

**Financial Statements**

**Town of China, Maine**

**June 30, 2022**

# Contents

## Town of China, Maine

June 30, 2022

### Financial Statements:

|  |    |
|--|----|
| Independent Auditors' Report .....   | 1  |
| Management's Discussion and Analysis .....   | 4  |
| Basic Financial Statements:  |    |
| Government-wide Financial Statements:  |    |
| Statement of Net Position .....  | 5  |
| Statement of Activities .....  | 6  |
| Fund Financial Statements:   |    |
| Governmental Funds:  |    |
| Balance Sheet .....  | 7  |
| Reconciliation of Governmental Funds Balance Sheet to<br>the Statement of Net Position .....   | 8  |
| Statement of Revenues, Expenditures and Changes in Fund Balances .....   | 9  |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in<br>Fund Balances of Governmental Funds to the Statement of Activities ..... | 10 |
| Statement of Revenues, Expenditures and Changes in Fund Balance -<br>Budget and Actual - General Fund .....  | 11 |
| Notes to Financial Statements .....  | 12 |

### Supplemental Information:

|  |    |
|--|----|
| Schedule of Revenues, Expenditures and Changes<br>in Fund Balance - Budget and Actual - General Fund .....     | 38 |
| Combining Balance Sheet - Other Governmental Funds .....   | 42 |
| Schedule of Revenues, Expenses and Changes<br>in Fund Balance - Non-major Special Revenue Fund .....           | 43 |
| Combining Schedule of Revenues, Expenses and Changes<br>in Fund Balances - Permanent Funds - Trust Funds ..... | 44 |
| Schedule of Valuation, Assessment and Collection of Taxes .....  | 45 |

### Required Supplemental Information:

|  |    |
|--|----|
| Schedule of the Changes in the Town's Total MMEHT Plan OPEB Liability and<br>Related Ratios .....              | 46 |
| Notes to the Schedules of the Change in the Town's Total MMEHT Plan OPEB<br>Liability and Related Ratios ..... | 47 |
| Schedule of the Town's Proportionate Share of the Net Pension Liability .....                                  | 48 |
| Schedule of Town Contributions .....   | 49 |
| Notes to the Town's Proportionate Share of the Net Pension Liability and Town<br>Contributions .....           | 50 |

## Independent Auditors' Report

**To the Select Board  
Town of China  
China, Maine**

### **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 China, Maine, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic 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 China, Maine, as of June 30, 2022, and the respective changes in financial position 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 standard 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 of China, Maine, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Town of China, Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' 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 auditors' 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 Town of China, Maine's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of China, Maine's ability to continue as a going concern for a reasonable period of time.

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

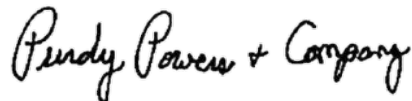
## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 4, the Schedule of Changes in the Town's Total MMEHT Plan OPEB Liability and Related Ratios on page 46, the Notes to the Schedule on page 47, the Schedule of the Town's Proportionate Share of the Net Pension Liability on page 48, the Schedule of Town Contributions on page 49, and the Notes to the Schedules on page 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of China, Maine's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.



Professional Association

**Portland, Maine**  
**November 7, 2022**

## **Management's Discussion and Analysis**

### **Town of China, Maine**

As management of the Town of China, Maine, we offer 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, 2022. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

#### **Financial Highlights**

- The Town's assets exceeded liabilities in the Statement of Net Position by approximately \$9.5 million as of June 30, 2022 and \$8.7 million as of June 30, 2021.
- The Town's governmental funds General Fund Balance was \$3.5 million as of June 30, 2022, compared to \$2.4 million as of June 30, 2021.

#### **Overview of the Financial Statements**

The Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report supplemental information to the basic financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements provide information about the activities of the Town as a whole and present both a long-term and short-term view of the Town's finances. Financial reporting at this level is similar to the accounting used by most private-sector companies.

The Statement of Net Position includes all assets (and deferred outflows) and liabilities (and deferred inflows), with the difference reported as net position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. Evaluation of the overall economic health requires other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads, as well as many others.

The Statement of Activities reports the current year change in net position. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

- **Governmental activities:** Most of the Town's basic services are reported here, including public works, general administration, public safety and solid waste operations. Taxes, fees, fines, and state and federal grants finance most of these activities.

## **Management's Discussion and Analysis - Continued**

### **Town of China, Maine**

#### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The Town has the following fund types:

- Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

#### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

## Management's Discussion and Analysis - Continued

### Town of China, Maine

#### Financial Analysis of the Town as a Whole - Government-wide Financial Statements

The following schedule is a summary of the statement of net position for the years ended June 30, 2022 and 2021:

|                                  | <u>Governmental Activities</u> |                     |                   |
|----------------------------------|--------------------------------|---------------------|-------------------|
|                                  | <u>2022</u>                    | <u>2021</u>         | <u>Change</u>     |
| Current and other assets         | \$ 5,266,547                   | \$ 4,169,649        | \$ 1,096,898      |
| Capital assets                   | <u>4,591,586</u>               | <u>4,932,590</u>    | <u>(341,004)</u>  |
| <b>Total Assets</b>              | <u>9,858,133</u>               | <u>9,102,239</u>    | <u>755,894</u>    |
| Deferred outflows                | <u>326,985</u>                 | <u>226,502</u>      | <u>100,483</u>    |
| <b>Total Deferred Outflows</b>   | <u>326,985</u>                 | <u>226,502</u>      | <u>100,483</u>    |
| Long-term liabilities            | 278,941                        | 483,076             | (204,135)         |
| Other liabilities                | <u>14,467</u>                  | <u>98,974</u>       | <u>(84,507)</u>   |
| <b>Total Liabilities</b>         | <u>293,408</u>                 | <u>582,050</u>      | <u>(288,642)</u>  |
| Deferred inflows                 | <u>385,631</u>                 | <u>13,784</u>       | <u>371,847</u>    |
| <b>Total Deferred Inflows</b>    | <u>385,631</u>                 | <u>13,784</u>       | <u>371,847</u>    |
| Net investment in capital assets | 4,591,586                      | 4,932,590           | (341,004)         |
| Restricted                       | 2,071,833                      | 1,572,357           | 499,476           |
| Unrestricted                     | <u>2,842,660</u>               | <u>2,227,960</u>    | <u>614,700</u>    |
| <b>Net Position</b>              | <u>\$ 9,506,079</u>            | <u>\$ 8,732,907</u> | <u>\$ 773,172</u> |



## Management's Discussion and Analysis - Continued

### Town of China, Maine

The following schedule is a summary of the statement of activities for the years ended June 30, 2022 and 2021:

|                                    | <u>Governmental Activities</u> |                   |                  |
|------------------------------------|--------------------------------|-------------------|------------------|
|                                    | <u>2022</u>                    | <u>2021</u>       | <u>Change</u>    |
| Revenues:                          |                                |                   |                  |
| Program revenues:                  |                                |                   |                  |
| Charges for services               | \$ 264,315                     | \$ 225,418        | \$ 38,897        |
| Operating grants and contributions | 510,263                        | 51,296            | 458,967          |
| General revenues                   |                                |                   |                  |
| Taxes                              | 8,135,398                      | 7,781,152         | 354,246          |
| Intergovernmental                  | 1,076,504                      | 837,806           | 238,698          |
| Investment                         | (130,783)                      | 228,360           | (359,143)        |
| All others                         | 109,097                        | 161,058           | (51,961)         |
| <b>Total Revenues</b>              | <u>9,964,794</u>               | <u>9,285,090</u>  | <u>679,704</u>   |
| Expenses:                          |                                |                   |                  |
| Administration                     | 961,313                        | 975,445           | (14,132)         |
| Protection                         | 256,784                        | 279,436           | (22,652)         |
| Public works                       | 1,448,357                      | 861,855           | 586,502          |
| Solid waste operations             | 591,567                        | 611,711           | (20,144)         |
| Community services                 | 93,624                         | 105,196           | (11,572)         |
| Education                          | 5,065,795                      | 5,048,702         | 17,093           |
| Recreation                         | -                              | 2,911             | (2,911)          |
| County tax                         | 489,534                        | 472,622           | 16,912           |
| Economic development               | 138,233                        | 94,671            | 43,562           |
| Capital outlay                     | 146,415                        | 79,257            | 67,158           |
| <b>Total Expenses</b>              | <u>9,191,622</u>               | <u>8,531,806</u>  | <u>659,816</u>   |
| <b>Change in Net Position</b>      | <u>\$ 773,172</u>              | <u>\$ 753,284</u> | <u>\$ 19,888</u> |

Within this budget, we encountered many increased costs due to the pandemic and shortages in goods, materials and a higher cost of services from vendors.

## Management's Discussion and Analysis - Continued

### Town of China, Maine

#### Financial Analysis of the Town's Funds - Fund Financial Statements

**Governmental funds.** The focus of the Town of China, Maine'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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of China, Maine governmental funds reported combined ending fund balances at June 30, 2022 of \$5.1 million. Approximately 28% of this total constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion.

The Town has undertaken an approach to prepare for lean times. Our capital reserves, financial investments and the healthy undesignated fund balance show this commitment.

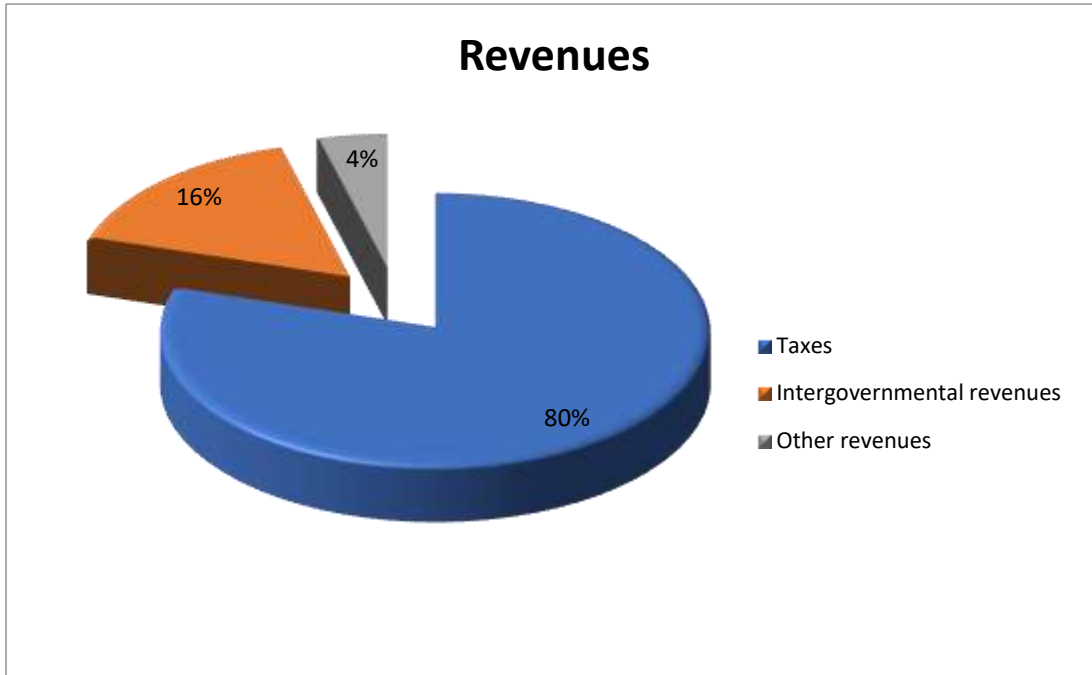
The general fund is the central operating fund of the Town of China, Maine. At the end of the current fiscal year the unassigned fund balance of the general fund was \$1,407,105. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

While remaining responsive and sensitive to the demands of the Town's residents, management continually provides a tempered approach to planned expenditures.

