\$9,526,461</u></b>   | <b><u>\$9,526,461</u></b>   | <b><u>\$9,649,199</u></b>  | <b><u>\$122,738</u></b>                         |
| <b><u>Expenditures:</u></b>  |                             |                             |                            |   |
| General Government   | \$695,659                   | \$695,659                   | \$740,152                  | (\$44,493)                                      |
| Protection   | \$1,542,164                 | \$1,542,164                 | \$1,561,370                | (\$19,206)                                      |
| Health & Sanitation  | \$434,991                   | \$434,991                   | \$460,671                  | (\$25,680)                                      |
| Highways & Bridges   | \$2,436,792                 | \$2,436,792                 | \$1,840,240                | \$596,552                                       |
| Education  | \$5,003,047                 | \$5,003,047                 | \$4,888,025                | \$115,022                                       |
| Unclassified   | \$265,551                   | \$265,551                   | \$276,679                  | (\$11,128)                                      |
| Assessments  | \$898,990                   | \$898,990                   | \$861,407                  | \$37,582  |
| <b><u>Total Expenditures</u></b>   | <b><u>\$11,277,194</u></b>  | <b><u>\$11,277,194</u></b>  | <b><u>\$10,628,546</u></b> | <b><u>\$648,648</u></b>                         |
| <b><u>Excess Revenues Over Expenditures</u></b>                                      | <b><u>(\$1,750,733)</u></b> | <b><u>(\$1,750,733)</u></b> | <b><u>(\$979,346)</u></b>  | <b><u>\$771,387</u></b>                         |
| <b><u>Other Financing Sources (Uses):</u></b>  |                             |                             |                            |   |
| Bond Proceeds  | \$1,546,709                 | \$1,546,709                 | \$836,024                  | (\$710,685)                                     |
| Operating Transfers In   | \$15,000                    | \$15,000                    | \$0                        | (\$15,000)                                      |
| <b><u>Total Other Financing Sources (Uses)</u></b>                                   | <b><u>\$1,561,709</u></b>   | <b><u>\$1,561,709</u></b>   | <b><u>\$836,024</u></b>    | <b><u>(\$725,685)</u></b>                       |
| <b><u>Excess Revenues and Other Sources<br/>Over Expenditures and Other Uses</u></b> | <b><u>(\$189,024)</u></b>   | <b><u>(\$189,024)</u></b>   | <b><u>(\$143,322)</u></b>  | <b><u>\$45,702</u></b>                          |
| <b><u>Beginning Fund Balances,</u></b>   | <b><u>\$6,368,841</u></b>   | <b><u>\$6,368,841</u></b>   | <b><u>\$6,368,841</u></b>  | <b><u>\$0</u></b>                               |
| <b><u>Ending Fund Balances</u></b>   | <b><u>\$6,179,817</u></b>   | <b><u>\$6,179,817</u></b>   | <b><u>\$6,225,519</u></b>  | <b><u>\$45,702</u></b>                          |

**Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances:**

|   |                            |
|---|----------------------------|
| Total Revenues per above  | \$9,649,199                |
| State On-Behalf Contributions   | \$264,733                  |
| <b><u>Total Revenues per Statement of Revenues, Expenditures<br/>and Changes in Fund Balance - Governmental Funds</u></b>     | <b><u>\$9,913,932</u></b>  |
| Total Expenditures per above  | \$10,628,546               |
| State On-Behalf Contributions   | \$264,733                  |
| <b><u>Total Expenditures per Statement of Revenues, Expenditures<br/>and Changes in Fund Balance - Governmental Funds</u></b> | <b><u>\$10,893,279</u></b> |



TOWN OF SOUTHWEST HARBOR, MAINE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - TEACHER AND STATE EMPLOYEE PLAN  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

State Employees and Teachers Plan

Schedule 1 - Proportionate Share of the Net Pension Liability:

| For the Fiscal Year Ended June 30, | Proportion of Net Pension Liability | Proportionate Share of Net Pension Liability (Asset) | Covered Employee Payroll | Proportionate Share of Net Pension Liability (Asset) as a % of Employee Payroll | Plan Total Pension Liability | Plan Fiduciary Net Position | Plan Net Pension Liability | Plan Fiduciary Net Position as a % of the Total Pension Liability | Plan Covered Employee Payroll | Plan Net Pension Liability as a % of the Covered Employee Payroll |
|------------------------------------|-------------------------------------|--|--------------------------|---|------------------------------|-----------------------------|----------------------------|---|-------------------------------|---|
| 2023                               | 0.004435%                           | \$65,856   | \$1,955,077              | 3.368%  | \$16,981,792,082             | \$14,568,697,883            | \$2,413,094,199            | 85.790%   | \$2,221,410,193               | 108.629%  |
| 2022                               | 0.004846%                           | \$40,989   | \$1,813,964              | 2.260%  | \$16,392,351,328             | \$14,900,649,703            | \$1,491,701,625            | 90.900%   | \$2,096,365,352               | 71.157%   |
| 2021                               | 0.004035%                           | \$65,861   | \$1,744,321              | 3.776%  | \$14,865,460,130             | \$12,044,916,279            | \$2,820,543,851            | 81.026%   | \$2,003,075,813               | 140.811%  |
| 2020                               | 0.003440%                           | \$50,426   | \$1,541,204              | 3.272%  | \$14,547,222,913             | \$12,035,563,047            | \$2,511,659,866            | 82.734%   | \$1,924,006,618               | 130.543%  |
| 2019                               | 0.003792%                           | \$51,171   | \$1,392,071              | 3.676%  | \$14,031,187,845             | \$11,632,179,683            | \$2,399,008,162            | 82.902%   | \$1,808,274,919               | 132.668%  |
| 2018                               | 0.003735%                           | \$54,238   | \$1,346,969              | 4.027%  | \$13,484,886,512             | \$10,893,291,864            | \$2,591,594,648            | 80.781%   | \$1,860,230,663               | 139.316%  |
| 2017                               | 0.002875%                           | \$50,792   | \$1,218,101              | 4.170%  | \$13,069,954,948             | \$9,960,335,390             | \$3,109,619,558            | 76.208%   | \$1,816,435,084               | 171.194%  |
| 2016                               | 0.004197%                           | \$56,664   | \$1,162,391              | 4.875%  | \$12,616,287,054             | \$10,242,097,022            | \$2,374,190,032            | 81.182%   | \$1,699,160,889               | 139.727%  |
| 2015                               | 0.004473%                           | \$48,323   | \$1,277,901              | 3.781%  | \$12,320,158,783             | \$10,337,639,472            | \$1,982,519,311            | 83.908%   | \$1,676,857,294               | 118.228%  |

