

TOWN OF EAGLE LAKE, MAINE

FINANCIAL STATEMENTS

JUNE 30, 2021

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	15
NOTES TO FINANCIAL STATEMENTS	16-29
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON – GENERAL FUND	30
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS	31
SUPPLEMENTARY INFORMATION	
SCHEDULE OF PROPERTY VALUATION AND ASSESSMENT - GENERAL FUND	32
SCHEDULE OF CHANGES IN PROPERTY TAXES – GENERAL FUND	33
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES	34
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	35
ADDITIONAL REPORT	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	36-37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	38-39
CORRECTIVE ACTION PLAN	40



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To the Board of Selectmen of
Town of Eagle Lake, Maine

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Eagle Lake, Maine, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Eagle Lake, Maine, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, the budgetary comparison information on page 30 and the Schedule of Changes in Net OPEB Liability and Related Ratios on Page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Eagle Lake's basic financial statements. The accompanying supplementary information on pages 32 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022 on our consideration of the Town of Eagle Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Chester M. Kearney

Presque Isle, Maine

March 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF EAGLE LAKE, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Eagle Lake, 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, 2021. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

Financial Highlights

- The assets of Eagle Lake exceeded its liabilities at the close of the most recent fiscal year by \$4,517,556 (net position). Of this amount, \$1,709,657 (unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors.
- The government's total net position increased by \$291,564 in the year ended June 30, 2021.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,923,271 an increase of \$492,664 in comparison with the prior year. The increase is attributable to revenues exceeding budget and expenditures being under budget, primarily in the education department. Approximately 36% of this total amount, \$687,713, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$687,713 or 39% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Eagle Lake's basic financial statements. The Town's basic financial statements are comprised of 3 components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, protection, highways, general assistance, sanitation, cemetery, properties, recreation, county tax assessment and education. The Town does not have any business-type activities.

TOWN OF EAGLE LAKE, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Eagle Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into 3 categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains three (3) individual governmental funds. Information is presented separately in the governmental-fund balance sheet and in the governmental-fund statement of revenues, expenditures, and changes in fund balances for the general fund and micro loan fund which are considered to be a major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental-fund financial statements can be found on pages 12 and 14 of this report.

Proprietary funds. The Town does not maintain proprietary funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The town does not currently maintain fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 to 29 of this report.

Other information. This report also includes various supplemental schedules to provide additional detail for the various items reported. These supplemental schedules can be found on pages 30 to 35 of this report.

TOWN OF EAGLE LAKE, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,517,556 at the close of the most recent fiscal year.

A large portion of the Town's net position (56%) reflects its investment in capital assets (e.g., land, buildings, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, if any, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF EAGLE LAKE, Net position (in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Current and other assets	1,973	1,537			1,973	1,537
Long-term receivables	61	37			61	37
Capital assets	<u>3,496</u>	<u>3,790</u>			<u>3,496</u>	<u>3,790</u>
Total assets	<u>5,530</u>	<u>5,364</u>			<u>5,530</u>	<u>5,364</u>
Deferred Outflows of resources – OPEB	<u>1</u>	<u>1</u>			<u>1</u>	<u>1</u>
Current liabilities	125	176			125	176
Long-term liabilities	<u>882</u>	<u>956</u>			<u>882</u>	<u>956</u>
Total liabilities	<u>1,007</u>	<u>1,132</u>			<u>1,007</u>	<u>1,132</u>
Deferred Inflows of resources – OPEB	<u>6</u>	<u>7</u>			<u>6</u>	<u>7</u>
Net position:						
Invested in capital assets						
Net of related debt	2,544	2,716			2,544	2,716
Restricted	264	259			264	259
Unrestricted	<u>1,710</u>	<u>1,251</u>			<u>1,710</u>	<u>1,251</u>
Total net position	<u>4,518</u>	<u>4,226</u>			<u>4,518</u>	<u>4,226</u>

All required accounting standards required by GASB have been fully adopted for the current fiscal year ended June 30, 2021.

Unrestricted net position, \$1,709,657, may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in net position.

During the current fiscal year, the government's net position increased by \$291,564.