## Management's Discussion and Analysis - Continued

### Town of China, Maine

The Town's general fund operating fund revenues were as follows:



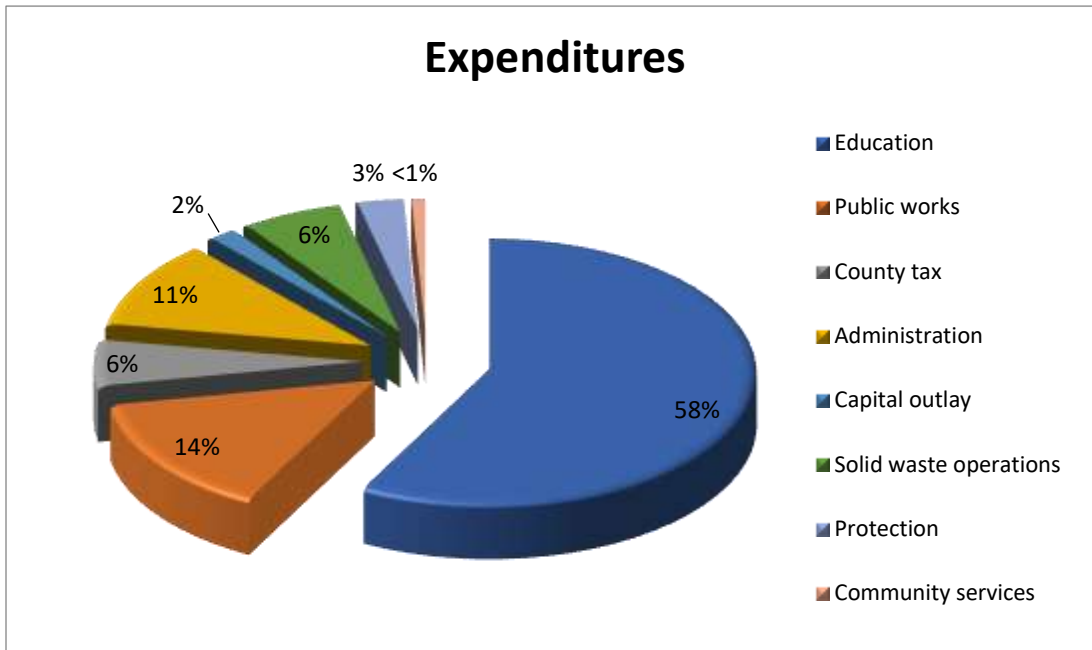
Taxes (real estate, personal property and motor vehicle excise taxes) continue to represent the largest source of revenue for the Town. While State revenue sharing is now at 5%, the responsibility of providing Town services, including the maintenance of local roads, falls almost entirely on the residents and businesses.

The Town maintains a relatively low mil rate and has strived to balance the need for additional demanded services with the resources provided through the various revenue sources in this chart.

## Management's Discussion and Analysis - Continued

### Town of China, Maine

The Town's general fund operating fund expenditures were as follows:



Economic factors continue to increase costs throughout the municipal, RSU 18 and county budget.

#### General Fund Budgetary Highlights

The Town's general fund is a healthy as best financial management practice has been observed by the Town's elected officials. Budgetary review is done periodically by the Town's Budget Committee and Select Board.

#### Capital Assets

At the end of the current fiscal year, The town realized significant balances in a broad range of reserve fund accounts including equipment, transfer station capital, fire department, rescue, and Thurston Park.

#### Long Term Liabilities

The Town has long term liabilities for accrued compensated balances and net pension liability associated with employees and benefits.

## **Management's Discussion and Analysis - Continued**

### **Town of China, Maine**

#### **Economic Factors and Next Year's Budgets and Rates**

The Town's elected and appointed officials considered many factors when setting the 2021-2022 municipal budget and tax rates. The education and county budgets are, to a great extent outside of the local official's influence though have a propensity to impact the tax rate.

Municipal revenues have mostly been dependent on the property taxes and motor vehicle excise taxes. A broader base of revenues would serve the town positively if officials considered alternative sources.

The Town has continually been mindful of capital maintenance and improvement and has endeavored to support a capital improvement/replacement account in the fund balance and anticipates a substantial allocation to that account in the upcoming budget to remain current in the capital improvement/replacement cycles.

#### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 445-2014 and ask for the Town Manager. Citizens are welcomed to visit with the appropriate staff on any financial matters.

## Statement of Net Position

### Town of China, Maine

As of June 30, 2022

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                                   |                            |
| Cash  | \$ 3,932,635               |
| Investments                                     | 1,002,904                  |
| Accounts receivable                             | 98,368                     |
| Taxes receivable                                | 28,538                     |
| Tax liens receivable                            | 117,083                    |
| Loan receivable                                 | 11,208                     |
| Prepaid expenses                                | 48,532                     |
| Net pension asset                               | 27,279                     |
| Capital assets, net of accumulated depreciation | 4,591,586                  |
| <b>Total Assets</b>                             | <u>9,858,133</u>           |
| <b>Deferred Outflows</b>                        |                            |
| Deferred outflows related to OPEB               | 80,335                     |
| Deferred outflows related to pension            | 246,650                    |
| <b>Total Deferred Outflows</b>                  | <u>326,985</u>             |
| <b>Liabilities</b>                              |                            |
| Accounts payable                                | -                          |
| Prepaid taxes                                   | 14,467                     |
| Long-term liabilities:                          |                            |
| Portion due or payable within one year:         |                            |
| Accrued compensated absences                    | 45,000                     |
| Portion due or payable after one year:          |                            |
| Accrued compensated absences                    | 44,238                     |
| Net OPEB liability                              | 189,703                    |
| <b>Total Liabilities</b>                        | <u>293,408</u>             |
| <b>Deferred Inflows</b>                         |                            |
| Deferred inflows related to OPEB                | 8,870                      |
| Deferred inflows related to pension             | 376,761                    |
| <b>Total Deferred Inflows</b>                   | <u>385,631</u>             |
| <b>Net Position</b>                             |                            |
| Net investment in capital assets                | 4,591,586                  |
| Restricted                                      | 2,071,833                  |
| Unrestricted                                    | 2,842,660                  |
| <b>Net Position</b>                             | <u>\$ 9,506,079</u>        |

See accompanying independent auditors' report and notes to the financial statements.

## Statement of Activities

### Town of China, Maine

For the Year Ended June 30, 2022

| Function/Programs                    | Expenses            | Program Revenues     |                                    | Net (Expense) Revenue and  |
|--------------------------------------|---------------------|----------------------|------------------------------------|----------------------------|
|                                      |                     | Charges for Services | Operating Grants and Contributions | Changes in Net Position    |
|                                      |                     |                      |                                    | Governmental Activities    |
| <b>Governmental Activities:</b>      |                     |                      |                                    |                            |
| Administration                       | \$ 961,313          | \$ 83,142            | \$ 454,887                         | \$ (423,284)               |
| Protection                           | 256,784             | -                    | -                                  | (256,784)                  |
| Public works                         | 1,448,357           | -                    | 55,376                             | (1,392,981)                |
| Transfer station                     | 591,567             | 181,173              | -                                  | (410,394)                  |
| Community services                   | 93,624              | -                    | -                                  | (93,624)                   |
| Education                            | 5,065,795           | -                    | -                                  | (5,065,795)                |
| County tax                           | 489,534             | -                    | -                                  | (489,534)                  |
| Community development                | 138,233             | -                    | -                                  | (138,233)                  |
| Capital outlay - special projects    | 146,415             | -                    | -                                  | (146,415)                  |
| <b>Total Governmental Activities</b> | <b>\$ 9,191,622</b> | <b>\$ 264,315</b>    | <b>\$ 510,263</b>                  | <b>(8,417,044)</b>         |
| General revenues:                    |                     |                      |                                    |                            |
|                                      |                     |                      |                                    | 8,135,398                  |
| Taxes                                |                     |                      |                                    | 1,076,504                  |
| Intergovernmental                    |                     |                      |                                    | 104,622                    |
| Miscellaneous                        |                     |                      |                                    | 10,425                     |
| Interest income                      |                     |                      |                                    | (130,783)                  |
| Change in investment value           |                     |                      |                                    | (5,950)                    |
| Loss on disposal of capital assets   |                     |                      |                                    |                            |
|                                      |                     |                      | <b>Total General Revenues</b>      | <b>9,190,216</b>           |
|                                      |                     |                      | <b>Change in Net Position</b>      | <b>773,172</b>             |
|                                      |                     |                      | Net position at beginning of year  | <u>8,732,907</u>           |
|                                      |                     |                      | <b>Net Position at End of Year</b> | <b>\$ <u>9,506,079</u></b> |

See accompanying independent auditors' report and notes to the financial statements.

## Balance Sheet - Governmental Funds

### Town of China, Maine

As of June 30, 2022

|  | General             | D.L. Young<br>Scholarship | TIF Fund          | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------------|-------------------|--------------------------------|--------------------------------|
| <b>Assets</b>  |                     |                           |                   |                                |                                |
| Cash   | \$ 3,713,858        | \$ 218,777                | \$ -              | \$ -                           | \$ 3,932,635                   |
| Investments  | -                   | 1,002,904                 | -                 | -                              | 1,002,904                      |
| Accounts receivable  | 98,368              | -                         | -                 | -                              | 98,368                         |
| Taxes receivable   | 28,538              | -                         | -                 | -                              | 28,538                         |
| Tax liens receivable   | 117,083             | -                         | -                 | -                              | 117,083                        |
| Loan receivable  | -                   | -                         | 11,208            | -                              | 11,208                         |
| Prepaid expenses   | 48,532              | -                         | -                 | -                              | 48,532                         |
| Due from other funds   | 10,500              | -                         | 258,911           | 132,505                        | 401,916                        |
| <b>Total Assets</b>  | <b>\$ 4,016,879</b> | <b>\$ 1,221,681</b>       | <b>\$ 270,119</b> | <b>\$ 132,505</b>              | <b>\$ 5,641,184</b>            |
| <b>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b>       |                     |                           |                   |                                |                                |
| <b>Liabilities</b>   |                     |                           |                   |                                |                                |
| Accounts payable   | \$ -                | \$ -                      | \$ -              | \$ -                           | \$ -                           |
| Prepaid taxes  | 14,467              | -                         | -                 | -                              | 14,467                         |
| Due to other funds   | 391,416             | 10,500                    | -                 | -                              | 401,916                        |
| <b>Total Liabilities</b>   | <b>405,883</b>      | <b>10,500</b>             | <b>-</b>          | <b>-</b>                       | <b>416,383</b>                 |
| <b>Deferred Inflows of Resources</b>   |                     |                           |                   |                                |                                |
| Unavailable revenue - property taxes   | 130,000             | -                         | -                 | -                              | 130,000                        |
| <b>Total Deferred Inflows of Resources</b>                                     | <b>130,000</b>      | <b>-</b>                  | <b>-</b>          | <b>-</b>                       | <b>130,000</b>                 |
| <b>Fund Balances</b>   |                     |                           |                   |                                |                                |
| Nonspendable   |                     |                           |                   |                                |                                |
| Permanent funds  | -                   | 649,736                   | -                 | 73,085                         | 722,821                        |
| Restricted   |                     |                           |                   |                                |                                |
| General fund   | 458,028             | -                         | -                 | -                              | 458,028                        |
| Permanent funds  | -                   | 561,445                   | -                 | 51,332                         | 612,777                        |
| Special revenue funds  | -                   | -                         | 270,119           | 8,088                          | 278,207                        |
| Assigned   |                     |                           |                   |                                |                                |
| General fund   | 1,615,863           | -                         | -                 | -                              | 1,615,863                      |
| Unassigned   |                     |                           |                   |                                |                                |
| General fund   | 1,407,105           | -                         | -                 | -                              | 1,407,105                      |
| <b>Total Fund Balances</b>   | <b>3,480,996</b>    | <b>1,211,181</b>          | <b>270,119</b>    | <b>132,505</b>                 | <b>5,094,801</b>               |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b> | <b>\$ 4,016,879</b> | <b>\$ 1,221,681</b>       | <b>\$ 270,119</b> | <b>\$ 132,505</b>              | <b>\$ 5,641,184</b>            |

See accompanying independent auditors' report and notes to the financial statements.



# Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

## Town of China, Maine

As of June 30, 2022

|   |                  |                     |
|---|------------------|---------------------|
| <b>Total Fund Balances - Governmental Funds</b>   |                  | \$ 5,094,801        |
| Amounts reported for governmental activities in the Statement of Net Position is different because:   |                  |                     |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of capital assets, net of accumulated depreciation is:  |                  | 4,591,586           |
| Long-term assets are not available in the current period and therefore are not reported as such in the funds. Long-term assets at year-end consist of:  |                  |                     |
| Net pension asset   |                  | 27,279              |
| Property tax revenues are presented on the modified accrual basis of accounting in the governmental funds but in the Statement of Activities, property tax revenue is reported under the accrual method. The balance in unavailable revenue - property taxes in the governmental funds as a deferred inflow is: |                  | 130,000             |
| The following deferred outflows below are not current assets or financial resources and the following deferred inflows are not current liabilities due and payable in the current period and therefore are not reported in the Balance Sheet:   |                  |                     |
| Deferred outflows related to OPEB   | \$ 80,335        |                     |
| Deferred inflows related to OPEB  | (8,870)          |                     |
| Deferred outflows related to pension  | 246,650          |                     |
| Deferred inflows related to pension   | <u>(376,761)</u> |                     |
|   |                  | (58,646)            |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and related liabilities at year-end consist of:   |                  |                     |
| Accrued compensated absences  | (89,238)         |                     |
| Net OPEB liability  | <u>(189,703)</u> |                     |
|   |                  | <u>(278,941)</u>    |
| <b>Net Position - Governmental Activities</b>   |                  | <u>\$ 9,506,079</u> |

See accompanying independent auditors' report and notes to the financial statements.

# Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

## Town of China, Maine

For the Year Ended June 30, 2022

|  | General             | D.L. Young<br>Scholarship | TIF District      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------------|-------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>  |                     |                           |                   |                                |                                |
| Taxes  | \$ 7,828,624        | \$ -                      | \$ 330,774        | \$ -                           | \$ 8,159,398                   |
| Intergovernmental revenues   | 1,586,767           | -                         | -                 | -                              | 1,586,767                      |
| Other revenues   | 406,082             | 43,895                    | 648               | 2,287                          | 452,912                        |
| <b>Total Revenues</b>  | <b>9,821,473</b>    | <b>43,895</b>             | <b>331,422</b>    | <b>2,287</b>                   | <b>10,199,077</b>              |
| <b>Expenditures</b>  |                     |                           |                   |                                |                                |
| Current  |                     |                           |                   |                                |                                |
| Administration   | 944,790             | -                         | -                 | 3,989                          | 948,779                        |
| Protection   | 251,877             | -                         | -                 | -                              | 251,877                        |
| Public works   | 1,255,842           | -                         | -                 | -                              | 1,255,842                      |
| Transfer station   | 543,879             | -                         | -                 | -                              | 543,879                        |
| Community services   | 74,528              | 19,096                    | -                 | -                              | 93,624                         |
| Education  | 5,065,795           | -                         | -                 | -                              | 5,065,795                      |
| County tax   | 489,534             | -                         | -                 | -                              | 489,534                        |
| Community development  | -                   | -                         | 138,423           | -                              | 138,423                        |
| Capital outlay - special projects  | 146,415             | -                         | -                 | -                              | 146,415                        |
| <b>Total Expenditures</b>  | <b>8,772,660</b>    | <b>19,096</b>             | <b>138,423</b>    | <b>3,989</b>                   | <b>8,934,168</b>               |
| <b>Revenues Over (Under) Expenditures</b>                                      | <b>1,048,813</b>    | <b>24,799</b>             | <b>192,999</b>    | <b>(1,702)</b>                 | <b>1,264,909</b>               |
| <b>Other Financing Sources (Uses)</b>  |                     |                           |                   |                                |                                |
| Operating transfers in   | 34,250              | -                         | -                 | -                              | 34,250                         |
| Operating transfers out  | -                   | -                         | (34,250)          | -                              | (34,250)                       |
| Change in investment value   | -                   | (130,783)                 | -                 | -                              | (130,783)                      |
| <b>Total Other Financing Sources (Uses)</b>                                    | <b>34,250</b>       | <b>(130,783)</b>          | <b>(34,250)</b>   | <b>-</b>                       | <b>(130,783)</b>               |
| <b>Revenues and Other Sources Over (Under)<br/>Expenditures and Other Uses</b> | <b>1,083,063</b>    | <b>(105,984)</b>          | <b>158,749</b>    | <b>(1,702)</b>                 | <b>1,134,126</b>               |
| Fund balances at beginning of year   | 2,397,933           | 1,317,165                 | 111,370           | 134,207                        | 3,960,675                      |
| <b>Fund Balances at End of Year</b>  | <b>\$ 3,480,996</b> | <b>\$ 1,211,181</b>       | <b>\$ 270,119</b> | <b>\$ 132,505</b>              | <b>\$ 5,094,801</b>            |

See accompanying independent auditors' report and notes to the financial statements.

# Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

## Town of China, Maine

**As of June 30, 2022**

|  |                  |                   |
|--|------------------|-------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>  |                  | \$ 1,134,126      |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |                  |                   |
| Property tax revenues are presented on the modified accrual basis of accounting in the governmental funds but in the Statement of Activities, property tax revenue is reported under the accrual method. The current year change in unavailable revenue - property tax revenue reported in the governmental funds and not in the Statement of Activities is:     |                  | (24,000)          |
| Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and capital asset additions were different in the current period:                                  |                  |                   |
| Capital asset additions  | \$ 91,397        |                   |
| Depreciation expense   | <u>(352,901)</u> | (261,504)         |
| Governmental funds report the sale of capital assets as revenues. However, in the Statement of Activities, the sale of those assets is recognized as a gain or loss, depending on the sale and accumulated depreciation amounts. This is the amount by which the loss on sale of capital assets differed from capital asset sale proceeds in the current period: |                  |                   |
| Capital asset sale proceeds  | (73,550)         |                   |
| Loss on sale of capital assets   | <u>(5,950)</u>   | (79,500)          |
| 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 the governmental funds.  |                  |                   |
| Change in accrued compensated absences   | 4,113            |                   |
| Adjustment to OPEB   | (20,554)         |                   |
| Adjustment to pension expense  | <u>20,491</u>    | 4,050             |
| <b>Change in Net Position of Governmental Activities</b>   |                  | <u>\$ 773,172</u> |

See accompanying independent auditors' report and notes to the financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund**

**Town of China, Maine**

**For the Year Ended June 30, 2022**

|  | Budgeted Amounts |                  | Actual<br>(Budgetary<br>Basis) | Variance<br>Positive<br>(Negative) |
|--|------------------|------------------|--------------------------------|------------------------------------|
|  | Original         | Final            |                                |                                    |
| <b>Revenues</b>  |                  |                  |                                |                                    |
| Taxes  | \$ 7,765,672     | \$ 7,765,672     | \$ 8,159,399                   | \$ 393,727                         |
| Intergovernmental revenues   | 952,542          | 952,542          | 1,586,768                      | 634,226                            |
| Other revenues   | 240,471          | 240,471          | 388,089                        | 147,618                            |
| <b>Total Revenues</b>  | <b>8,958,685</b> | <b>8,958,685</b> | <b>10,134,256</b>              | <b>1,175,571</b>                   |
| <b>Expenditures</b>  |                  |                  |                                |                                    |
| Current  |                  |                  |                                |                                    |
| Administration   | 1,072,268        | 1,072,268        | 962,129                        | 110,139                            |
| Protection   | 251,387          | 251,387          | 212,756                        | 38,631                             |
| Public works   | 1,456,692        | 1,456,692        | 1,368,843                      | 87,849                             |
| Solid waste operations   | 573,005          | 573,005          | 543,879                        | 29,126                             |
| Community services   | 85,790           | 85,790           | 75,528                         | 10,262                             |
| Education  | 5,065,795        | 5,065,795        | 5,065,795                      | -                                  |
| County tax   | 489,534          | 489,534          | 489,534                        | -                                  |
| Capital outlay - special projects                                      | 520,150          | 520,150          | 221,837                        | 298,313                            |
| <b>Total Expenditures</b>  | <b>9,514,621</b> | <b>9,514,621</b> | <b>8,940,301</b>               | <b>574,320</b>                     |
| <b>Revenues Over (Under) Expenditures</b>                              | <b>(555,936)</b> | <b>(555,936)</b> | <b>1,193,955</b>               | <b>1,749,891</b>                   |
| <b>Other Financing Sources (Uses)</b>                                  |                  |                  |                                |                                    |
| Operating transfers in   | 265,000          | 265,000          | 34,250                         | (230,750)                          |
| Operating transfers out  | -                | -                | (330,774)                      | (330,774)                          |
| Utilization of unassigned fund balance                                 | 116,180          | 116,180          | -                              | (116,180)                          |
| Utilization of assigned fund balance                                   | 216,178          | 216,178          | -                              | (216,178)                          |
| <b>Total Other Financing Sources (Uses)</b>                            | <b>597,358</b>   | <b>597,358</b>   | <b>(296,524)</b>               | <b>(893,882)</b>                   |
| <b>Revenues and Other Sources Over<br/>Expenditures and Other Uses</b> | <b>\$ 41,422</b> | <b>\$ 41,422</b> | <b>897,431</b>                 | <b>\$ 856,009</b>                  |
| Budgetary fund balance at beginning of year                            |                  |                  | <u>1,517,050</u>               |                                    |
| <b>Budgetary Fund Balance at End of Year</b>                           |                  |                  | <u><u>\$ 2,414,481</u></u>     |                                    |

See accompanying independent auditors' report and notes to the financial statements.

## Notes to Financial Statements

### Town of China, Maine

#### Note A - Summary of Significant Accounting Policies

The Town of China, Maine operates under a Select Board - Town Manager form of government. The accounting policies of the Town of China, Maine, conform to United States generally accepted accounting principles (GAAP). The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below.

#### Principles Determining Scope of Reporting Entity

The basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in GAAP include whether:

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

Based on the aforementioned criteria, the Town of China has no component units.