Schedule 2 - Schedule of Employer Contributions:

| For the Fiscal Year Ended June 30, | Contractually Required Contribution | Actual Contribution | Contribution Deficiency | Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|------------------------------------|-------------------------------------|---------------------|-------------------------|--------------------------|--|
| 2023                               | \$96,666                            | \$96,666            | \$0                     | \$1,955,077              | 4.944%   |
| 2022                               | \$79,255                            | \$79,255            | \$0                     | \$1,813,964              | 4.369%   |
| 2021                               | \$82,151                            | \$82,151            | \$0                     | \$1,744,321              | 4.710%   |
| 2020                               | \$71,772                            | \$71,772            | \$0                     | \$1,541,204              | 4.657%   |
| 2019                               | \$60,467                            | \$60,467            | \$0                     | \$1,392,071              | 4.344%   |
| 2018                               | \$58,886                            | \$58,886            | \$0                     | \$1,346,969              | 4.372%   |
| 2017                               | \$45,741                            | \$45,741            | \$0                     | \$1,218,101              | 3.755%   |
| 2016                               | \$42,636                            | \$42,636            | \$0                     | \$1,162,391              | 3.668%   |
| 2015                               | \$42,051                            | \$42,051            | \$0                     | \$1,277,901              | 3.291%   |

\* Amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year end. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

TOWN OF SOUTHWEST HARBOR, MAINE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Participating Local Districts Plan - Town Employees

Schedule 1 - Proportionate Share of the Net Pension Liability:

| For the Fiscal Year Ended June 30, | Proportionate Share of Net Pension Liability |  | Proportionate Share of Net Pension Liability (Asset) as a % of Covered Employee Payroll |                              | Plan Total Pension Liability |                 | Plan Fiduciary Net Position |              | Plan Net Pension Liability |              | Plan Fiduciary Net Position as a % of the Total Pension Liability |              | Plan Net Pension Liability as a % of the Covered Employee Payroll |              |
|------------------------------------|--|--|---|------------------------------|------------------------------|-----------------|-----------------------------|--------------|----------------------------|--------------|---|--------------|---|--------------|
|                                    | Proportion of Net Pension Liability          | Share of Net Pension Liability (Asset) | Covered Employee Payroll  | Its Covered Employee Payroll | Pension Liability            | Net Position    | Pension Liability           | Net Position | Pension Liability          | Net Position | Pension Liability   | Net Position | Pension Liability   | Net Position |
| 2023                               | 0.01413%                                     | \$37,565                               | \$86,162  | 43.598%                      | \$3,943,572,890              | \$3,677,737,550 | \$265,835,340               | 93.259%      | \$744,218,538              | 35.720%      |   |              |   |              |
| 2022                               | -0.01531%                                    | (\$4,921)                              | \$94,645  | -5.199%                      | \$3,719,016,414              | \$3,751,152,623 | (\$32,136,209)              | 100.864%     | \$646,287,594              | -4.972%      |   |              |   |              |
| 2021                               | 0.02213%                                     | \$87,913                               | \$100,965   | 87.072%                      | \$3,409,741,367              | \$3,012,428,367 | \$397,313,000               | 88.348%      | \$641,523,784              | 61.933%      |   |              |   |              |
| 2020                               | 0.02898%                                     | \$88,563                               | \$134,836   | 65.682%                      | \$3,258,819,605              | \$2,953,156,096 | \$305,663,509               | 90.620%      | \$593,884,355              | 51.469%      |   |              |   |              |

Schedule 2 - Schedule of Employer Contributions:

| For the Fiscal Year Ended June 30, | Contractually Required Contribution |                     | Actual Contribution | Contributions Covered as a % of Covered Employee Payroll |  |
|------------------------------------|-------------------------------------|---------------------|---------------------|--|--|
|                                    | Required Contribution               | Actual Contribution |                     | Covered Employee Payroll                                 | Contributions Covered Employee Payroll |
| 2023                               | \$9,823                             | \$9,823             | \$0                 | \$86,162   | 11.400%                                |
| 2022                               | \$10,695                            | \$10,695            | \$0                 | \$94,645   | 11.300%                                |
| 2021                               | \$10,904                            | \$10,904            | \$0                 | \$100,965  | 10.800%                                |
| 2020                               | \$14,293                            | \$14,293            | \$0                 | \$134,836  | 10.600%                                |

\* Amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year end. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

TOWN OF SOUTHWEST HARBOR, MAINE  
NOTES TO HISTORICAL PENSION INFORMATION  
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 1 - Actuarial Methods and Assumptions

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional as of the latest actuarial valuation date, June 30, 2022, is as follows:

A. Actuarial Cost Method

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

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

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

B. Asset Valuation Method

An actuarial value of assets is used for determining employer contributions. The use of an actuarial value of assets for this purpose helps mitigate volatility in contribution rates that might otherwise occur due to fluctuations in market conditions. The specific technique adapted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return. the actuarial assumption for investment return.

C. Amortization

The net pension liability is amortized on a level percentage of payroll over the amortization period then in effect in statutory and constitutional requirements. The statutory and constitutional requirements include an amendment to the Maine Constitution approved in November 1995 that requires the State of Maine to fund the unfunded actuarial liability existing on June 30, 1996, over a period not to exceed 31 years beginning on July 1, 1997, and not later than June 30, 2028. The amendment prohibits the creation of new unfunded liabilities in the Plan except those arising experience losses, which must be funded over a period of not more than ten years. An amendment approved in November 2017 extends the period from ten to twenty years. In addition, the amendment requires the use of actuarially sound current cost accounting, reinforcing existing statutory requirements.

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2022 are as follows:

|                           | <u>SET Plan</u>  | <u>PLD Plan</u>  |
|---------------------------|--|--|
| Inflation                 | 2.75%  | 2.75%  |
| Salary Increases          | 2.80% - 13.03%   | 2.75% - 11.48 per year depending on years of service interval    |
| Investment Rate of Return | 6.50%, net of administrative and pension plan investment expense | 6.50%, net of administrative and pension plan investment expense |
| Cost of Living Benefit    | 2.20%  | 1.91%  |

For SET members, the mortality rate is based on the 2010 Public Plan Teachers Benefits-Weighted Healthy Retiree Mortality Table for males and females, projected generationally using the RPEC\_2020 model. For PLD members, the mortality rate is based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC\_2020 model. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of June 30, 2016 through June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no changes in the assumptions for the fiscal year ended June 30, 2022.