TOWN OF EAGLE LAKE, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities. Governmental activities increased the Town's net position by \$291,564. Key elements of this decrease are as follows:

TOWN OF EAGLE LAKE					
CHANGES IN NET POSITION (in thousands)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	June 30, <u>2021</u>	June 30, <u>2020</u>	June 30, <u>2021</u>	June 30, <u>2020</u>	June 30, <u>2021</u>
Revenues					
Program revenues:					
Charges for services	166	141			166
Operating grants and contributions	266	233			266
Capital grants and contributions					
General revenues:					
Property taxes	1,293	1,361			1,293
Excise taxes	224	184			224
Federal and state assistance	179	148			179
Other	<u>164</u>	<u>31</u>			<u>164</u>
Total revenues	<u>2,292</u>	<u>2,098</u>			<u>2,292</u>
Expenses:					
Education	804	903			804
General government	290	286			290
Public works	354	352			354
Public safety	204	203			204
Health and sanitation	94	94			94
Debt service interest	48	52			48
Other	<u>206</u>	<u>216</u>			<u>206</u>
Total expenses	<u>2,000</u>	<u>2,106</u>			<u>2,000</u>
Change in net position	<u>292</u>	<u>(8)</u>			<u>292</u>

TOWN OF EAGLE LAKE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the Town of Eagle Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,923,271, an increase of \$492,664 in comparison with the prior year. 36% of this total amount, \$687,713, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is committed to indicate that it is not available for new spending.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$687,713, while total fund balance was \$1,659,635. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39% of total general fund expenditures, while total fund balance represents 94% of that same amount.

The fund balance of the Town's general fund increased by \$488,142 during the current fiscal year. Key factors in this increase are as follows:

- Actual revenues were more than anticipated revenues by \$273,385, consisting mostly of overlay on taxes, excise tax and tree growth.
- Actual expenditures were less than anticipated expenditures by \$361,572 primarily due to a favorable balance in the education department of \$346,404.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$3,495,525, (net of accumulated depreciation). This investment in capital assets includes land, building systems and infrastructure. Total fixed assets were reduced by depreciation expense of \$304,830 and increased by capital improvements totaling \$10,084.

Long-term debt. Long-term debt decreased by principal payments of \$123,046. As of June 30, 2021, debt proceeds in the amount of \$5,979 remained unspent.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7.5% of its total state valuation of the Town. The current debt limitation for Eagle Lake is \$6,025,449 which is significantly in excess of the Town's outstanding general obligation debt.

TOWN OF EAGLE LAKE, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

- COVID-19 has caused disruptions and resulted in increased unemployment. At this time the full impact of the pandemic can not be ascertained.
- Inflationary trends in the region compare favorably to national indices.
- Pond Brook Estates continues to be an issue for the Town however vacancy has decreased during the year. The Town is currently marketing the project and hopes to find a buyer. The Town expects that the project will need to be sold at a price less than the debt owed against it to give any buyer incentive to purchase the project. If the project is sold for less than the debt owed against it the Town will need to pay the difference to the Maine Municipal Bond Bank at the time of closing in order to release the title to the purchaser. Funds to do this could potentially come from cash on hand or borrowed funds. At this time a sale is not imminent.

All of these factors were considered in preparing the Town's budget for the 2021/22 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Eagle Lake, Maine's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, 36 Devoe Brook Road, Eagle Lake, Maine 04739, 207-444-5511.

BASIC FINANCIAL STATEMENTS

TOWN OF EAGLE LAKE

STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and equivalents	1,888,930
Uncollected taxes	57,344
Accounts receivable	16,420
Current portion of long-term notes	<u>10,000</u>
	<u>1,972,694</u>
Non-current assets	
Notes receivable due in more than one year, net of reserve for bad debt	61,009
Capital assets net of accumulated depreciation	<u>3,495,525</u>
	<u>3,556,534</u>
TOTAL ASSETS	<u>5,529,228</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	<u>1,294</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	48,432
Current portion of long-term liabilities	<u>76,295</u>
	<u>124,727</u>
Long-term liabilities, net of current portion	
Notes payable	<u>874,967</u>
	<u>874,967</u>
OPEB Liability	<u>7,148</u>
TOTAL LIABILITIES	<u>1,006,842</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	<u>6,124</u>
NET POSITION	
Invested in capital assets, net of related debt	2,544,263
Restricted	263,636
Unrestricted	<u>1,709,657</u>
TOTAL NET POSITION	<u><u>4,517,556</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	289,770	12,994			(276,776)
Public safety	204,331	31,974			(172,357)
Public works	354,474		12,880		(341,594)
Health and sanitation	93,925				(93,925)
Leisure services	14,104	800			(13,304)
Social services	6,155				(6,155)
Education	803,739		253,029		(550,710)
County tax	122,106				(122,106)
Capital outlays	801				(801)
Interest on long-term debt	48,224				(48,224)
Pond Brook Estates	60,770	121,100			60,330
OPEB expenses	1,400				(1,400)
Total governmental activities	<u>1,999,799</u>	<u>166,868</u>	<u>265,909</u>		<u>(1,567,022)</u>
General revenues:					
Property taxes, net of discounts and abatements					1,292,987
Excise taxes					223,946
State revenue sharing					88,349
Homestead and veterans exemption					56,183
BETE Program					16,934
Tree growth					18,451
Other					136,041
Interest on taxes and investments					25,695
Total general revenues					<u>1,858,586</u>
Change in net position					291,564
Net position - beginning of year					<u>4,225,992</u>
Net position - end of year					<u>4,517,556</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2021