#### Basis of Presentation

##### Government-wide Financial Statements

The statement of net position and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services for support. Currently, the Town has no business-type activities.

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. The Town does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges 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 as general revenues.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note A - Summary of Significant Accounting Policies - Continued

##### Government-wide Financial Statements - Continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

##### Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

##### Governmental Activities

Governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

*Permanent Funds* are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization as stipulated by the specific trust instrument.

##### **Basis of Accounting**

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

##### Accrual

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

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note A - Summary of Significant Accounting Policies - Continued

##### Modified Accrual

Governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

##### Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments.

##### Investments

The Town follows GASBS No. 31, Accounting and Reporting of Certain Investments and External Investment Pools. Under GASBS No. 31, certain investments held by governments are reported at their fair value in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenditures and changes in fund balance.

##### Capital Assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$3,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method. Estimated useful lives are as follows: land improvements, 15 to 20 years; buildings and improvements, 20 to 50 years; infrastructure, 5 to 60 years; and vehicles and equipment, 3 to 25 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

##### Vacation and Sick Leave

Under the terms of personnel policies, vacation leave is granted in varying amounts according to length of service. Sick leave is granted in equal amounts to all employees. In some cases, employees are entitled to payment for unused vacation upon termination or retirement.

## **Notes to Financial Statements - Continued**

### **Town of China, Maine**

#### **Note A - Summary of Significant Accounting Policies - Continued**

##### **Budget**

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

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

- Early in the second half of the last fiscal year the Town prepared a budget for this fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- A vote of the inhabitants of the Town was then taken for the purpose of adopting the proposed budget after public notice of the vote was given.
- The budget was adopted subsequent to passage by the inhabitants of the Town.

The Town does not adopt budgets for special revenue funds, except for the Tax Increment Financing District.

##### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Interfund Activity**

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund loan receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide presentation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. Since not all funds maintain a separate cash account, cash is pooled in the General Fund cash account and activity for individual funds are recorded through the General Fund and each respective individual fund through the recognition of a "due to/due from" as appropriate. The due to/from other funds balances are subject to elimination upon consolidation in the government-wide presentation. All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

##### **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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.



## **Notes to Financial Statements - Continued**

### **Town of China, Maine**

#### **Note A - Summary of Significant Accounting Policies - Continued**

##### **Long-Term Obligations - Continued**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until that time. The Town has two items that that meets this criterion: 1) the deferred other postemployment benefits (OPEB) and 2) deferred pensions. Both items are reported in the statement of financial position.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items: 1) unavailable revenue, which results from property taxes, which arises under the modified accrual basis of accounting that qualifies for reporting in this category and is reported in the governmental funds balance sheet and 2) deferred inflows related to both the OPEB liability and pension liability which are reported in the statement of net position.

##### **Revenue Recognition - Property Taxes**

The Town's property tax for the current year was levied August 16, 2021, on the assessed value listed as of April 1, 2021, for all real and personal property located in the Town. Taxes were due September 30, 2021 and April 1, 2022. Interest on unpaid taxes commenced on October 1, 2021 and April 2, 2022, at 6% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$41,422 for the year ended June 30, 2022.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note A - Summary of Significant Accounting Policies - Continued

##### **Revenue Recognition - Property Taxes - Continued**

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

##### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the Town's 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 Municipal Employees Health Trust, an agent single-employer defined benefit postretirement healthcare plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

##### **Pensions**

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note I and the required supplementary information beginning on page 48), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Maine Public Employees Retirement System (MainePERS). The net pension liability is measured as of the Town's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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 Participating Local District (PLD) Consolidation Plan and additions to/deductions from PLD Consolidation Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidation Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note A - Summary of Significant Accounting Policies - Continued

##### Pensions - Continued

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

##### Government-wide Fund Net Position

Government-wide net position is divided into three components:

*Net investment in capital assets* - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

*Restricted net position* - consist of net asset position that is restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

*Unrestricted* - All other net asset positions are reported in this category.

##### Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* - resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

*Restricted* - resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed through constitutional provisions or enabling legislation.

*Committed* - resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

*Assigned* - resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board or a body or official to which the Select Board has designated the authority to assign amounts for specific purposes.

*Unassigned* - resources which cannot be properly classified in one of the other four categories.

##### Use of Restricted Resources

The Town has no formal fund balance policy. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note B - Cash and Investments

The Town conducts all its banking and investment transactions with depository banks and investment firms.

#### Custodial Credit Risk - Deposits

At June 30, 2022, the carrying amount of the Town's deposits was \$3,932,635 and the bank balance was \$4,114,441. The difference between these balances relates to deposits in transit and outstanding checks. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy on custodial credit risk. As of June 30, 2022, none of the Town's bank balance of \$4,114,441 was exposed to credit risk.

#### Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks, bonds and mutual funds.

#### Interest Rate Risk

The Town does not have an investment policy on interest rate risk. At June 30, 2022, the Town had the following investments and maturities:

| <u>Investment Types</u> | <u>Fair Value</u>   | <u>Maturity</u>       |                         |                   |                          |
|-------------------------|---------------------|-----------------------|-------------------------|-------------------|--------------------------|
|                         |                     | <u>Not Applicable</u> | <u>Less than 1 Year</u> | <u>1-5 years</u>  | <u>More than 5 years</u> |
| Equities                | \$ 507,745          | \$ 507,745            | \$ -                    | \$ -              | \$ -                     |
| Fixed income            | 482,962             | 18,411                | -                       | 353,189           | 111,362                  |
| Commodities             | <u>12,197</u>       | <u>12,197</u>         | <u>-</u>                | <u>-</u>          | <u>-</u>                 |
|                         | <u>\$ 1,002,904</u> | <u>\$ 538,353</u>     | <u>\$ -</u>             | <u>\$ 353,189</u> | <u>\$ 111,362</u>        |

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note B - Cash and Investments - Continued

##### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy on custodial credit risk. As of June 30, 2022, the Town had no investments subject to custodial credit risk.

##### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy on credit risk. At June 30, 2022, the Town had the following credit quality distribution in debt securities:

| <u>Standard &amp; Poor's Rating</u> | <u>Fair Value</u> |
|-------------------------------------|-------------------|
| AAA                                 | \$ 72,659         |
| AA-                                 | 18,411            |
| A+                                  | 127,992           |
| A-                                  | 40,059            |
| BBB+                                | 65,039            |
| BBB-                                | 51,604            |
| N/A                                 | <u>107,198</u>    |
| Total debt securities               | <u>\$ 482,962</u> |

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note C - Capital Assets

A summary of capital asset transactions for the year ended June 30, 2022, follows:

| <b>Governmental Activities:</b>       | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|---------------------------------------|------------------------------|---------------------|--------------------|---------------------------|
| <b>Non-Depreciable Assets:</b>        |                              |                     |                    |                           |
| Land                                  | \$ 424,207                   | \$ -                | \$ 79,500          | \$ 344,707                |
| Construction in progress              | 37,841                       | -                   | 37,841             | -                         |
| <b>Depreciable Assets:</b>            |                              |                     |                    |                           |
| Buildings                             | 1,499,130                    | 16,465              | -                  | 1,515,595                 |
| Equipment                             | 1,430,258                    | 29,490              | 74,641             | 1,385,107                 |
| Improvements                          | 366,044                      | -                   | -                  | 366,044                   |
| Land improvements                     | 3,603,025                    | 83,283              | -                  | 3,686,308                 |
| Vehicles                              | <u>1,355,558</u>             | <u>-</u>            | <u>-</u>           | <u>1,355,558</u>          |
| Totals at historical cost             | 8,716,063                    | 129,238             | 191,982            | 8,653,319                 |
| <b>Less Accumulated Depreciation:</b> |                              |                     |                    |                           |
| Buildings                             | 848,573                      | 31,609              | -                  | 880,182                   |
| Equipment                             | 1,020,527                    | 64,312              | 74,641             | 1,010,198                 |
| Improvements                          | 185,328                      | 22,830              | -                  | 208,158                   |
| Land improvements                     | 810,581                      | 145,531             | -                  | 956,112                   |
| Vehicles                              | <u>918,464</u>               | <u>88,619</u>       | <u>-</u>           | <u>1,007,083</u>          |
| Total accumulated depreciation        | <u>3,783,473</u>             | <u>352,901</u>      | <u>74,641</u>      | <u>4,061,733</u>          |
| Capital Assets, Net                   | <u>\$ 4,932,590</u>          | <u>\$ (223,663)</u> | <u>\$ 117,341</u>  | <u>\$ 4,591,586</u>       |

Depreciation expense was charged to the following functions:

|  |                   |
|--|-------------------|
| <b>Governmental Activities:</b>                    |                   |
| Administration                                     | \$ 28,435         |
| Protection   | 26,497            |
| Public works                                       | 212,209           |
| Transfer station                                   | 51,700            |
| Community development                              | <u>34,060</u>     |
| Total governmental activities depreciation expense | <u>\$ 352,901</u> |

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2022, consisted of the following:

| <b>Governmental Activities:</b>                         | <u>Due from</u>   | <u>Due to</u>       |                |
|---|-------------------|---------------------|----------------|
| <i>General Fund:</i>                                    |                   |                     |                |
| <u>Special Revenue Funds:</u>                           |                   |                     |                |
| Major Special Revenue Fund: TIF Fund                    | \$ -              | \$ (258,911)        |                |
| Non-major Special Revenue Funds                         | -                 | (8,088)             |                |
| <u>Permanent Funds:</u>                                 |                   |                     |                |
| Major Permanent Fund: D.L. Young Scholarship            | 10,500            | -                   |                |
| Non-major Permanent Funds                               | -                 | (124,417)           |                |
|   | <u>10,500</u>     | <u>(391,416)</u>    | \$ (380,916)   |
| <br><i>Major Special Revenue Fund:</i>                  |                   |                     |                |
| General Fund  | <u>258,911</u>    | <u>-</u>            |                |
|   | 258,911           | -                   | 258,911        |
| <br><i>Non-major Special Revenue Fund:</i>              |                   |                     |                |
| General Fund  | <u>8,088</u>      | <u>-</u>            |                |
|   | 8,088             | -                   | 8,088          |
| <br><i>Major Permanent Fund: D.L. Young Scholarship</i> |                   |                     |                |
| General Fund  | <u>-</u>          | <u>(10,500)</u>     |                |
|   | -                 | (10,500)            | (10,500)       |
| <br><i>Non-major Permanent Funds:</i>                   |                   |                     |                |
| General Fund  | <u>124,417</u>    | <u>-</u>            | <u>124,417</u> |
| <b>Net Governmental Activities</b>                      | <u>\$ 401,916</u> | <u>\$ (401,916)</u> | <u>\$ -</u>    |

All interfund balances resulted from (1) the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note E - Interfund Transfers

Interfund transfers for the year ended June 30, 2022 consisted of the following amounts:

| <b>Governmental Activities:</b>               | <u>Transfers in</u> | <u>Transfers out</u> |             |
|---|---------------------|----------------------|-------------|
| <i>General Fund:</i>                          |                     |                      |             |
| Major Special Revenue Fund - TIF Fund         | \$ 34,250           | \$ -                 |             |
|   | 34,250              |                      | \$ 34,250   |
| <i>Major Special Revenue Fund - TIF Fund:</i> |                     |                      |             |
| General Fund                                  | -                   | (34,250)             |             |
|   | -                   | (34,250)             | (34,250)    |
| <b>Net Governmental Activities</b>            | <u>\$ 34,250</u>    | <u>\$ (34,250)</u>   | <u>\$ -</u> |