TOWN OF SOUTHWEST HARBOR, MAINE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITIES  
 MAINE MUNICIPAL EMPLOYERS HEALTH TRUST - TOWN EMPLOYEES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| For the Fiscal Year Ended | Interest (includes Interest on Service Cost) (BOY) | Service Cost | Difference Between Expected and Actual Experience | Changes of Assumptions | Total OPEB Liability               |                                  | Benefit Payments, Including Refunds of Member Contributions |   | Net Change in Total OPEB Liability | Total OPEB Liability - Beginning | Total OPEB Liability - Ending | Contributions - Employer | Contributions - Member | Plan Fiduciary Net Position          |     | Net OPEB Liability - Ending | Plan Fiduciary Net Position as a % of the Total OPEB Liability | Covered Employee Payroll | Net OPEB Liability as a % of the Covered Employee Payroll |
|---------------------------|--|--------------|---|------------------------|------------------------------------|----------------------------------|---|---|------------------------------------|----------------------------------|-------------------------------|--------------------------|------------------------|--------------------------------------|-----|-----------------------------|--|--------------------------|---|
|                           |  |              |   |                        | Net Change in Total OPEB Liability | Total OPEB Liability - Beginning | Total OPEB Liability - Ending                               | Plan Fiduciary Net Position - Beginning |                                    |                                  |                               |                          |                        | Plan Fiduciary Net Position - Ending |     |                             |  |                          |   |
| 2023                      | \$3,489  | \$8,465      | \$0   | (\$15,648)             | \$0                                | \$164,384                        | (\$6,948)   | \$0                                     | (\$10,642)                         | \$164,384                        | \$153,742                     | \$6,948                  | \$0                    | \$0                                  | \$0 | \$153,742                   | \$0  | \$697,809                | 22.03%  |
| 2022                      | \$4,190  | \$11,726     | (\$48,468)  | \$13,635               | \$0                                | \$188,478                        | (\$5,177)   | \$0                                     | (\$24,094)                         | \$188,478                        | \$164,384                     | \$5,177                  | \$0                    | \$0                                  | \$0 | \$164,384                   | \$0  | \$697,809                | 23.56%  |
| 2021                      | \$4,822  | \$10,243     | \$0   | \$10,187               | \$0                                | \$168,204                        | (\$4,978)   | \$0                                     | \$20,274                           | \$168,204                        | \$188,478                     | \$4,978                  | \$0                    | \$0                                  | \$0 | \$188,478                   | \$0  | \$733,736                | 23.69%  |
| 2020                      | \$6,554  | \$6,042      | (\$2,014)   | \$23,482               | (\$3,618)                          | \$143,804                        | (\$6,046)   | \$0                                     | \$24,400                           | \$143,804                        | \$168,204                     | \$6,046                  | \$0                    | \$0                                  | \$0 | \$168,204                   | \$0  | \$733,736                | 22.92%  |
| 2019                      | \$7,260  | \$5,256      | \$0   | (\$11,319)             | \$0                                | \$148,420                        | (\$5,813)   | \$0                                     | (\$4,616)                          | \$143,804                        | \$143,804                     | \$5,813                  | \$0                    | \$0                                  | \$0 | \$143,804                   | \$0  | \$652,039                | 22.05%  |
| 2018                      | \$7,283  | \$5,513      | (\$6,180)   | \$5,362                | \$0                                | \$140,660                        | (\$4,218)   | \$0                                     | \$7,760                            | \$140,660                        | \$148,420                     | \$4,218                  | \$0                    | \$0                                  | \$0 | \$148,420                   | \$0  | \$652,039                | 22.76%  |

\* Amounts presented for each fiscal year were determined as of January 1 of the previous year. Retrospective information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

TOWN OF SOUTHWEST HARBOR, MAINE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
MAINE MUNICIPAL EMPLOYEES HEALTH TRUST - TOWN EMPLOYEES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Exhibit XI)

| <i>For the<br/>Fiscal<br/>Year Ended<br/>June 30,</i> | <i>Contractually<br/>Required<br/>Contribution</i> | <i>Actual<br/>Contribution</i> | <i>Contribution<br/>Deficiency</i> |
|---|--|--------------------------------|------------------------------------|
| 2023  | \$6,948  | \$6,948                        | \$0                                |
| 2022  | \$5,177  | \$5,177                        | \$0                                |
| 2021  | \$4,978  | \$4,978                        | \$0                                |
| 2020  | \$6,046  | \$6,046                        | \$0                                |
| 2019  | \$5,813  | \$5,813                        | \$0                                |
| 2018  | \$4,218  | \$4,218                        | \$0                                |

\* Amounts presented for each fiscal year were determined as of January 1 of the previous year. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

TOWN OF SOUTHWEST HARBOR, MAINE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITIES  
 MAINE EDUCATION ASSOCIATION BENEFITS TRUST  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| For the Fiscal Year Ended | Maine Education Association Benefit Trust School Plan |  |   |                           |                        |   |                                    |                                  |                               |                          |                        |                             |   |                                      |                             |  |                          |   |
|---------------------------|---|--|---|---------------------------|------------------------|---|------------------------------------|----------------------------------|-------------------------------|--------------------------|------------------------|-----------------------------|---|--------------------------------------|-----------------------------|--|--------------------------|---|
|                           | Service Cost (BOY)                                    | Interest (Includes Interest on Service Cost) | Difference Between Expected and Actual Experience | Changes of Benefits Terms | Changes of Assumptions | Benefit Payments, Including Refunds of Member Contributions | Net Change in Total OPEB Liability | Total OPEB Liability - Beginning | Total OPEB Liability - Ending | Contributions - Employer | Contributions - Member | Plan Fiduciary Net Position | Plan Fiduciary Net Position - Beginning | Plan Fiduciary Net Position - Ending | Net OPEB Liability - Ending | Plan Fiduciary Net Position as a % of the Total OPEB Liability | Covered Employee Payroll | Net OPEB Liability as a % of the Covered Employee Payroll |
| 2023                      | \$20,348  | \$11,235                                     | \$21,289  | \$0                       | (\$11,311)             | (\$1,984)   | \$39,377                           | \$500,793                        | \$540,370                     | \$1,984                  | \$0                    | \$0                         | \$0                                     | \$0                                  | \$540,370                   | \$0  | \$1,454,005              | 37.16%  |
| 2022                      | \$17,689  | \$10,743                                     | \$0   | \$0                       | \$3,962                | \$0   | \$32,394                           | \$468,399                        | \$500,793                     | \$0                      | \$0                    | \$0                         | \$0                                     | \$0                                  | \$500,793                   | \$0  | \$1,604,364              | 31.21%  |
| 2021                      | \$5,485   | \$17,943                                     | \$208,118   | (\$55,262)                | (\$211,094)            | (\$7,835)   | \$7,835                            | \$511,044                        | \$468,399                     | \$7,835                  | \$0                    | \$0                         | \$0                                     | \$0                                  | \$468,399                   | \$0  | \$1,565,233              | 29.93%  |
| 2020                      | \$4,634   | \$18,208                                     | \$0   | \$0                       | \$28,088               | (\$11,361)  | \$39,569                           | \$471,475                        | \$511,044                     | \$11,361                 | \$0                    | \$0                         | \$0                                     | \$0                                  | \$511,044                   | \$0  | \$1,547,674              | 33.02%  |
| 2019                      | \$4,951   | \$17,243                                     | \$0   | \$0                       | (\$21,886)             | (\$10,968)  | (\$10,660)                         | \$482,135                        | \$471,475                     | \$10,968                 | \$0                    | \$0                         | \$0                                     | \$0                                  | \$471,475                   | \$0  | \$1,506,252              | 31.30%  |

\* Amounts presented for each fiscal year were determined as of June 30 of the previous year. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**MAINE EDUCATION ASSOCIATION BENEFITS TRUST**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

(Exhibit XIII)

| <i>For the<br/>Fiscal<br/>Year Ended<br/>June 30,</i> | <i>Contractually<br/>Required<br/>Contribution</i> | <i>Actual<br/>Contribution</i> | <i>Contribution<br/>Deficiency</i> |
|---|--|--------------------------------|------------------------------------|
| 2023  | \$1,948  | \$1,948                        | \$0                                |
| 2022  | \$0  | \$0                            | \$0                                |
| 2021  | \$7,835  | \$7,835                        | \$0                                |
| 2020  | \$11,361   | \$11,361                       | \$0                                |
| 2019  | \$10,968   | \$10,968                       | \$0                                |

\* Amounts presented for each fiscal year were determined as of June 30 of the previous year. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**NOTES TO OPEB LIABILITY AND CONTRIBUTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Note 1 – Actuarial Methods and Assumptions - Maine Municipal Employees Health Trust -  
Town Employees Health Insurance Plan**

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**Changes of Assumptions**

Discount rate was changed from 2.06% to 3.72% per GASB 75 discount rate selection and funding method changed from Projected Unit Credit Funding to Entry Age Normal funding method.