	MAJOR FUND	NON-MAJOR FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	MICRO LOAN FUND	POND BROOK ESTATES	
ASSETS				
Cash and cash equivalents	1,702,314	103,884	82,732	1,888,930
Uncollected taxes	57,344			57,344
Accounts receivable	-		16,420	16,420
Notes receivable, net of reserve for bad debt	-	71,009		71,009
TOTAL ASSETS	1,759,658	174,893	99,152	2,033,703
LIABILITIES				
Accounts payable and accrued expenses	38,023		1,409	39,432
Security deposit liability	-		9,000	9,000
	38,023	-	10,409	48,432
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue-property taxes	62,000			62,000
	62,000	-	-	62,000
FUND BALANCES				
Unspendable	6,208			6,208
Restricted				
Revolving loan fund	-	174,893		174,893
Pond Brook Estates	-		88,743	88,743
Unrestricted				
Committed	501,097			501,097
Assigned	464,617			464,617
Unassigned	687,713			687,713
TOTAL FUND BALANCES	1,659,635	174,893	88,743	1,923,271
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,759,658	174,893	99,152	2,033,703

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

Total fund balance, governmental funds	1,923,271
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.	3,495,525
Property taxes receivable that are not available soon enough to pay for the current period's expenditures are deferred in the funds:	
Unavailable revenue - property taxes	62,000
Liabilities, deferred outflows of resources and deferred inflows of resources related to pensions are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Deferred outflows of resources - OPEB related expenditures	1,294
Deferred inflows of resources - OPEB related inflows	(6,124)
OPEB liabilities	(7,148)
Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore, are not included in the funds.	
Notes payable	<u>(951,262)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>4,517,556</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	MAJOR FUND	NON-MAJOR FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	MICRO LOAN FUND	POND BROOK ESTATES	
REVENUES				
Property taxes, net	1,320,987			1,320,987
State assistance	447,074			447,074
Excise taxes	223,946			223,946
Interest income	21,503	4,192		25,695
Rental income			120,995	120,995
Other revenues	180,561		105	180,666
TOTAL REVENUES	2,194,071	4,192	121,100	2,319,363
EXPENDITURES				
Current				
General government	249,686			249,686
Public safety	170,261			170,261
Public works	125,725			125,725
Health and sanitation	93,925			93,925
Leisure services	12,177			12,177
Social services	6,155			6,155
Education	803,739			803,739
County tax	122,106			122,106
Unclassified	-		60,770	60,770
Capital outlays	10,885			10,885
Debt service				
Principal	123,046			123,046
Interest	48,224			48,224
TOTAL EXPENDITURES	1,765,929	-	60,770	1,826,699
EXCESS OF REVENUES OVER EXPENDITURES	428,142	4,192	60,330	492,664
TRANSFERS IN/(OUT)	60,000	-	(60,000)	-
FUND BALANCE - JULY 1, 2020	1,171,493	170,701	88,413	1,430,607
FUND BALANCE - JUNE 30, 2021	1,659,635	174,893	88,743	1,923,271

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds:		492,664
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Decrease in unavailable property tax revenue		(28,000)
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period:		
Capital asset purchases capitalized	10,084	
Depreciation expense	<u>(304,830)</u>	(294,746)
OPEB expense reported under GASB #75 is not reported in the governmental funds		(1,400)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Proceeds from long-term debt	-	
Principal payments on long-term debt	<u>123,046</u>	<u>123,046</u>
Change in net position of governmental activities		<u><u>291,564</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE, MAINE
NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Eagle Lake, Maine, was incorporated under the laws of the State of Maine and operates under a town meeting, selectmen, town manager form of government. In evaluating how to define the reporting entity, for financial purposes, management has considered all potential component units. The criteria used to determine which entities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon all pertinent facts derived from the analysis of the above criteria, it was determined that no additional entities should be included as part of these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of change in net position) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among program, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting 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.