Transfers are used to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### Note F - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2022, was as follows:

| <b>Governmental Activities:</b> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|---------------------------------|--------------------------|------------------|--------------------|-----------------------|------------------------------------|
| Net OPEB liability              | \$ 171,514               | \$ 18,189        | \$ -               | \$ 189,703            | \$ -                               |
| Net pension (asset) liability   | 262,211                  | -                | 289,490            | (27,279)              | -                                  |
| Compensated absences            | 93,351                   | 49,215           | 53,328             | 89,238                | 45,000                             |
| <b>Total Governmental</b>       | <u>\$ 527,076</u>        | <u>\$ 67,404</u> | <u>\$ 342,818</u>  | <u>\$ 251,662</u>     | <u>\$ 45,000</u>                   |



## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note G - Joint Venture (Interlocal Solid Waste Agreement)

The Town is a member of an interlocal solid waste agreement with 115 other participating municipalities. The Municipal Review Committee, Inc. (MRC) is a quasi-municipal non-profit, non-capital stock corporation established to own and operate a solid waste system to service its member municipalities. China joined MRC in 1991 and signed an agreement in the Spring of 2018 to stay in the joint venture until April 2033. MRC's Board of Directors annually considers distributing cash in excess of Board designated reserves back to the member municipalities. China's pro rata share determined by the amount of solid waste delivered to the plant in the past year did not result in a receipt for the year ended June 30, 2022. The Town's proportionate interest in the net assets of MRC on December 31, 2020 the date of MRC's most recent audited financial statements, was approximately \$150,000 (1.70%). Complete financial statements may be obtained from MRC at 395 State Street, Ellsworth, Maine 04605.

#### Note H - Postemployment Benefits Other than Pensions (OPEB)

##### Group Health Insurance Plan - Maine Municipal Employees Health Trust (MMEHT Plan)

###### Plan Description

Eligible Town employees are provided with health and life insurance through Maine Municipal Employees Health Trust (MMEHT Plan). The MMEHT Plan is a single-employer defined benefit OPEB plan. The Town's Select Board has authority to establish and amend the benefit terms. Employees are eligible if over the age of 55 with at least five years of service at retirement.

###### Benefits Provided

The MMEHT Plan provides healthcare and life insurance benefits for retirees and their dependents. The retiree pays 100% of insurance premiums for single and family coverage. For employees eligible for Medicare, Medicare Parts A and B are primary coverage and the MMEHT Plan will determine a family member's benefit allowance based on applicable Medicare statutes and regulations.

###### Employees Covered by Benefit Terms

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

|  |           |
|--|-----------|
| Inactive employees (or beneficiaries) currently receiving benefit payments | 2         |
| Inactive employees entitled to but not yet receiving benefit payments      | -         |
| Active employees   | <u>16</u> |
|  | <u>18</u> |

###### Contributions

The Town's contributions are determined by a rate set out by MMEHT. Contributions from the Town for the MMEHT Plan year ended December 31, 2022 were \$3,061. Employees are covered 100%. Employees are required to contribute 15% for a spouse/family plan if the employee is working over 30 hours. Employees who do not work over 30 hours are required to contribute 100% for a spouse/family.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note H - Postemployment Benefits Other than Pensions (OPEB) - Continued

##### Group Health Insurance Plan - Maine Municipal Employees Health Trust (MMEHT Plan) - Continued

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

At June 30, 2022, the Town reported an OPEB liability of \$189,703. The OPEB liability was measured as of January 1, 2022, and was determined by an actuarial valuation as of that date.

Changes in Total MMEHT OPEB liability during the year are as follows:

|  | Total MMEHT Plan<br>OPEB Liability |
|--|------------------------------------|
| Balance at June 30, 2021                           | \$ 171,514                         |
| Changes for the year:                              |                                    |
| Service costs                                      | 6,111                              |
| Interest   | 3,733                              |
| Changes of benefits                                | -                                  |
| Differences between expected and actual experience | (5,716)                            |
| Changes of assumptions                             | 17,122                             |
| Benefit payments                                   | (3,061)                            |
| Net changes  | <u>18,189</u>                      |
| Balance at June 30, 2022                           | <u>\$ 189,703</u>                  |

The change in assumptions reflects a change in the discount rate from 2.12% in 2021 to 2.06% in 2022.

For the year ended June 30, 2022, the Town recognized OPEB expense of \$23,615 related to the MMEHT Plan. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 37,682                         | \$ 5,081                         |
| Changes in assumptions                             | 42,653                            | 3,789                            |
| Total  | <u>\$ 80,335</u>                  | <u>\$ 8,870</u>                  |

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note H - Postemployment Benefits Other than Pensions (OPEB) - Continued

##### Group Health Insurance Plan - Maine Municipal Employees Health Trust (MMEHT Plan) - Continued

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

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

| For the Year Ended June 30, |  |    |               |
|-----------------------------|--|----|---------------|
| 2023                        |  | \$ | 13,771        |
| 2024                        |  |    | 13,771        |
| 2025                        |  |    | 13,771        |
| 2026                        |  |    | 12,083        |
| 2027                        |  |    | 13,033        |
| Thereafter                  |  |    | 5,036         |
| Total                       |  | \$ | <u>71,465</u> |

##### Actuarial Assumptions

The total OPEB liability in the January 1, 2022 actuarial valuation for the MMEHT Plan was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

|   |                                     |
|---|-------------------------------------|
| Discount rate   | 2.06%                               |
| Salary increases  | 2.75%, average, including inflation |
| Healthcare cost trend rates (applied with a grading over 14 years to 4.00% per annum) |                                     |
| Pre-Medicare Medical  | 6.25%                               |
| Pre-Medicare Drug   | 13.10%                              |
| Medicare Medical  | 5.00%                               |
| Medicare Drug   | 9.90%                               |
| Administrative and claims expense   | 3.00%                               |

Mortality rates for the MMEHT Plan were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

The actuarial assumptions used in the January 1, 2022 valuation for the MMEHT Plan were based on the results of an actuarial experience study covering the period June 30, 2016 through June 30, 2020.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note H - Postemployment Benefits Other than Pensions (OPEB) - Continued

##### Group Health Insurance Plan - Maine Municipal Employees Health Trust (MMEHT Plan) - Continued

###### Sensitivity of the Total MMEHT Plan OPEB Liability to Changes in the Discount Rate

The following presents the Town's total OPEB liability calculated using a discount rate of 2.06%, as well as what the Town's OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.06%) or 1% higher (3.06%) than the current rate:

|                      | <u>1% Decrease</u><br><u>(1.06%)</u> | <u>Current Discount</u><br><u>Rate (2.06%)</u> | <u>1% Increase</u><br><u>(3.06%)</u> |
|----------------------|--------------------------------------|--|--------------------------------------|
| Total OPEB liability | \$ 218,044                           | \$ 189,703                                     | \$ 166,298                           |

###### Sensitivity of the Total MMEHT Plan OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

|                      | <u>1% Decrease</u> | <u>Healthcare</u><br><u>Trend Rates</u> | <u>1% Increase</u> |
|----------------------|--------------------|---|--------------------|
| Total OPEB liability | \$ 165,119         | \$ 189,703                              | \$ 220,273         |

#### Note I - Pension Plan

##### Plan Description

The Town provides pension benefits to eligible employees through cost sharing multiple-employer defined benefit pension plans (pension plans) administered by the Maine Public Employees Retirement System (MainePERS) and is part of the Participating Local District (PLD) Consolidation Plan. Permanent Town employees working full time are included in the pension plan. MainePERS issues a publicly available financial report that can be obtained on the MainePERS website. There are currently nine active participants from the Town.

##### Benefits Provided

MainePERS provides retirement, disability, and death benefits to plan members. Retirement benefits are vested after five years of services. Employees who retire at or after age sixty or sixty-five (depending on their normal retirement age) with one year of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two percent of the average of their highest three years earnings per year of service. Cost of living increases are available for services rendered after July 1, 2008. The maximum annual increase is 3%.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note I - Pension Plan - Continued

##### **Benefits Provided - Continued**

Disability benefits may be available if an employee participating in the plan becomes mentally or physically disabled while in MainePERS-covered service and is permanently unable to perform the duties of his/her position. The amount of the disability benefit is either 66 2/3% or 59% of the average final compensation, depending on the date the employee was hired.

Ordinary death benefits are available if death occurs before retirement. Beneficiaries can receive either a lump-sum refund of the employee's contributions and interest or a monthly benefit. If death occurs as a result of an injury while working or while the employee is working, accidental death benefits are also available.

##### **Contributions**

Contribution requirements are set by the MainePERS Board of Trustees. Participants were required to contribute 7.8% of their annual gross salary to the plan and the Town is required to contribute 10.3% for the year ended June 30, 2022. Contributions to the pension plan from the Town were \$62,585 for the year ended June 30, 2022.

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

At June 30, 2022, the Town reported an asset of \$27,279 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Town's proportion of the net pension asset 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 PLDs, actuarially determined. At June 30, 2021, the Town's proportion was 0.084886% which was an increase of 0.065996% from its proportion measured as of June 30, 2020.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note I - Pension Plan - Continued

##### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

For the year ended June 30, 2021, the Town recognized pension expense of \$46,014. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 17,646                         | \$ 1,854                         |
| Net difference between projected and actual earnings<br>on pension plan investments                          | -                                 | 371,825                          |
| Changes of assumptions   | 91,601                            | -                                |
| Changes in proportion and differences between Town<br>contributions and proportionate share of contributions | 74,818                            | 3,082                            |
| Town contributions subsequent to the measurement date  | <u>62,585</u>                     | <u>-</u>                         |
|  | <u>\$ 246,650</u>                 | <u>\$ 376,761</u>                |

Deferred outflows of resources and deferred inflows of resources represents the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

Of the amount reported as a deferred outflow of resources related to pensions resulting from Town contributions subsequent to the measurement date, \$62,585 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other 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> |           |
|----------------------------|-----------|
| 2022                       | \$ 8,223  |
| 2023                       | (12,955)  |
| 2024                       | (84,641)  |
| 2025                       | (103,323) |

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note I - Pension Plan - Continued

##### Actuarial assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           | <u>2021</u>  |
|---------------------------|--|
| Inflation                 | 2.75%  |
| Salary increases          | 2.75% plus merit component based on<br>employee's years of service |
| Investment rate of return | 6.50%  |
| COLA                      | 1.91%  |

Mortality rates were based on the sex distinct 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period June 30, 2015 through June 30, 2020.

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 asset class. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

|                    | <u>Target Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|--------------------|--------------------------|---|
| Public equity      | 30%                      | 6.0%  |
| Private equity     | 15%                      | 7.6%  |
| Traditional credit | 7.5%                     | 3.0%  |
| Alternative credit | 7.5%                     | 7.2%  |
| Real estate        | 10%                      | 5.2%  |
| Infrastructure     | 10%                      | 5.3%  |
| Natural resources  | 5%                       | 5.0%  |
| U.S. Government    | 7.5%                     | 2.3%  |
| Risk Diversifiers  | <u>7.5%</u>              | 5.9%  |
|                    | <u>100%</u>              |   |

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note I - Pension Plan - Continued

##### Discount rate

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from Towns will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

##### Sensitivity of the Town's 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 6.5%, 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 one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

|  | 1% Decrease<br>(5.5%) | Discount Rate<br>(6.5%) | 1% Increase<br>(7.5%) |
|--|-----------------------|-------------------------|-----------------------|
| Town's proportionate share of the<br>net pension (asset) liability | \$ 388,198            | \$ (27,279)             | \$ (370,933)          |

##### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MainePERS financial statements. The plan's fiduciary net position has been determined on the same basis as that used by the plan.