**Net OPEB Liability**

The Town's net OPEB liability was measured as of January 1, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

|                                   |                  |
|-----------------------------------|------------------|
| Actuarial cost method             | Entry Age Normal |
| Amortization method               | Level dollar     |
| Amortization period               | 30 years         |
| Discount Rate                     | 3.72% per annum. |
| Salary Increase Rate              | 2.75% per year   |
| Administration and claims expense | 3% per annum     |
| Retirement Age                    | 65               |
| Healthcare cost trend rates       |                  |

*Pre -Medicare Medical:* Initial trend of 7.90% applied in FYE 2022 grading over 20 years to 4.55% per annum.

*Pre -Medicare Drug:* Initial trend of 8.15% applied in FYE 2022 grading over 20 years to 4.55% per annum.

*Medicare Medical:* Initial trend of 4.80% applied in FYE 2022 grading over 20 years to 4.55% per annum.

*Medicare Drug:* Initial trend of 8.15% applied in FYE 2022 grading over 20 years to 4.55% per annum.

Rates of mortality are based on 112.1% and 118.5% of the 2010 Public Plan General Benefits Weighted Healthy Retiree Mortality Table, respectively, for males and females, using the RPEC-2020 model with an ultimate rate of 1.00% for ages 80 and under, grading down to .05% at 95 and further grading down to 0.00% at age 115, along with convergence to the ultimate rate in the year 2027. As prescribed by the Trust mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021.

**Note 2 – Actuarial Methods and Assumptions - Maine Education Association Benefits Trust  
School Department Employees Health Insurance Plan**

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**Benefit Changes**

No benefit changes during the current year

**Changes of Assumptions**

The changes that are provided in the deferred inflows and outflows are related to the change in the discount rate between the beginning of the measurement date and the end of the measurement date. No other changes in assumptions were made.



Net OPEB Liability

The School Department's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

|                                   |                                    |
|-----------------------------------|------------------------------------|
| Actuarial cost method             | Entry Age Normal                   |
| Amortization method               | Level dollar                       |
| Amortization period               | 30 years                           |
| Discount Rate                     | 3.54% per annum.                   |
| Salary Increase Rate              | 2.75% per year                     |
| Administration and claims expense | Included in per-capita claims cost |
| Retirement Age                    | 65                                 |
| Healthcare cost trend rates       |                                    |

*Pre -Medicare Medical:* Initial trend of 7.95% applied in FYE 2023 grading over 19 years to 4.00% per annum

*Medicare Medical:* Initial trend of 0.00% applied in FYE 2023 and 5.62% applied in FYE 2024 grading over 18 years to 4.20% per annum

Rates of mortality for the different level of participants are described below:

*Healthy Annuitants:* based on 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table adjusted to 98.1% and 87.5 % respectively of the rates for males before age 85 and females before age 80 and 106.4% and 122.3% respectively of the rates for males on or after age 85 and females on or after age 80. Rates are projected generationally using the RPEC\_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95 and further grading down to 0.00% at age 115 along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC\_2020 model are those included in the published MP\_2020 scale.

*Healthy Employees:* based on 93.1% and 91.9% of the 2010 Public Plan Teacher Benefits Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC\_2020 model as described in the healthy annuitant mortality.

*Disabled Annuitants:* based on 94.2% and 123.8% of the 2010 Public Plan Non-Safety Benefits-Weighted Disabled Retiree Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC\_2020 model described in the healthy annuitant mortality.

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**SCHEDULE OF DEPARTMENTAL OPERATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

(Exhibit A-1, Page 1 of 2)