Separate financial statements are provided for governmental funds, proprietary 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.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Measurement Focus and Basis of Accounting (cont'd.)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

- The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Micro Loan Fund accounts for revolving loan funds which are used to promote business development in the Town.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to the same limitations. The Town has not elected to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's public service function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Measurement Focus and Basis of Accounting (cont'd.)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. There were no proprietary funds for the year end June 30, 2021.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Temporary Investments

Available cash is deposited in interest-bearing accounts to as great a degree as possible. These residual investments are classified for reporting purposes as cash and temporary investments. Earnings from these investments are reported by the applicable funds. The Town's policy is to invest in regional banks and federal securities and to insure funds to as great a degree as possible. Deposits with a maturity of three months or less are included in cash and temporary investments for financial reporting purposes.

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all town funds.

Investments are reported at fair value.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year, are reported at actual or estimated historical cost.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Capital Assets (cont'd.)

The Town has elected not to report infrastructure prior to June 30, 2003.

Donated capital assets are recorded at estimated fair value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalization value of the assets constructed.

Capital assets of the primary government and business-type activities are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20 to 100 years
Vehicles and equipment	5 to 20 years
Infrastructure	10 to 20 years

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or propriety fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Sick Leave

Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statement, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amount to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last and upon approval of the legislative body.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources as of June 30, 2021 consist of items relating to other post employment benefits.

In addition to liabilities, the statement of financial position 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The town also recognizes deferred inflows related to other post-employment benefits in its governmental activities fund.

Fund Equity or Balances

The Town of Eagle Lake follows Statement No. 54 which establishes a fund balance hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Fund Equity or Balances (cont'd.)

Under the GASB #54 reporting format, fund balance is reported as follows:

- Non-spendable-Items that are either not in spendable form or legally or contractually required to remain intact.
- Restricted fund balance-Resources that have constraints imposed by creditors, grantors, contributors or laws and regulations of other governments; or amounts that have very stringent conditions imposed by external parties or law.
- Unrestricted fund balance-Has 3 components;
 - Committed fund balance-Amounts with internally imposed restrictions mandated by the government's highest level of decision making authority which require action from that authority to be redeployed. In the case of the Town of Eagle Lake, this action requires a vote at a town meeting.
 - Assigned fund balance-Amounts that are constrained by the government's intent that they will be used for specific purposes. Decision making authority with respect to these amounts lies with a committee or other government official (board of selectpersons) but not the highest-level authority.
 - Undesignated fund balance-This is the residual balance of the general fund which represents the remaining fund balance after allocation to the other fund balance categories. It reflects resources that are available for further appropriation and expenditure for general governmental purposes.

Allowance for Uncollectible Accounts

The Town of Eagle Lake provides for the valuation of outstanding taxes and accounts receivable through an allowance account based on estimated bad debts as of the period then ended.

Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Property Tax

The Town's property tax was levied August 19, 2020, on the assessed value listed as of April 1, 2020, for all real and personal property located in the Town. The assessed value for the list of April 1, 2019, upon which the levy was based, was \$80,339,316. Taxes were due and payable on October 31, 2020 with interest at the rate of 8% being charged on taxes unpaid after that date.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues. 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 the tax lien and associated costs remain unpaid.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Unrecognized Property Tax Revenue

The Town has adopted the standard established by GASB 33 regarding the recognition of property taxes. The criteria for this standard is to recognize property tax revenue as it becomes both "measurable and available". Measurable is defined as the amount that the Town can reasonably expect to receive of the property taxes assessed for the current year. Available is defined as the amount of current and past due taxes that will be collected during the current period or expected to be collected shortly thereafter to pay current liabilities. For the purposes of this report, 60 days is used as the collection period after year-end. Accordingly, a liability has been reported on the governmental funds' balance sheet for the taxes considered collectible but not available for current liabilities of \$62,000 as of June 30, 2021.

Net Position

Net position represents the residual of all other financial statement elements presented in a Statement of Financial Position.

Other General Items

The Town is exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settled claims, if any, resulting from these risks, have not exceeded commercial insurance coverage.

Minimum Fund Balance

The council has not adopted a financial policy to maintaining a minimum level of unrestricted fund balance in the general fund.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds, except the special revenue, capital projects and fiduciary funds. These are not budgeted. All annual appropriations lapse at fiscal year end, unless a carry-forward of unexpected amounts is approved by the Selectmen.