#### Note J - Deferred Compensation Plan

For employees who do not qualify for the PLD Consolidation Plan through MainePERS, the Town offers a deferred compensation plan created in accordance with Internal Revenue Code section 457. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan offers a matching contribution equal to the greater of the MainePERS contribution for the PLD Consolidation Plan (10.3% for the year ended June 30, 2021) or 7.6%.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. All assets are protected from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plans.



## **Notes to Financial Statements - Continued**

### **Town of China, Maine**

#### **Note J - Deferred Compensation Plan - Continued**

The Town's contribution to the retirement plan was \$13,040 for the year ended June 30, 2022.

#### **Note K - Tax Increment Financing District**

Under Maine law, the Town has established a Tax Increment Financing (TIF) District to finance a development program to improve China Lake access at the China Causeway and the South China Boat landings to enhance tourism, boating, fishing and foster new business development in the area; to help create interest in a commercial venture at the Lakeview/Town property district to promote a water quality or similar activity; and, to provide funds for a variety of town wide economic development activities.

The acquisitions and improvements made by the Development Program will result in additional investment, creating additional tax base within the Town.

The fiscal year ending June 30, 2022 is the sixth year tax revenues were retained and made available for the project. The amount of captured tax increment revenues was \$330,774. The TIF Program also contains a Revolving Loan Fund. At June 30, 2022, the balance due to the Town related to this Fund was \$11,206. It will be paid back to the Town in monthly installments of \$472 at 5% interest through June 2025.

#### **Note L - Commitment**

The Town entered into a five year contract for Waste Management. For the period January 1, 2022 through December 31, 2022 the Town shall pay \$73 per ton of demolition/bulky debris removal and beginning January 1, 2023, the charges will be increased annually by 4%. The Town spent approximately \$59,000 during the year ended June 30, 2022 on similar services.

The Town entered into a two year mowing contract for the period July 1, 2022 through December 31, 2023. The town shall pay \$31,483 and \$15,742 for the years ended June 30, 2022 and 2023, respectively.

#### **Note M - Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, or is effectively self-insured. Currently, the Town carries commercial insurance for any risks of loss to which it may be exposed.

Based on the coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2022.

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note N - Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

#### **Budgetary Basis:**

|   |            |
|---|------------|
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | \$ 897,431 |
|---|------------|

#### *Sources/inflows of resources reconciling items:*

|   |           |
|---|-----------|
| The Town budgets property taxes on a gross basis but a portion of the property taxes levied are recognized in special revenue funds under generally accepted accounting principles. | (330,774) |
|---|-----------|

|  |       |
|--|-------|
| Interest income allocated to assigned balances not included in general fund operating budget | 4,490 |
|--|-------|

|   |        |
|---|--------|
| Miscellaneous income allocated to assigned balances not included in general fund operating budget | 13,503 |
|---|--------|

#### *Uses/outflows of resources reconciling items:*

The Town does not budget to use assigned fund balance amounts which have been expended during the current year (See Note O):

|                      |          |
|----------------------|----------|
| Reserve expenditures | (26,277) |
|----------------------|----------|

|  |                |
|--|----------------|
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | <u>524,690</u> |
|--|----------------|

#### **Generally Accepted Accounting Principles Basis:**

|   |                     |
|---|---------------------|
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>\$ 1,083,063</u> |
|---|---------------------|

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note O - Fund Balances

At June 30, 2022, the nonspendable fund balance consisted of the following:

|                        | Permanent<br><u>Funds</u> |
|------------------------|---------------------------|
| Dinsmore Assistance    | \$ 500                    |
| Cemetery Care          | 72,585                    |
| D.L. Young Scholarship | <u>649,736</u>            |
|                        | <u>\$ 722,821</u>         |

At June 30, 2022, the restricted fund balance consisted of the following:

|                                      | General<br><u>Fund</u> | Permanent<br><u>Funds</u> | Special<br><u>Revenues</u> |
|--------------------------------------|------------------------|---------------------------|----------------------------|
| Holiday Giving                       | \$ 10,914              | \$ -                      | \$ -                       |
| China Middle School<br>Heritage Tour | 1,782                  | -                         | -                          |
| ARPA Funds                           | 443,582                | -                         | -                          |
| Window Dressers Grant                | 1,750                  | -                         | -                          |
| Dinsmore Assistance                  | -                      | 262                       | -                          |
| Cemetery Care                        | -                      | 51,070                    | -                          |
| D.L. Young Scholarship               | -                      | 561,445                   | -                          |
| CMP/China Lake TIF                   | -                      | -                         | 270,119                    |
| Fuel Assistance Fund                 | -                      | -                         | 8,088                      |
|                                      | <u>\$ 458,028</u>      | <u>\$ 612,777</u>         | <u>\$ 278,207</u>          |

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note O - Fund Balances - Continued

At June 30, 2022, the assigned general fund balance consisted of the following:

|                             | Balance at<br><u>7/1/2021</u> | <u>Appropriated</u> | <u>Additions</u> | <u>Reductions</u> | Balance at<br><u>6/30/2022</u> |
|-----------------------------|-------------------------------|---------------------|------------------|-------------------|--------------------------------|
| <i>Carryforwards:</i>       |                               |                     |                  |                   |                                |
| Administration:             |                               |                     |                  |                   |                                |
| Travel/training             | \$ 1,500                      | \$ -                | \$ -             | \$ 1,500          | \$ -                           |
| Town office cameras         | 3,000                         | -                   | -                | 3,000             | -                              |
| Land proceeds               | -                             | -                   | 60,300           | -                 | 60,300                         |
| Code enforcement            | -                             | 10,000              | -                | -                 | 10,000                         |
| Town office maintenance     | -                             | 4,500               | -                | -                 | 4,500                          |
| Protection:                 |                               |                     |                  |                   |                                |
| Emergency services supplies | 5,000                         | -                   | -                | -                 | 5,000                          |
| Police services             | 5,000                         | -                   | -                | -                 | 5,000                          |
| Police wages                | 1,000                         | -                   | -                | 1,000             | -                              |
| Police vehicle maintenance  | 1,100                         | -                   | -                | 1,100             | -                              |
| KSO officer                 | -                             | 1,900               | -                | -                 | 1,900                          |
| Public works:               |                               |                     |                  |                   |                                |
| State revenue sharing       | 327,089                       | (689,241)           | 666,607          | -                 | 304,455                        |
| Road assistance             | 316                           | -                   | -                | -                 | 316                            |
| Cemeteries purchase         | 12,924                        | -                   | 13,550           | -                 | 26,474                         |
| Public works training       | 8,000                         | -                   | -                | -                 | 8,000                          |
| Facility maintenance        | -                             | 2,500               | -                | -                 | 2,500                          |
| Contractor labor            | -                             | 4,500               | -                | -                 | 4,500                          |
| Transfer station:           |                               |                     |                  |                   |                                |
| Bulk storage tank           | 11,461                        | -                   | -                | -                 | 11,461                         |
| Transfer station furnace    | 2,700                         | -                   | -                | -                 | 2,700                          |
| Transfer station cameras    | 1,750                         | -                   | -                | 1,750             | -                              |
| Maintenance staff           | -                             | 13,712              | -                | -                 | 13,712                         |

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note O - Fund Balances - Continued

|                                    | Balance at<br><u>7/1/2021</u> | <u>Appropriated</u> | <u>Additions</u> | <u>Reductions</u> | Balance at<br><u>6/30/2022</u> |
|------------------------------------|-------------------------------|---------------------|------------------|-------------------|--------------------------------|
| Special projects:                  |                               |                     |                  |                   |                                |
| Revaluation                        | 20,530                        | 45,000              | -                | -                 | 65,530                         |
| Project learning tree              | 6,489                         | (6,489)             | -                | -                 | -                              |
| Land purchases                     | 1,358                         | -                   | -                | 1,358             | -                              |
| Emergency shelter septic and well  | 21,474                        | -                   | -                | 21,474            | -                              |
| Architect for Town Office addition | -                             | 23,000              | -                | -                 | 23,000                         |
| Total carryforwards                | 430,691                       | (590,618)           | 740,457          | 31,182            | 549,348                        |
| <u>Other Reserves:</u>             |                               |                     |                  |                   |                                |
| Administration:                    |                               |                     |                  |                   |                                |
| Recreation reserve                 | 21,698                        | -                   | 102              | -                 | 21,800                         |
| Legal reserve                      | 2,969                         | -                   | 14               | -                 | 2,983                          |
| Planning board                     | 8,179                         | -                   | 35               | 1,390             | 6,824                          |
| Accrued compensation reserve       | 22,041                        | 4,729               | 115              | -                 | 26,885                         |
| Unemployment claims                | 7,717                         | 7,230               | 53               | -                 | 15,000                         |
| Town office capital reserve        | 20,100                        | 15,000              | 130              | -                 | 35,230                         |
| Protection:                        |                               |                     |                  |                   |                                |
| China Village Volunteer FD         | 321                           | (321)               | -                | -                 | -                              |
| Fire Department reserve            | 112,687                       | -                   | 524              | 3,297             | 109,914                        |
| Weeks Mills FD building            | 13,655                        | (13,655)            | -                | -                 | -                              |
| Rescue reserve                     | 44,512                        | 2,099               | 164              | 21,590            | 25,185                         |
| Dispatching                        | 63,926                        | -                   | 302              | -                 | 64,228                         |
| PSAP e911                          | 18,367                        | -                   | 87               | -                 | 18,454                         |
| South China VFD                    | 5,655                         | (5,655)             | -                | -                 | -                              |

## Notes to Financial Statements - Continued

### Town of China, Maine

#### Note O - Fund Balances - Continued

|   | Balance at<br><u>7/1/2021</u> | <u>Appropriated</u> | <u>Additions</u>  | <u>Reductions</u> | Balance at<br><u>6/30/2022</u> |
|---|-------------------------------|---------------------|-------------------|-------------------|--------------------------------|
| Public works:                           |                               |                     |                   |                   |                                |
| Equipment reserve                       | 174,725                       | 95,000              | 14,330            | -                 | 284,055                        |
| Sand/salt shed                          | 23,326                        | -                   | 110               | -                 | 23,436                         |
| Road expense reserve                    | 20,100                        | 10,000              | 119               | -                 | 30,219                         |
| Sand/salt reserve                       | 15,075                        | 16,000              | 109               | -                 | 31,184                         |
| Facility maintenance reserve            | 25,125                        | -                   | 119               | -                 | 25,244                         |
| Fuel reserve                            | 5,025                         | -                   | 24                | -                 | 5,049                          |
| Public works training reserve           | -                             | 2,000               | 5                 | -                 | 2,005                          |
| Transfer station:                       |                               |                     |                   |                   |                                |
| Compactor reserve                       | 32,942                        | -                   | 155               | -                 | 33,097                         |
| Transfer station capital reserve        | 50,250                        | 50,000              | 355               | -                 | 100,605                        |
| Community services:                     |                               |                     |                   |                   |                                |
| Historical building maintenance reserve | 9,000                         | 1,000               | 45                | -                 | 10,045                         |
| Special projects:                       |                               |                     |                   |                   |                                |
| Boat launch reserve                     | 1,758                         | -                   | 8                 | -                 | 1,766                          |
| Growth management reserve               | 9,688                         | -                   | 46                | -                 | 9,734                          |
| Lake access                             | 129,300                       | -                   | 610               | -                 | 129,910                        |
| Community days                          | 15,539                        | -                   | 327               | -                 | 15,866                         |
| 2018 Bi-centennial                      | 10,077                        | -                   | -                 | -                 | 10,077                         |
| Forest at China schools                 | 8,040                         | 6,489               | 53                | -                 | 14,582                         |
| Thurston Park reserve                   | 9,086                         | -                   | 43                | -                 | 9,129                          |
| Aerial Photos reserve                   | -                             | 4,000               | 9                 | -                 | 4,009                          |
| Total other reserves                    | <u>880,883</u>                | <u>193,916</u>      | <u>17,993</u>     | <u>26,277</u>     | <u>1,066,515</u>               |
|   | <u>\$ 1,311,574</u>           | <u>\$ (396,702)</u> | <u>\$ 758,450</u> | <u>\$ 57,459</u>  | <u>\$ 1,615,863</u>            |