| <u>Department</u>                       | <u>Beginning Balance</u> | <u>Budget</u>      | <u>General Fund Expenditures</u> | <u>Operating Transfers (In)/Out</u> | <u>Lapsed Unexpended (Overdraft)</u> | <u>Ending Balance</u> |
|---|--------------------------|--------------------|----------------------------------|-------------------------------------|--------------------------------------|-----------------------|
| <b><u>General Government:</u></b>       |                          |                    |                                  |                                     |                                      |                       |
| Administration                          | \$0                      | \$474,022          | \$461,662                        | \$0                                 | \$12,360                             | \$0                   |
| Assessing & Planning                    | \$0                      | \$45,089           | \$37,564                         | \$0                                 | \$7,525                              | \$0                   |
| Assessing Contract                      | \$0                      | \$34,750           | \$34,750                         | \$0                                 | \$0                                  | \$0                   |
| Professional Development Reserve        | \$0                      | \$8,759            | \$0                              | \$8,759                             | \$0                                  | \$0                   |
| Records/Documents CIP Reserve           | \$0                      | (\$7,023)          | \$0                              | (\$7,023)                           | \$0                                  | \$0                   |
| Records Preservation Reserve            | \$0                      | \$8,400            | \$0                              | \$8,400                             | \$0                                  | \$0                   |
| Property Revaluation                    | \$0                      | \$92,500           | \$0                              | \$92,500                            | \$0                                  | \$0                   |
| HRA Insurance                           | \$0                      | \$6,007            | \$0                              | \$6,007                             | \$0                                  | \$0                   |
| Municipal Building Reserve              | \$0                      | \$49,117           | \$0                              | \$49,117                            | \$0                                  | \$0                   |
| Municipal Equipment Reserve             | \$0                      | (\$55,298)         | \$0                              | (\$55,298)                          | \$0                                  | \$0                   |
| Municipal Offices & Fire Station        | \$0                      | \$37,661           | \$35,925                         | \$0                                 | \$1,736                              | \$0                   |
| Conservation Commission                 | \$0                      | \$1,675            | \$1,675                          | \$0                                 | \$0                                  | \$0                   |
|   | <u>\$0</u>               | <u>\$695,659</u>   | <u>\$571,576</u>                 | <u>\$102,462</u>                    | <u>\$21,621</u>                      | <u>\$0</u>            |
| <b><u>Protection:</u></b>               |                          |                    |                                  |                                     |                                      |                       |
| Fire Department                         | \$0                      | \$122,262          | \$125,759                        | \$0                                 | (\$3,497)                            | \$0                   |
| Fire Department Vehicle Reserve         | \$0                      | \$51,021           | \$0                              | \$51,021                            | \$0                                  | \$0                   |
| Fire Department Equipment Reserve       | \$0                      | \$19,552           | \$0                              | \$19,552                            | \$0                                  | \$0                   |
| Dispatch Service                        | \$0                      | \$328,778          | \$319,103                        | \$0                                 | \$9,675                              | \$0                   |
| Dispatch Department Equipment           | \$0                      | \$3,094            | \$0                              | \$3,094                             | \$0                                  | \$0                   |
| Hydrant Rental                          | \$0                      | \$201,024          | \$201,025                        | \$0                                 | (\$1)                                | \$0                   |
| Police Protection                       | \$0                      | \$651,640          | \$514,898                        | \$0                                 | \$136,742                            | \$0                   |
| Police Protective Equipment Reserve     | \$0                      | \$20,766           | \$0                              | \$20,766                            | \$0                                  | \$0                   |
| Police Department Vehicle Reserve       | \$0                      | \$14,626           | \$0                              | \$14,626                            | \$0                                  | \$0                   |
| Police Cruiser Emergency Repair Reserve | \$0                      | \$7,000            | \$0                              | \$7,000                             | \$0                                  | \$0                   |
| Police Recruitment Reserve              | \$0                      | \$26,700           | \$0                              | \$26,700                            | \$0                                  | \$0                   |
| Dare Program                            | \$0                      | \$604              | \$0                              | \$604                               | \$0                                  | \$0                   |
| Emergency Equipment Repair Reserve      | \$0                      | \$5,360            | \$0                              | \$5,360                             | \$0                                  | \$0                   |
| Street Lights                           | \$0                      | \$27,500           | \$120,922                        | \$0                                 | (\$93,422)                           | \$0                   |
| School Lights/Maintenance Reserve       | \$0                      | \$18,320           | \$0                              | \$18,320                            | \$0                                  | \$0                   |
| Insurance                               | \$0                      | \$43,917           | \$37,886                         | \$0                                 | \$6,031                              | \$0                   |
|   | <u>\$0</u>               | <u>\$1,542,164</u> | <u>\$1,319,592</u>               | <u>\$167,043</u>                    | <u>\$55,529</u>                      | <u>\$0</u>            |
| <b><u>Health &amp; Sanitation:</u></b>  |                          |                    |                                  |                                     |                                      |                       |
| Solid Waste / Recycling                 | \$0                      | \$431,191          | \$459,039                        | \$0                                 | (\$27,848)                           | \$0                   |
| Acadia Disposal District                | \$0                      | \$3,800            | \$1,633                          | \$0                                 | \$2,167                              | \$0                   |
|   | <u>\$0</u>               | <u>\$434,991</u>   | <u>\$460,671</u>                 | <u>\$0</u>                          | <u>(\$25,680)</u>                    | <u>\$0</u>            |
| <b><u>Highways &amp; Bridges:</u></b>   |                          |                    |                                  |                                     |                                      |                       |
| Highway Department                      | \$0                      | \$307,306          | \$288,551                        | \$0                                 | \$18,755                             | \$0                   |
| Salt & Sand                             | \$0                      | \$5,000            | \$0                              | \$5,000                             | \$0                                  | \$0                   |
| Highway Vehicles/Machinery Reserve      | \$0                      | \$134,386          | \$0                              | \$134,386                           | \$0                                  | \$0                   |
| Highway Equipment Reserve               | \$0                      | \$12,288           | \$0                              | \$12,288                            | \$0                                  | \$0                   |
| Culvert Reserve                         | \$0                      | \$20,000           | \$0                              | \$20,000                            | \$0                                  | \$0                   |
| Paving Reserve                          | \$0                      | \$107,700          | \$0                              | \$107,700                           | \$0                                  | \$0                   |
| Highway Small Projects                  | \$0                      | \$24,350           | \$0                              | \$24,350                            | \$0                                  | \$0                   |
| Main St Project                         | \$0                      | \$1,546,709        | \$0                              | \$1,546,709                         | \$0                                  | \$0                   |
| Contract Snow Removal Reserve           | \$0                      | \$2,500            | \$0                              | \$2,500                             | \$0                                  | \$0                   |
| Harbor Department General Reserve       | \$0                      | \$47,178           | \$0                              | \$47,178                            | \$0                                  | \$0                   |
| Upper Town Dock Reserve                 | \$0                      | \$15,146           | \$0                              | \$15,146                            | \$0                                  | \$0                   |
| Lower Town Dock Reserve                 | \$0                      | \$26,315           | \$0                              | \$26,315                            | \$0                                  | \$0                   |
| Manset Town Dock Reserve                | \$0                      | \$64,518           | \$0                              | \$64,518                            | \$0                                  | \$0                   |
| Docks & Floats                          | \$0                      | \$123,396          | \$87,796                         | \$0                                 | \$35,600                             | \$0                   |
|   | <u>\$0</u>               | <u>\$2,436,792</u> | <u>\$376,347</u>                 | <u>\$2,006,090</u>                  | <u>\$54,355</u>                      | <u>\$0</u>            |

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**SCHEDULE OF DEPARTMENTAL OPERATIONS - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

(Exhibit A-1, Page 2 of 2)