The Town Manager submits to the Board of Selectmen a proposed operating budget for the ensuing year. A town meeting is held and the final budget is adopted through the legislative body.

Transfers between departments or additional appropriations require the approval of the legislative body.

Excess of Expenditures over Appropriations

For the year ended June 30, 2021, the Town's appropriations exceeded expenditures by \$361,572, a favorable variance. Expenditures exceed appropriations in the capital outlays account.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

New Accounting Policies

Management has reviewed upcoming changes in accounting standards issued by GASB and determined that the impact of these standards will not be material to the financial statements.

(2) CASH AND TEMPORARY INVESTMENTS

Deposits and investments at June 30, 2021 consist of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Deposits		
Checking/ICS accounts (4)	1,595,976	1,778,237
Savings accounts (10)	272,406	272,406
Certificates of Deposit (3)	19,998	19,998
Petty cash	<u>550</u>	<u>0</u>
Total cash	<u>1,888,930</u>	<u>2,070,641</u>
Cash held in:		
General fund	1,702,314	1,610,630
Special revenue funds	<u>186,616</u>	<u>196,724</u>
	<u>1,888,930</u>	<u>1,807,354</u>

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does have a policy with respect to custodial credit risk for deposit accounts. The bank has pledged securities to collateralize the Town's deposits that exceed FDIC Insurance. The Pledged Securities will carry a market value greater than the value of the deposits exceeding FDIC Insurance. As of June 30, 2021, none of the Town's bank balances were exposed to custodial credit risk.

(3) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>61,400</u>			<u>61,400</u>

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(3) CAPITAL ASSETS (cont'd.)

Capital assets, being depreciated:			
Buildings	1,954,740		1,954,740
Infrastructure	9,149,971		9,149,971
Equipment	424,747	10,084	434,831
Vehicles	<u>144,100</u>		<u>144,100</u>
Total capital assets being depreciated	<u>11,673,558</u>	<u>10,084</u>	<u>11,683,642</u>
Less accumulated depreciation for:			
Buildings	928,914	48,868	977,782
Infrastructure	6,524,789	228,749	6,753,538
Equipment	354,775	22,117	376,892
Vehicles	<u>136,209</u>	<u>5,096</u>	<u>141,305</u>
Total accumulated depreciation	<u>7,944,687</u>	<u>304,830</u>	<u>8,249,517</u>
Total capital assets, being depreciated, net	<u>3,728,871</u>	<u>(294,746)</u>	<u>3,434,125</u>
Total capital assets, net	<u>3,790,271</u>	<u>(294,746)</u>	<u>3,495,525</u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities:	
General government	40,084
Public works	228,749
Public safety	34,070
Leisure services	<u>1,927</u>
	<u>304,830</u>

(4) LONG-TERM DEBT

The Town has outstanding notes payable to local banks and the Maine Municipal Bond Bank all from direct borrowings related to governmental activities. The total outstanding balance as of June 30, 2021 is \$1,074,308.

Changes in long-term obligations as of June 30, 2021 and detail of long-term obligations can be found on page 34 of the financial statements.

Debt service requirements on long-term debt at June 30, 2021 are as follows:

June 30,	Principal	Interest	Total
2022	76,295	43,686	119,981
2023	50,973	40,373	91,346
2024	53,533	37,994	91,527
2025	55,774	36,602	92,376
2026	59,049	33,753	92,802
2027-31	337,520	119,526	457,046
2032-36	<u>318,118</u>	<u>27,277</u>	<u>345,395</u>
	<u>951,262</u>	<u>339,211</u>	<u>1,290,473</u>

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(5) FUND BALANCES

As of June 30, 2021, the following funds were carried forward into the operations of the 2021-22 fiscal year.

Non-spendable	
Liens	<u>6,208</u>
Restricted	
Revolving loan fund	174,893
Pond Brook Estates	<u>88,743</u>
	<u>263,636</u>
Committed	
Special education	312,114
Industrial park reserve	4,845
Municipal building reserve	15,548
Recreation building reserve	9,479
Equipment reserve	50,460
Highway reserve	66,562
Street light reserve	6,975
Forest reserve	23,450
M & S Investment	<u>11,664</u>
	<u>501,097</u>
Assigned	
Education	430,812
Grants	65
Fire department	8,325
Highway block grant	15,827
Capital road improvement	5,979
Industrial park	1,700
Animal welfare	<u>1,909</u>
	<u>464,617</u>
Unassigned	<u>687,713</u>
Total Fund Balance	<u>1,923,271</u>

(6) 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. The Town has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2021, and the two previous years, no settlements exceeded insurance coverage.