**Schedule of Revenues, Expenditures and Changes in Fund Balance (1 of 4)  
Budget and Actual - General Fund**

**Town of China, Maine**

**For the Year Ended June 30, 2022**

|                                | Budgeted Amounts |                  | Actual<br>(Budgetary<br>Basis) | Variance<br>Positive<br>(Negative) |
|--------------------------------|------------------|------------------|--------------------------------|------------------------------------|
|                                | Original         | Final            |                                |                                    |
| <b>Revenues</b>                |                  |                  |                                |                                    |
| Taxes:                         |                  |                  |                                |                                    |
| Property taxes                 | \$ 6,749,172     | \$ 6,749,172     | \$ 7,108,601                   | \$ 359,429                         |
| Excise taxes                   | 984,000          | 984,000          | 1,025,607                      | 41,607                             |
| Interest and costs on taxes    | 32,500           | 32,500           | 25,191                         | (7,309)                            |
| <b>Total Taxes</b>             | <u>7,765,672</u> | <u>7,765,672</u> | <u>8,159,399</u>               | <u>393,727</u>                     |
| Intergovernmental:             |                  |                  |                                |                                    |
| State revenue sharing          | 500,000          | 500,000          | 666,607                        | 166,607                            |
| Road assistance                | 48,000           | 48,000           | 55,376                         | 7,376                              |
| Homestead reimbursement        | 322,781          | 322,781          | 322,781                        | -                                  |
| Tax reimbursements and relief  | 78,761           | 78,761           | 83,215                         | 4,454                              |
| General assistance             | 3,000            | 3,000            | 792                            | (2,208)                            |
| Snowmobile funding             | -                | -                | 1,110                          | 1,110                              |
| Miscellaneous grants           | -                | -                | 2,000                          | 2,000                              |
| ARPA funding                   | -                | -                | 454,887                        | 454,887                            |
| <b>Total Intergovernmental</b> | <u>952,542</u>   | <u>952,542</u>   | <u>1,586,768</u>               | <u>634,226</u>                     |
| Other Revenues:                |                  |                  |                                |                                    |
| Interest on investments        | 25,000           | 25,000           | 10,425                         | (14,575)                           |
| Permits and fees               | 64,000           | 64,000           | 83,142                         | 19,142                             |
| Miscellaneous revenues         | 25,471           | 25,471           | 113,349                        | 87,878                             |
| Solid waste revenues           | 126,000          | 126,000          | 181,173                        | 55,173                             |
| <b>Total Other Revenues</b>    | <u>240,471</u>   | <u>240,471</u>   | <u>388,089</u>                 | <u>147,618</u>                     |
| <b>Total Revenues</b>          | <u>8,958,685</u> | <u>8,958,685</u> | <u>10,134,256</u>              | <u>1,175,571</u>                   |

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance (2 of 4)  
Budget and Actual - General Fund**

**Town of China, Maine**

**For the Year Ended June 30, 2022**

|                              | Budgeted Amounts |                  | Actual<br>(Budgetary<br>Basis) | Variance<br>Positive<br>(Negative) |
|------------------------------|------------------|------------------|--------------------------------|------------------------------------|
|                              | Original         | Final            |                                |                                    |
| <b>Expenditures</b>          |                  |                  |                                |                                    |
| Administration:              |                  |                  |                                |                                    |
| Administrative payroll costs | \$ 614,437       | \$ 614,437       | \$ 577,708                     | \$ 36,729                          |
| Administrative expenses      | 184,600          | 184,600          | 157,890                        | 26,710                             |
| Boards and committees        | 84,275           | 84,275           | 61,077                         | 23,198                             |
| Association dues             | 12,351           | 12,351           | 12,351                         | -                                  |
| Assessing                    | 146,605          | 146,605          | 124,313                        | 22,292                             |
| Legal services               | 30,000           | 30,000           | 28,790                         | 1,210                              |
| <b>Total Administration</b>  | <b>1,072,268</b> | <b>1,072,268</b> | <b>962,129</b>                 | <b>110,139</b>                     |
| Protection:                  |                  |                  |                                |                                    |
| Volunteer fire and rescue    | 29,250           | 29,250           | 29,250                         | -                                  |
| Animal control               | 16,530           | 16,530           | 15,343                         | 1,187                              |
| Fire departments             | 66,530           | 66,530           | 46,899                         | 19,631                             |
| China rescue squad           | 15,500           | 15,500           | 15,500                         | -                                  |
| Police                       | 74,060           | 74,060           | 72,862                         | 1,198                              |
| Dispatching                  | 31,000           | 31,000           | 28,012                         | 2,988                              |
| Emergency services insurance | 18,517           | 18,517           | 4,890                          | 13,627                             |
| <b>Total Protection</b>      | <b>251,387</b>   | <b>251,387</b>   | <b>212,756</b>                 | <b>38,631</b>                      |
| Public Works:                |                  |                  |                                |                                    |
| Road maintenance             | 1,423,692        | 1,423,692        | 1,335,340                      | 88,352                             |
| Cemeteries                   | 33,000           | 33,000           | 33,503                         | (503)                              |
| <b>Total Public Works</b>    | <b>1,456,692</b> | <b>1,456,692</b> | <b>1,368,843</b>               | <b>87,849</b>                      |
| <b>Transfer Station</b>      | <b>573,005</b>   | <b>573,005</b>   | <b>543,879</b>                 | <b>29,126</b>                      |

See accompanying independent auditors' report.



**Schedule of Revenues, Expenditures and Changes in Fund Balance (3 of 4)**  
**Budget and Actual - General Fund**

**Town of China, Maine**

**For the Year Ended June 30, 2022**

|                                 | Budgeted Amounts |                  | Actual<br>(Budgetary<br>Basis) | Variance<br>Positive<br>(Negative) |
|---------------------------------|------------------|------------------|--------------------------------|------------------------------------|
|                                 | Original         | Final            |                                |                                    |
| <b>Expenditures - continued</b> |                  |                  |                                |                                    |
| Community Services:             |                  |                  |                                |                                    |
| General assistance              | \$ 16,000        | \$ 16,000        | \$ 6,582                       | \$ 9,418                           |
| Social service agencies         | 10,540           | 10,540           | 10,040                         | 500                                |
| China Historical Society        | 4,000            | 4,000            | 3,656                          | 344                                |
| South China Library             | 4,500            | 4,500            | 4,500                          | -                                  |
| Albert Church Brown Library     | 4,500            | 4,500            | 4,500                          | -                                  |
| Town Line                       | 3,000            | 3,000            | 3,000                          | -                                  |
| CRLA                            | 42,250           | 42,250           | 42,250                         | -                                  |
| Memorial Day/Veteran's markers  | 1,000            | 1,000            | 1,000                          | -                                  |
| <b>Total Community Services</b> | <b>85,790</b>    | <b>85,790</b>    | <b>75,528</b>                  | <b>10,262</b>                      |
| <b>Total Education</b>          | <b>5,065,795</b> | <b>5,065,795</b> | <b>5,065,795</b>               | <b>-</b>                           |
| <b>Total County Tax</b>         | <b>489,534</b>   | <b>489,534</b>   | <b>489,534</b>                 | <b>-</b>                           |

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance (4 of 4)  
Budget and Actual - General Fund**

**Town of China, Maine**

**For the Year Ended June 30, 2022**

|  | Budgeted Amounts |                  | Actual<br>(Budgetary<br>Basis) | Variance<br>Positive<br>(Negative) |
|--|------------------|------------------|--------------------------------|------------------------------------|
|  | Original         | Final            |                                |                                    |
| <b>Expenditures - continued</b>  |                  |                  |                                |                                    |
| Special Projects:  |                  |                  |                                |                                    |
| Equipment replacement  | \$ 85,000        | \$ 85,000        | \$ 66,750                      | \$ 18,250                          |
| FirstPark  | 26,471           | 26,471           | 25,471                         | 1,000                              |
| Contingency  | 123,679          | 123,679          | 64,061                         | 59,618                             |
| China Lake Outlet Dam  | 20,000           | 20,000           | 20,000                         | -                                  |
| ARPA funding   | -                | -                | 11,305                         | (11,305)                           |
| Community Development (TIF)  | 265,000          | 265,000          | 34,250                         | 230,750                            |
| <b>Total Special Projects</b>  | <u>520,150</u>   | <u>520,150</u>   | <u>221,837</u>                 | <u>298,313</u>                     |
| <b>Total Expenditures</b>  | <u>9,514,621</u> | <u>9,514,621</u> | <u>8,940,301</u>               | <u>574,320</u>                     |
| <b>Revenues Over (Under) Expenditures</b>                                      | (555,936)        | (555,936)        | 1,193,955                      | 1,749,891                          |
| <b>Other Financing Sources (Uses)</b>  |                  |                  |                                |                                    |
| Operating transfers in   | 265,000          | 265,000          | 34,250                         | (230,750)                          |
| Operating transfers out  | -                | -                | (330,774)                      | (330,774)                          |
| Utilization of unassigned fund balance   | 116,180          | 116,180          | -                              | (116,180)                          |
| Utilization of assigned fund balance   | 216,178          | 216,178          | -                              | (216,178)                          |
| <b>Total Other Financing Sources (Uses)</b>                                    | <u>597,358</u>   | <u>597,358</u>   | <u>(296,524)</u>               | <u>(893,882)</u>                   |
| <b>Revenues and Other Sources Over<br/>(Under) Expenditures and Other Uses</b> | \$ 41,422        | \$ 41,422        | 897,431                        | \$ 856,009                         |
| Budgetary fund balance at beginning of year                                    |                  |                  | <u>1,517,050</u>               |                                    |
| <b>Budgetary Fund Balance at End of Year</b>                                   |                  |                  | <u>\$ 2,414,481</u>            |                                    |

See accompanying independent auditors' report.