| <u>Department</u>                    | <u>Beginning<br/>Balance</u> | <u>Budget</u>       | <u>General<br/>Fund<br/>Expenditures</u> | <u>Operating<br/>Transfers<br/>(In)/Out</u> | <u>Lapsed<br/>Unexpended<br/>(Overdraft)</u> | <u>Ending<br/>Balance</u> |
|--------------------------------------|------------------------------|---------------------|--|---|--|---------------------------|
| <u>Education:</u>                    |                              |                     |  |   |  |                           |
| Elementary School                    | \$923,543                    | \$3,686,753         | \$3,550,303                              | \$67,025                                    | \$0  | \$992,969                 |
| School Union #98                     | \$0                          | \$1,316,294         | \$1,316,294                              | \$0   | \$0  | \$0                       |
|                                      | <u>\$923,543</u>             | <u>\$5,003,047</u>  | <u>\$4,866,597</u>                       | <u>\$67,025</u>                             | <u>\$0</u>                                   | <u>\$992,969</u>          |
| <u>Assessments and Debt Service:</u> |                              |                     |  |   |  |                           |
| FD SCBA Equipment                    | \$0                          | \$28,618            | \$28,618                                 | \$0   | (\$0)  | \$0                       |
| Main Street Bond                     | \$0                          | \$126,619           | \$126,618                                | \$0   | \$2  | \$0                       |
| Infrastructure Bond 2018A            | \$0                          | \$116,847           | \$116,846                                | \$0   | \$1  | \$0                       |
| Infrastructure Bond 2018B            | \$0                          | \$18,120            | \$18,119                                 | \$0   | \$1  | \$0                       |
| Fire Station                         | \$0                          | \$59,876            | \$59,876                                 | \$0   | \$0  | \$0                       |
| Wesley-Mansell Project Bond          | \$0                          | \$106,220           | \$106,596                                | \$0   | (\$376)                                      | \$0                       |
| Water/Sewer Bonds                    | \$0                          | \$212,976           | \$212,971                                | \$0   | \$5  | \$0                       |
| Water Tank Bond                      | \$0                          | \$18,570            | \$18,569                                 | \$0   | \$1  | \$0                       |
| Overlay                              | \$0                          | \$40,011            | \$0                                      | \$0   | \$40,011                                     | \$0                       |
| Hancock County Taxes                 | \$0                          | \$346,133           | \$346,133                                | \$0   | \$0  | \$0                       |
|                                      | <u>\$0</u>                   | <u>\$1,073,990</u>  | <u>\$1,034,347</u>                       | <u>\$0</u>                                  | <u>\$39,643</u>                              | <u>\$0</u>                |
| <u>Unclassified:</u>                 |                              |                     |  |   |  |                           |
| Board of Appeals                     | \$0                          | \$200               | \$156                                    | \$0   | \$44   | \$0                       |
| Harbor Committee                     | \$0                          | \$200               | \$26                                     | \$0   | \$174  | \$0                       |
| Planning Board                       | \$0                          | \$1,000             | \$653                                    | \$0   | \$347  | \$0                       |
| Rhoades Park                         | \$0                          | \$7,500             | \$0                                      | \$7,500                                     | \$0  | \$0                       |
| Tree Fund                            | \$0                          | \$2,250             | \$0                                      | \$2,250                                     | \$0  | \$0                       |
| Historical Cemetery Committee        | \$0                          | \$200               | \$0                                      | \$0   | \$200  | \$0                       |
| Parks/Cemetery                       | \$0                          | \$16,000            | \$15,041                                 | \$0   | \$959  | \$0                       |
| Warrant Committee                    | \$0                          | \$200               | \$0                                      | \$0   | \$200  | \$0                       |
| Generator                            | \$0                          | \$700               | \$795                                    | \$0   | (\$95)                                       | \$0                       |
| Bar Harbor Food Pantry               | \$0                          | \$2,500             | \$2,500                                  | \$0   | \$0  | \$0                       |
| Downeast Health Services             | \$0                          | \$1,035             | \$1,035                                  | \$0   | \$0  | \$0                       |
| Eastern Area on Aging                | \$0                          | \$1,500             | \$1,500                                  | \$0   | \$0  | \$0                       |
| Hancock County Homecare              | \$0                          | \$1,870             | \$1,870                                  | \$0   | \$0  | \$0                       |
| Harbor House                         | \$0                          | \$59,640            | \$59,640                                 | \$0   | \$0  | \$0                       |
| Hospice of Hancock County            | \$0                          | \$1,000             | \$1,000                                  | \$0   | \$0  | \$0                       |
| Island Connections                   | \$0                          | \$2,500             | \$2,500                                  | \$0   | \$0  | \$0                       |
| Mt Heights Cemetery                  | \$0                          | \$12,500            | \$12,500                                 | \$0   | \$0  | \$0                       |
| Library                              | \$0                          | \$60,000            | \$60,000                                 | \$0   | \$0  | \$0                       |
| Nursing Service                      | \$0                          | \$78,000            | \$78,000                                 | \$0   | \$0  | \$0                       |
| Downeast Community Partners          | \$0                          | \$3,574             | \$3,574                                  | \$0   | \$0  | \$0                       |
| MDI Comm. Campfire Coalition         | \$0                          | \$3,000             | \$3,000                                  | \$0   | \$0  | \$0                       |
| Life Flight                          | \$0                          | \$882               | \$882                                    | \$0   | \$0  | \$0                       |
| Southwest Harbor Historical Society  | \$0                          | \$2,500             | \$2,500                                  | \$0   | \$0  | \$0                       |
| Westside Food Pantry                 | \$0                          | \$2,500             | \$2,500                                  | \$0   | \$0  | \$0                       |
| Island Housing Trust                 | \$0                          | \$2,500             | \$2,500                                  | \$0   | \$0  | \$0                       |
| Downeast Horizons                    | \$0                          | \$1,800             | \$1,800                                  | \$0   | \$0  | \$0                       |
|                                      | <u>\$0</u>                   | <u>\$265,551</u>    | <u>\$253,972</u>                         | <u>\$9,750</u>                              | <u>\$1,829</u>                               | <u>\$0</u>                |
| <u>TOTALS</u>                        | <u>\$923,543</u>             | <u>\$11,452,194</u> | <u>\$8,883,102</u>                       | <u>\$2,352,370</u>                          | <u>\$147,297</u>                             | <u>\$992,969</u>          |

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**SCHEDULE OF CHANGES IN GENERAL UNASSIGNED FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

(Exhibit A-2)

|  |           |             |
|--|-----------|-------------|
| <u>Unassigned Fund Balance July 1:</u>                               |           | \$1,564,419 |
| <u>Increases:</u>  |           |             |
| Lapsed Balances - Exhibit A-1  | \$147,297 |             |
| In Lieu of Tax/Homestead Revenues ( Net of Appropriation)            | \$12,379  |             |
| Highway Revenues (Net of Appropriation)                              | \$177     |             |
| Interest Earned (Net of Appropriation)                               | \$62,852  |             |
| Cable Franchise Fee (Net of Appropriation)                           | \$1,706   |             |
| Licenses, Fees, Registrations & Miscellaneous (Net of Appropriation) | \$34,112  |             |
| Decrease in Nonspendable Fund Balance                                | \$43,660  |             |
|  | <hr/>     |             |
| <u>Total Increases</u>   |           | \$302,183   |
| <u>Decreases:</u>  |           |             |
| Appropriation from Fund Balance                                      | \$94,392  |             |
| Increase in Unavailable Property Tax Revenue                         | \$19,199  |             |
| Transfer to Paving Reserve per Selectmen Meeting                     | \$100,000 |             |
| Solid Waste Revenues ( Net of Appropriation)                         | \$5,548   |             |
| District Reimbursements (Net of Appropriation)                       | \$26,000  |             |
| Protection Revenues (Net of Appropriation)                           | \$2,051   |             |
| Docks & Floats Revenues (Net of Appropriation)                       | \$54,206  |             |
| Interest on Taxes & Liens (Net of Appropriation)                     | \$8,973   |             |
| Excise Taxes (Net of Appropriation)                                  | \$3,707   |             |
| Conservation Commission Reimbursement (Net of Appropriation)         | \$15,000  |             |
| ARPA Transfer (Net of Appropriation)                                 | \$94,632  |             |
|  | <hr/>     |             |
| <u>Total Decreases</u>   |           | \$423,706   |
|  |           | <hr/>       |
| <u>Unassigned Fund Balance June 30:</u>                              |           | \$1,442,895 |
|  |           | <hr/> <hr/> |