(7) TAXES

As a municipal entity, the Town is not subject to Federal and State income taxes, accordingly it is not necessary to consider the effects of any uncertain tax positions.

The Town is subject to Federal and State payroll taxes and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of June 30, 2021. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) SUBSEQUENT EVENTS

Management has evaluated all subsequent events through March 18, 2022, the date the financial statements were available to be issued and determined that no additional disclosures are required in order for these financial statements to be fairly stated.

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Town has a number of financial instruments, none of which are held for trading purposes. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town also has a nonrecurring fair value measurement as of June 30, 2021, for Pond Brook Estates. The Board of Selectpersons has listed the project for sale but does not have a prospective buyer at this time. Management believes that to find a buyer for the property an offer may need to be accepted that is less than the debt owed on the property to the Maine Municipal Bond Bank. Until an offer is accepted on the project will be carried at its original cost, less accumulated depreciation.

Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Town could realize in a current market exchange.

(10) OPEB OBLIGATIONS

Plan Description

The Town provides health insurance to its employees through Maine Municipal Employees Health Trust (MMEHT). The Town does not provide postemployment or postretirement healthcare benefits but is subject to an implicit benefit for its members in MMEHT.

Accounting Policies

The impact of experience gains and losses and assumption changes on the Total OPEB Liability (TOL) are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the plan. As of the beginning of the measurement period this average was 4 years.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(10) OPEB OBLIGATIONS (cont'd.)

The table below summarizes the current balances of deferred outflows of resources and deferred inflows of resources along with the recognition over the next 5 years, and thereafter:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$ 5,610
Difference between projected and actual earnings on OPEB plan investments		
Changes of assumptions	<u>\$ 1,294</u>	<u>514</u>
	<u>\$ 1,294</u>	<u>\$ 6,124</u>

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

Year ended June 30:

2022	(773)
2023	(773)
2024	(772)
2025	(739)
2026	(609)
Thereafter	(1,164)

As of January 1, 2021, the plan membership data is comprised of 2 active members with only an implicit benefit.

Key Assumptions

Measurement Date:	January 1, 2021
Discount Rate:	2.12% per annum for year-end 2021 reporting 2.74% per annum for year-end 2020 reporting
Trend Assumptions:	Rate of inflation – 2.00% Rate of Growth in Real Income/GDP per capita 2029+ - 1.25% Extra Trend due to Taste/Technology 2029+ - 1.10% Expected Health Share of GDP 2029 – 20.00% Health Share of GDP Resistance Point – 25.00% Year for Limiting Cost Growth to GDP Growth - 2040
Administrative and Claims Expense:	3% per annum

Future Plan Changes

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

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(10) OPEB OBLIGATIONS (cont'd.)

Demographic Assumptions

Retiree continuation:	Retirees who are current Medicare participants: 100%
	Retirees who are Pre-Medicare, active participants: 75%
	Spouses who are Pre-Medicare, active participants: 50%
Rate of mortality:	Based on 104% and 120 % of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both project from the 2006 base rates using RPEC-2015 model, with an ultimate rate of 85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120 and convergence to the ultimate rate in the year 2020.
Marriage assumptions:	A husband is assumed to be 3 years older than his wife
Assumed rate of retirement:	For employees hired prior to July 1, 2014
	Age 55-63 – 5%
	Age 64-69 – 20%
	Age 70 + - 100%
	For employees hired after July 1, 2014
	Age 55-58 – 5%
	Age 59-64 – 20%
	Age 65-69 – 25%
	Age 70 + - 100%
Salary increases:	2.75% per year
Changes in assumptions:	Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Discount Rate

The discount rate used to measure the OPEB liability was 2.12% based on a measurement date of December 30, 2020. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

The following table shows how the net OPEB liability as of June 30, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 2.12%.

1% Decrease	Current Discount Rate	1% Increase
1.12%	2.12%	3.12%
\$8,662	\$7,148	\$5,936

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 21.2%. A one percent increase in the discount rate decreases the NOL by approximately 17.0%.

TOWN OF EAGLE LAKE, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(11) OPEB OBLIGATIONS (cont'd.)

Changes in the healthcare trend affect the measurement of the TOL. Lower healthcare trend rates produce a lower TOL and higher healthcare trend rates produce a higher TOL. The table below shows the sensitivity of the TOL to the healthcare trend rate.