**Combining Balance Sheet  
Other Governmental Funds**

**Town of China, Maine**

**As of June 30, 2022**

|  | Non-major<br>Permanent<br>Funds | Non-major<br>Special<br>Revenue | Total<br>Other<br>Governmental<br>Funds |
|--|---------------------------------|---------------------------------|---|
|  | <u>          </u>               | <u>          </u>               | <u>          </u>                       |
| <b>Assets</b>                              |                                 |                                 |   |
| Cash                                       | \$ -                            | \$ -                            | \$ -                                    |
| Investments                                | -                               | -                               | -                                       |
| Accounts receivable                        | -                               | -                               | -                                       |
| Due from other funds                       | <u>124,417</u>                  | <u>8,088</u>                    | <u>132,505</u>                          |
| <b>Total Assets</b>                        | <u>\$ 124,417</u>               | <u>\$ 8,088</u>                 | <u>\$ 132,505</u>                       |
| <b>Liabilities and Fund Balances</b>       |                                 |                                 |   |
| <b>Liabilities</b>                         |                                 |                                 |   |
| Due to other funds                         | <u>\$ -</u>                     | <u>\$ -</u>                     | <u>\$ -</u>                             |
| <b>Total Liabilities</b>                   | -                               | -                               | -                                       |
| <b>Fund Balances</b>                       |                                 |                                 |   |
| Nonspendable                               | 73,085                          | -                               | 73,085                                  |
| Restricted                                 | <u>51,332</u>                   | <u>8,088</u>                    | <u>59,420</u>                           |
| <b>Total Fund Balances</b>                 | <u>124,417</u>                  | <u>8,088</u>                    | <u>132,505</u>                          |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 124,417</u>               | <u>\$ 8,088</u>                 | <u>\$ 132,505</u>                       |

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Non-major Special Revenue Fund**

**Town of China, Maine**

**For the Year Ended June 30, 2022**

|   | <u>Fuel Assistance<br/>Reserve</u> |
|---|------------------------------------|
| <b>Revenues</b>   |                                    |
| Property taxes  | \$ -                               |
| Interest  | 6                                  |
| Other income  | <u>1,600</u>                       |
| <b>Total Revenues</b>   | 1,606                              |
| <b>Expenditures</b>   |                                    |
| Current   |                                    |
| Other expenditures  | <u>3,989</u>                       |
| <b>Total Expenditures</b>   | <u>3,989</u>                       |
| <b>Revenues Under Expenditures</b>                                      | (2,383)                            |
| <b>Other Financing Sources (Uses)</b>                                   |                                    |
| Operating transfers in  | -                                  |
| Operating transfers out   | <u>-</u>                           |
| <b>Total Other Sources</b>  | <u>-</u>                           |
| <b>Revenues and Other Sources Under<br/>Expenditures and Other Uses</b> | (2,383)                            |
| Fund balances at beginning of year                                      | <u>10,471</u>                      |
| <b>Fund Balances at End of Year</b>                                     | <u><u>\$ 8,088</u></u>             |

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenses and Changes in Fund Balances  
Permanent Funds - Trust Funds**

**Town of China, Maine**

**For the Year Ended June 30, 2022**

|  | <u>Dinsmore<br/>Assistance</u> | <u>Cemetery<br/>Care</u> | <u>Total</u>      |
|--|--------------------------------|--------------------------|-------------------|
| <b>Revenues</b>  |                                |                          |                   |
| Principal additions  | \$ -                           | \$ -                     | \$ -              |
| Investment income  | <u>1</u>                       | <u>680</u>               | <u>681</u>        |
| <b>Total Revenues</b>  | 1                              | 680                      | 681               |
| <b>Expenses</b>  |                                |                          |                   |
| Miscellaneous  | <u>-</u>                       | <u>-</u>                 | <u>-</u>          |
| <b>Total Expenses</b>  | <u>-</u>                       | <u>-</u>                 | <u>-</u>          |
| <b>Revenues Over Expenses</b>                                      | 1                              | 680                      | 681               |
| <b>Other Financing Sources (Uses)</b>                              |                                |                          |                   |
| Operating transfers out  | <u>-</u>                       | <u>-</u>                 | <u>-</u>          |
| <b>Total Other Financing Sources (Uses)</b>                        | <u>-</u>                       | <u>-</u>                 | <u>-</u>          |
| <b>Revenues and Other Sources Over<br/>Expenses and Other Uses</b> | 1                              | 680                      | 681               |
| Fund balances at beginning of year                                 | <u>761</u>                     | <u>122,975</u>           | <u>123,736</u>    |
| <b>Fund Balances at End of Year</b>                                | <u>\$ 762</u>                  | <u>\$ 123,655</u>        | <u>\$ 124,417</u> |

See accompanying independent auditors' report.

# Schedule of Valuation, Assessment and Collection of Taxes

## Town of China, Maine

For the Year Ended June 30, 2022

### Valuation

|                        |           |                                  |
|------------------------|-----------|----------------------------------|
| Real estate            | \$        | 483,897,200                      |
| Personal property      |           | <u>8,311,100</u>                 |
| <b>Total Valuation</b> | <b>\$</b> | <b><u><u>492,208,300</u></u></b> |

### Assessment

|  |           |                  |
|--|-----------|------------------|
| Valuation x Rate - \$492,208,300 x 0.014400  | \$        | 7,087,800        |
| Supplemental taxes                           |           | <u>3,181</u>     |
| <b>Total Assessment Charged to Collector</b> | <b>\$</b> | <b>7,090,981</b> |

### Collections and Credits

|                                      |    |                  |
|--------------------------------------|----|------------------|
| Cash collections                     | \$ | 7,001,033        |
| Tax abatements and adjustments       |    | <u>6,421</u>     |
| <b>Total Collections and Credits</b> |    | <u>7,007,454</u> |

**2022 Taxes and Liens Receivable - June 30, 2022** **\$ 83,527**

See accompanying independent auditors' report.

## Schedule of Changes in the Town's Total MMEHT Plan OPEB Liability and Related Ratios

### Town of China, Maine

#### Last ten fiscal years\*

|  | 06/30/22          | 06/30/21          | 06/30/20          | 06/30/19         | 06/30/18         |
|--|-------------------|-------------------|-------------------|------------------|------------------|
| Total OPEB Liability:  |                   |                   |                   |                  |                  |
| Service costs  | \$ 6,111          | \$ 5,269          | \$ 3,692          | \$ 4,132         | \$ 3,308         |
| Interest   | 3,733             | 4,350             | 2,913             | 2,495            | 2,002            |
| Changes of benefits  | -                 | -                 | (3,186)           | -                | -                |
| Differences between expected and actual experience             | (5,716)           | -                 | 56,712            | -                | 5,962            |
| Changes of assumptions or other inputs                         | 17,122            | 9,870             | 27,530            | (7,577)          | 7,534            |
| Benefit payments   | (3,061)           | (2,943)           | (103)             | (99)             | -                |
| Net change in total OPEB liability                             | 18,189            | 16,546            | 87,558            | (1,049)          | 18,806           |
| Total OPEB liability, beginning of year                        | <u>171,514</u>    | <u>154,968</u>    | <u>67,410</u>     | <u>68,459</u>    | <u>49,653</u>    |
| Total OPEB liability, end of year                              | <u>\$ 189,703</u> | <u>\$ 171,514</u> | <u>\$ 154,968</u> | <u>\$ 67,410</u> | <u>\$ 68,459</u> |
| Covered employee payroll                                       | \$ 686,844        | \$ 411,003        | \$ 392,591        | \$ 392,591       | \$ 392,591       |
| Net OPEB liability as a percentage of covered employee payroll | 27.62%            | 41.73%            | 39.47%            | 17.17%           | 17.44%           |

\*The amounts presented for each fiscal year were determined as of January 1 of the current fiscal year. The first year of implementation was June 30, 2018. Therefore, only five years are shown. A full ten year schedule will be displayed as it becomes available.

See accompanying independent auditors' report.

## **Notes to the Required Supplemental Information**

### **Town of China, Maine**

#### **Notes to the Schedule of Changes in the Town's Total MMEHT Plan OPEB Liability and Related Ratios**

There were no changes to benefit terms aside from changes in claims costs and contributions which will reflect market changes in healthcare costs during the year ended June 30, 2022.

There were no changes in the size of the population during the year ended June 30, 2022.

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

See accompanying independent auditors' report.



## Schedule of the Town's Proportionate Share of the Net Pension Liability

### Town of China, Maine

#### Last ten fiscal years\*

|   | <u>6/30/2022</u>   | <u>6/30/2021</u>  | <u>6/30/2020</u>  | <u>6/30/2019</u>  | <u>6/30/2018</u>  | <u>6/30/2017</u>  | <u>6/30/2016</u>  | <u>6/30/2015</u>  |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Town's proportion of the net pension liability (asset)  | 0.0849%            | 0.0660%           | 0.0383%           | 0.0425%           | 0.0397%           | 0.0388%           | 0.0393%           | 0.0525%           |
| Town's proportionate share of the net pension liability (asset)   | <u>\$ (27,279)</u> | <u>\$ 262,211</u> | <u>\$ 117,139</u> | <u>\$ 116,195</u> | <u>\$ 162,489</u> | <u>\$ 206,342</u> | <u>\$ 125,468</u> | <u>\$ 80,771</u>  |
| Town's covered-employee payroll   | <u>\$ 572,965</u>  | <u>\$ 385,655</u> | <u>\$ 231,034</u> | <u>\$ 292,199</u> | <u>\$ 226,194</u> | <u>\$ 204,755</u> | <u>\$ 202,956</u> | <u>\$ 261,056</u> |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | (4.761%)           | 67.991%           | 50.702%           | 39.766%           | 71.836%           | 100.775%          | 61.820%           | 30.940%           |
| Plan fiduciary net position as a percentage of the the total pension liability                                  | 118.600%           | 88.300%           | 90.600%           | 91.100%           | 86.400%           | 81.600%           | 88.300%           | 94.100%           |

\*The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year. The first year of implementation was June 30, 2015. Therefore, only eight years are shown.

See accompanying independent auditors' report.

## Schedule of Town Contributions

### Town of China, Maine

#### Last ten fiscal years\*

|  | <u>6/30/2022</u>  | <u>6/30/2021</u>  | <u>6/30/2020</u>  | <u>6/30/2019</u>  | <u>6/30/2018</u>  | <u>6/30/2017</u>  | <u>6/30/2016</u>  | <u>6/30/2015</u>  |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contribution                                  | \$ 58,076         | \$ 42,630         | \$ 23,443         | \$ 23,569         | \$ 20,341         | \$ 18,223         | \$ 16,075         | \$ 18,196         |
| Contributions in relation to the contractually required contribution | <u>58,076</u>     | <u>42,630</u>     | <u>23,443</u>     | <u>23,569</u>     | <u>20,341</u>     | <u>18,223</u>     | <u>16,075</u>     | <u>18,196</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       |
| Town's covered-employee payroll                                      | <u>\$ 572,965</u> | <u>\$ 385,655</u> | <u>\$ 231,034</u> | <u>\$ 292,199</u> | <u>\$ 226,194</u> | <u>\$ 204,755</u> | <u>\$ 202,956</u> | <u>\$ 261,056</u> |
| Contributions as a percentage of covered-employee payroll            | 10.136%           | 11.054%           | 10.147%           | 8.066%            | 8.993%            | 8.900%            | 7.920%            | 6.970%            |

\*The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year. The first year of implementation was June 30, 2015. Therefore, only eight years are shown.

See accompanying independent auditors' report.

## **Notes to the Required Supplemental Information**

### **Town of China, Maine**

#### **Notes to the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Contributions**

The information presented in the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Contributions was determined as part of the actuarial valuation at the dates indicated.

The information presented relates solely to the Town of China and not to the System as a whole.

See accompanying independent auditors' report.