TOWN OF SOUTHWEST HARBOR, MAINE  
SCHEDULE OF RESERVE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Exhibit A-3, Page 1 of 2)

|                                 | <i>Beginning<br/>Balance</i> | <i>Revenues</i>  | <i>Transfers<br/>from<br/>Funds</i> | <i>Investment<br/>Earnings</i> | <i>Expenditures</i> | <i>Transfers<br/>to Funds</i> | <i>Ending<br/>Balance</i> |
|---------------------------------|------------------------------|------------------|-------------------------------------|--------------------------------|---------------------|-------------------------------|---------------------------|
| State Revenue Sharing           | \$210,244                    | \$209,465        | \$0                                 | \$0                            | \$0                 | \$152,702                     | \$267,007                 |
| Wage & Benefit                  | \$30,201                     | \$0              | \$0                                 | \$0                            | \$14,596            | \$0                           | \$15,605                  |
| Abatements                      | \$12,888                     | \$0              | \$0                                 | \$0                            | \$3,828             | \$0                           | \$9,060                   |
| Legal and Accounting            | \$53,944                     | \$0              | \$0                                 | \$0                            | \$26,361            | \$0                           | \$27,583                  |
| Professional Development        | \$6,329                      | \$35             | \$8,759                             | \$0                            | \$14,935            | \$0                           | \$187                     |
| School Crossing Lights          | \$1,680                      | \$0              | \$18,320                            | \$0                            | \$461               | \$0                           | \$19,539                  |
| Water & Sewer Infrastructure    | \$276,559                    | \$0              | \$0                                 | \$0                            | \$113,512           | \$0                           | \$163,047                 |
| D.A.R.E. Program                | \$396                        | \$0              | \$604                               | \$0                            | \$0                 | \$0                           | \$1,000                   |
| Comprehensive Planning          | \$14,878                     | \$0              | \$0                                 | \$0                            | \$52                | \$0                           | \$14,826                  |
| Unemployment                    | \$7,923                      | \$789            | \$0                                 | \$0                            | \$4,322             | \$0                           | \$4,390                   |
| Rhoades Park                    | \$7,005                      | \$15,000         | \$7,500                             | \$0                            | \$19,727            | \$0                           | \$9,778                   |
| Tree Fund                       | \$0                          | \$0              | \$2,250                             | \$0                            | \$2,250             | \$0                           | \$0                       |
| HRA Insurance                   | \$50,994                     | \$0              | \$6,007                             | \$0                            | \$26,000            | \$0                           | \$31,001                  |
| Historical Cemetery             | \$17,500                     | \$0              | \$0                                 | \$0                            | \$16,135            | \$0                           | \$1,365                   |
| Shellfish                       | \$7,367                      | \$320            | \$0                                 | \$0                            | \$159               | \$0                           | \$7,528                   |
| Contract Snow Removal           | \$6,000                      | \$0              | \$2,500                             | \$0                            | \$3,150             | \$0                           | \$5,350                   |
| Highway Small Projects          | \$25,650                     | \$0              | \$24,350                            | \$0                            | \$68,040            | \$0                           | (\$18,040)                |
| Culvert Replacement             | \$861                        | \$0              | \$20,000                            | \$0                            | \$2,099             | \$0                           | \$18,762                  |
| Salt & Sand                     | \$27,628                     | \$255            | \$5,000                             | \$0                            | \$32,541            | \$0                           | \$342                     |
| Paving/Town Highway             | \$80,838                     | \$0              | \$207,700                           | \$0                            | \$221,868           | \$0                           | \$66,670                  |
| General Assistance              | \$11,269                     | \$1,845          | \$0                                 | \$0                            | \$1,549             | \$0                           | \$11,565                  |
| Records Preservation            | \$3,300                      | \$0              | \$8,400                             | \$0                            | \$0                 | \$0                           | \$11,700                  |
| Junior Fire Department          | \$1,230                      | \$0              | \$0                                 | \$0                            | \$1,200             | \$0                           | \$30                      |
| Fire Department Donations       | \$1,000                      | \$4,700          | \$0                                 | \$0                            | \$0                 | \$0                           | \$5,700                   |
| Map Update                      | \$3,973                      | \$0              | \$0                                 | \$0                            | \$2,484             | \$0                           | \$1,488                   |
| Police Cruiser Emergency Repair | \$11,064                     | \$0              | \$7,000                             | \$0                            | \$3,529             | \$0                           | \$14,534                  |
| Police Recruitment              | \$23,650                     | \$0              | \$26,700                            | \$0                            | \$13,012            | \$0                           | \$37,338                  |
| Police Department Donations     | \$0                          | \$13,000         | \$0                                 | \$0                            | \$5,358             | \$0                           | \$7,642                   |
| Swap Shop                       | \$629                        | \$485            | \$0                                 | \$0                            | \$750               | \$0                           | \$364                     |
| Fire Equipment Emergency Repair | \$3,959                      | \$0              | \$5,360                             | \$0                            | \$1,800             | \$0                           | \$7,519                   |
| Property Revaluation            | \$0                          | \$0              | \$92,500                            | \$0                            | \$0                 | \$0                           | \$92,500                  |
| Bond Reserve Fund               | \$197,154                    | \$0              | \$0                                 | \$0                            | \$0                 | \$0                           | \$197,154                 |
| ARPA Reserve                    | \$94,851                     | \$0              | \$0                                 | \$0                            | \$0                 | \$94,632                      | \$219                     |
| Highway Truck Repair            | \$0                          | \$6,986          | \$0                                 | \$0                            | \$0                 | \$0                           | \$6,986                   |
| <i>Total Town Funds</i>         | <i>\$1,190,963</i>           | <i>\$252,880</i> | <i>\$442,950</i>                    | <i>\$0</i>                     | <i>\$599,718</i>    | <i>\$247,334</i>              | <i>\$1,039,741</i>        |

TOWN OF SOUTHWEST HARBOR, MAINE  
SCHEDULE OF RESERVE FUNDS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Exhibit A-3, Page 2 of 2)

|                             | Beginning Balance  | Revenues           | Transfers from Funds | Investment Earnings | Expenditures       | Transfers to Funds | Ending Balance     |
|-----------------------------|--------------------|--------------------|----------------------|---------------------|--------------------|--------------------|--------------------|
| <u>CIP Funds</u>            |                    |                    |                      |                     |                    |                    |                    |
| Municipal Software          | \$39,328           | \$0                | \$0                  | \$95                | \$3,375            | \$7,023            | \$29,024           |
| Record Preservation         | \$65,021           | \$0                | \$0                  | \$43                | \$0                | \$55,298           | \$9,767            |
| Ford Crown Victoria         | \$48,160           | \$0                | \$14,626             | \$180               | \$5,971            | \$0                | \$56,995           |
| Dispatch Console            | \$52,247           | \$0                | \$3,094              | \$36                | \$114,390          | \$0                | (\$59,013)         |
| Thermal Imaging Camera      | \$48,001           | \$0                | \$19,552             | \$198               | \$0                | \$0                | \$67,751           |
| Highway Vehicles            | \$219,327          | \$0                | \$134,386            | \$1,028             | \$0                | \$0                | \$354,741          |
| Sidewalk Projects           | (\$29,439)         | \$0                | \$42,816             | \$0                 | \$13,378           | \$0                | \$0                |
| Harbor General              | \$2,110            | \$0                | \$47,178             | \$132               | \$2,848            | \$0                | \$46,573           |
| Harbor - Lower Town Dock    | \$101,005          | \$0                | \$26,315             | \$374               | \$1,702            | \$0                | \$125,992          |
| Manset                      | \$215,168          | \$0                | \$64,518             | \$803               | \$9,152            | \$0                | \$271,336          |
| Highway Equipment           | \$37,259           | \$0                | \$12,288             | \$146               | \$0                | \$0                | \$49,693           |
| Harbor - Upper Town Dock    | \$119,638          | \$0                | \$15,146             | \$323               | \$28,358           | \$0                | \$106,749          |
| Fire Vehicle                | \$189,388          | \$0                | \$51,021             | \$471               | \$101,417          | \$0                | \$139,464          |
| Municipal Building          | \$462,624          | \$0                | \$49,117             | \$1,427             | \$73,234           | \$0                | \$439,934          |
| Police Protective Equipment | \$10,621           | \$0                | \$20,766             | \$73                | \$15,206           | \$0                | \$16,253           |
| Infrastructure Project      | \$94,632           | \$882,892          | \$94,632             | \$802               | \$974,025          | \$42,816           | \$56,117           |
| <u>Total CIP Funds</u>      | <u>\$1,675,090</u> | <u>\$882,892</u>   | <u>\$595,455</u>     | <u>\$6,132</u>      | <u>\$1,343,056</u> | <u>\$105,137</u>   | <u>\$1,711,376</u> |
| <u>School Funds</u>         |                    |                    |                      |                     |                    |                    |                    |
| Bus Purchase                | \$164              | \$0                | \$33,000             | \$71                | \$0                | \$0                | \$33,235           |
| HRA Deductible Coverage     | \$39,048           | \$0                | \$19,025             | \$0                 | \$0                | \$0                | \$58,073           |
| Emergency Special Education | \$306,398          | \$0                | \$0                  | \$219               | \$0                | \$0                | \$306,617          |
| Maintenance                 | \$55,098           | \$0                | \$0                  | \$58                | \$0                | \$0                | \$55,156           |
| Playground Maintenance      | \$60,000           | \$0                | \$15,000             | \$0                 | \$0                | \$0                | \$75,000           |
| <u>Total School Funds</u>   | <u>\$460,708</u>   | <u>\$0</u>         | <u>\$67,025</u>      | <u>\$348</u>        | <u>\$0</u>         | <u>\$0</u>         | <u>\$528,080</u>   |
| <u>Total Reserve Funds</u>  | <u>\$3,326,762</u> | <u>\$1,135,772</u> | <u>\$1,105,430</u>   | <u>\$6,480</u>      | <u>\$1,942,775</u> | <u>\$352,471</u>   | <u>\$3,279,197</u> |