1% Decrease	Healthcare Trend Rates	1% Increase
\$5,654	\$7,148	\$9,102

A 1% decrease in the healthcare trend rate decreases the TOL by approximately 20.9% while a 1% increase in the healthcare trend rate increases the TOL by approximately 27.3%.

(12) COVID-19

The COVID-19 outbreak in the United States has caused disruption through mandated and voluntary closings. Management is presently evaluating the effect of the disruptions on operations. The related financial impact and duration cannot be reasonably estimated at this time by management.

(13) COMMITMENTS

At a special town meeting held December 15, 2020 the Town agreed to accept an Aid to Firefighters grant in the amount of \$228,571.43 to purchase a fire truck. The truck will not exceed \$304,415 in cost. To fund the remaining balance the Town agreed to transfer up to \$30,000 from the equipment reserve account, \$20,000 from undesignated fund balance and borrow up to \$25,844 under the terms and conditions most beneficial to the Town.

The truck has been ordered and delivery is expected in 2022 or 2023.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAGLE LAKE
 BUDGETARY COMPARISON
 GENERAL FUND
 YEAR ENDED JUNE 30, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Property taxes				
Commitment	1,284,781	1,284,781	1,293,463	8,682
Property taxes uncollected for use in the current period	-	-	28,000	28,000
Abatements and write offs	-	-	(476)	(476)
State assistance				
Revenue sharing	40,000	40,000	88,349	48,349
State Education Assistance	253,029	253,029	253,029	-
Highway Block Grant	13,500	13,500	12,880	(620)
BETE Program	21,147	21,147	16,934	(4,213)
Homestead & veterans tax relief	59,529	59,529	56,183	(3,346)
Tree growth	17,500	17,500	18,451	951
General assistance	200	200	1,248	1,048
Excise taxes	170,000	170,000	223,946	53,946
Interest income	11,000	11,000	21,503	10,503
Charges for services	20,470	20,470	28,754	8,284
Pond Brook Estates	60,000	60,000	60,000	-
Other resources	29,530	29,530	151,807	122,277
TOTAL REVENUES	1,980,686	1,980,686	2,254,071	273,385
EXPENDITURES				
General government	255,951	255,951	249,686	6,265
Public safety	173,715	173,715	170,261	3,454
Public works	127,892	127,892	125,725	2,167
Health and sanitation	93,925	93,925	93,925	-
Leisure services	24,185	24,185	12,177	12,008
Social services	6,504	6,504	6,155	349
Education	1,150,143	1,150,143	803,739	346,404
County tax	122,106	122,106	122,106	-
Capital outlays	-	-	10,885	(10,885)
Debt service				
Principal	123,046	123,046	123,046	-
Interest	50,034	50,034	48,224	1,810
TOTAL EXPENDITURES	2,127,501	2,127,501	1,765,929	361,572
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(146,815)	(146,815)	488,142	634,957
FUND BALANCE - JULY 1, 2020			1,171,493	
FUND BALANCE - JUNE 30, 2021			1,659,635	

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost (BOY)	\$ 1,995	\$ 1,017	\$ 1,108	\$ 1,077
Interest (includes interest on service cost)	178	419	341	337
Changes of benefit terms	-	(86)	-	-
Differences between expected and actual experience	-	(7,020)	-	(350)
Changes of assumptions	486	1,053	(898)	99
Benefit payments, including refunds of member contributions	-	(175)	(168)	(179)
Net Change in total OPEB Liability	\$ 2,659	\$ (4,792)	\$ 383	\$ 984
Total OPEB Liability - Beginning	\$ 4,489	\$ 9,281	\$ 8,898	\$ 7,914
Total OPEB Liability - Ending	\$ 7,148	\$ 4,489	\$ 9,281	\$ 8,898
Plan Fiduciary Net Position				
Contributions - Employer	-	175	168	179
Contributions - Member	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	-	(175)	(168)	(179)
Administrative expense	-	-	-	-
Net change in plan fiduciary net positions	-	-	-	-
Total Fiduciary Net Position - Beginning	\$ -	\$ -	\$ -	\$ -
Total Fiduciary Net Position - Ending	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered employee payroll	78,434	78,434	73,623	73,623
Net OPEB liability as a percentage of covered employee payroll	9.1%	5.7%	12.6%	12.1%