TOWN OF SOUTHWEST HARBOR, MAINE  
SCHEDULE OF SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Exhibit B-1)

|  | Beginning<br>Balance | Revenues        | Transfers<br>from<br>Funds | Investment<br>Earnings | Expenditures    | Transfers<br>to<br>Funds | Ending<br>Balance |
|--|----------------------|-----------------|----------------------------|------------------------|-----------------|--------------------------|-------------------|
| Conservation Commission                  | \$390,776            | \$72,211        | \$9,303                    | \$25,258               | \$63,634        | \$29,950                 | \$403,963         |
| Conservation Commission - Future Project | \$17,923             | \$250           | \$29,950                   | \$775                  | \$0             | \$9,303                  | \$39,595          |
| Police                                   | \$1,162              | \$40            | \$0                        | \$0                    | \$67            | \$0                      | \$1,135           |
| King Grant - Fire Responder Jackets      | \$204                | \$0             | \$0                        | \$0                    | \$204           | \$0                      | \$0               |
| Safe Routes to School Grant              | \$9,886              | \$0             | \$0                        | \$0                    | \$0             | \$0                      | \$9,886           |
| Trail Grant                              | \$4,276              | \$0             | \$0                        | \$0                    | \$0             | \$0                      | \$4,276           |
| Septic Tank Grant                        | \$131                | \$0             | \$0                        | \$0                    | \$0             | \$0                      | \$131             |
| Wellness Grant                           | \$125                | \$0             | \$0                        | \$0                    | \$0             | \$0                      | \$125             |
| Harbor Grant                             | \$5,460              | \$0             | \$0                        | \$0                    | \$0             | \$0                      | \$5,460           |
| <u>Total Town Funds</u>                  | <u>\$429,943</u>     | <u>\$72,501</u> | <u>\$39,253</u>            | <u>\$26,033</u>        | <u>\$63,905</u> | <u>\$39,253</u>          | <u>\$464,572</u>  |

**TOWN OF SOUTHWEST HARBOR, MAINE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

(Exhibit C-1)

**Federal Grantor/Pass-Through**  
**Grantor/Program Title**

|  | <u>CFDA #</u> | <u>Grantor Pass-<br/>Through Number</u> | <u>Total<br/>Federal<br/>Expenditures</u> |
|--|---------------|---|---|
| <b><u>U.S. Department of Education:</u></b>              |               |   |   |
| <b><u>Passed through State of Maine</u></b>              |               |   |   |
| <b><u>Department of Education</u></b>                    |               |   |   |
| Rural School Achievement Program                         | 84.358        | 013-05A-3005-03                         | \$13,256                                  |
| <b><u>Special Education Cluster (IDEA):</u></b>          |               |   |   |
| Title VI - Part B - Local Entitlement                    | 84.027        | 013-05A-3046-12                         | \$41,064                                  |
| Title VI, Part B - ARPA Local Entitlement                | 84.027X       | 013-05A-3046-12                         | \$7,452                                   |
| Title VI, Part B - Local Entitlement Preschool           | 84.173X       | 013-05A-6247-23                         | \$868                                     |
| <b><u>Sub-total Special Education Cluster (IDEA)</u></b> |               |   | <u>\$49,384</u>                           |
| ESSA Title IA - Basic Disadvantaged Program              | 84.010        | 013-05A-3107-13                         | \$20,050                                  |
| <b><u>Total U.S. Department of Education</u></b>         |               |   | <u>\$82,690</u>                           |
| <b><u>U.S. Department of Treasury:</u></b>               |               |   |   |
| <b><u>Passed through State of Maine</u></b>              |               |   |   |
| <b><u>Department of Treasury</u></b>                     |               |   |   |
| Coronavirus State and Local Fiscal Recovery Fund         | 21.027        | -                                       | \$189,264                                 |
| <b><u>U.S. Department of Agriculture:</u></b>            |               |   |   |
| <b><u>Passed through State of Maine</u></b>              |               |   |   |
| <b><u>Department of Education</u></b>                    |               |   |   |
| State Pandemic Electronic Benefit Transfer Grants        | 10.649        | 013-05A-6184-05                         | \$628                                     |
| Supply Chain Assistance                                  | 10.560        | 013-05A-6670-05                         | \$5,992                                   |
| <b><u>Food Distribution Cluster:</u></b>                 |               |   |   |
| Food Distribution - Donated Commodities                  | 10.565        | -                                       | \$5,024                                   |
| <b><u>Sub-total Food Distribution Cluster</u></b>        |               |   | <u>\$5,024</u>                            |
| <b><u>Child Nutrition Cluster:</u></b>                   |               |   |   |
| National School Lunch Program                            | 10.555        | 013-05A-3024-05                         | \$21,966                                  |
| National School Breakfast Program                        | 10.553        | 013-05A-3014-05                         | \$7,645                                   |
| <b><u>Sub-total Child Nutrition Cluster</u></b>          |               |   | <u>\$29,611</u>                           |
| <b><u>Total U.S. Department of Agriculture</u></b>       |               |   | <u>\$41,255</u>                           |
| <b><u>Totals</u></b>                                     |               |   | <u>\$313,209</u>                          |