Amounts presented have a measurement date of January 1

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

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

SUPPLEMENTARY INFORMATION

TOWN OF EAGLE LAKE

SCHEDULE OF PROPERTY VALUATION AND ASSESSMENT - GENERAL FUND

YEAR ENDED JUNE 30, 2021

	<u>REAL ESTATE</u>	<u>PERSONAL PROPERTY</u>	<u>TOTAL</u>
ASSESSED VALUATION	79,611,756	727,560	80,339,316
TAX RATE PER \$1,000			<u>16.10</u>
			<u><u>1,293,463</u></u>

COMPUTATION OF ASSESSMENT

TAX COMMITMENT		1,293,463	
ESTIMATED REVENUES		<u>444,167</u>	<u>1,737,630</u>
APPROPRIATIONS			
Municipal		866,842	
Education		740,000	
County tax		<u>122,106</u>	<u>1,728,948</u>
OVERLAY			<u><u>8,682</u></u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

SCHEDULE OF CHANGES IN PROPERTY TAXES - GENERAL FUND

YEAR ENDED JUNE 30, 2021

	<u>TOTAL</u>	2021/22	2020/21	2019/20	2018/19	2017/18
UNCOLLECTED AT JUNE 30, 2020	97,670	-	(4,891)	66,576	31,903	4,082
2020/21 COMMITMENT	<u>1,293,463</u>		<u>1,293,463</u>			
	<u>1,391,133</u>	-	<u>1,288,572</u>	<u>66,576</u>	<u>31,903</u>	<u>4,082</u>
COLLECTIONS	1,333,313	12,078	1,248,539	42,919	29,777	
ABATEMENTS AND WRITE OFFS	<u>476</u>		<u>476</u>			
	<u>1,333,789</u>	<u>12,078</u>	<u>1,249,015</u>	<u>42,919</u>	<u>29,777</u>	<u>-</u>
UNCOLLECTED AT JUNE 30, 2021	<u>57,344</u>	<u>(12,078)</u>	<u>39,557</u>	<u>23,657</u>	<u>2,126</u>	<u>4,082</u>
REPRESENTED BY						
Personal property taxes	9,020		3,956	2,087	1,493	1,484
Real estate taxes/liens	<u>48,324</u>	<u>(12,078)</u>	<u>35,601</u>	<u>21,570</u>	<u>633</u>	<u>2,598</u>
	<u>57,344</u>	<u>(12,078)</u>	<u>39,557</u>	<u>23,657</u>	<u>2,126</u>	<u>4,082</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF EAGLE LAKE

SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

YEAR ENDED JUNE 30, 2021

<u>DESCRIPTION</u>	<u>RATE</u>	<u>MATURITY</u>	<u>SECURITY</u>	<u>BALANCE JULY 1, 2020</u>	<u>DEBT ISSUED</u>	<u>DEBT RETIRED</u>	<u>BALANCE JUNE 30, 2021</u>
Pond Brook Estates	Variable	2034	Unsecured	924,616	-	42,437	882,179
Capital improvement loan	3.75%	2029	Unsecured	45,000	-	3,676	41,324
Fire Equipment Loan	3.15%	2021	Unsecured	22,634	-	22,634	-
Road improvement loan	2.83%	2021	Unsecured	27,491	-	27,491	-
Road improvement loan	3.83%	2022	Unsecured	<u>54,567</u>	<u>-</u>	<u>26,808</u>	<u>27,759</u>
				<u>1,074,308</u>	<u>-</u>	<u>123,046</u>	<u>951,262</u>

-34-

The notes to the financial statements are an integral part of these statements.

Chester M. Kearney, Certified Public Accountants

TOWN OF EAGLE LAKE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
U.S. Department of Education			
Passed through State Department of Education			
Special Education - Grants to States, Individuals with Disabilities Act - Part B - Local Entitlement	84.027	013-05A-3046-12	<u>\$40,571</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$40,571</u></u>

Note A - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the same basis as the basic financial statements, accrual basis.

Note B - Basis of Presentation

Reporting Entity -

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs administered by the Town, as an entity defined in the notes to the financial statements

Pass-through programs -

Where the Town receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based on the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Note C - Indirect Costs

The Town has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D - Matching Costs

Matching costs that represent the Town's share of certain program costs, if any, are not included in the Schedule of Expenditures of Federal Awards

ADDITIONAL REPORT



Chester M. Kearney
Certified Public Accountants

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Barbara E. McGuire, CPA, CGMA
Timothy P. Poitras, CPA, CGMA

To the Board of Selectmen of the
Town of Eagle Lake, Maine

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Eagle Lake, Maine, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Eagle Lake, Maine's basic financial statements and have issued our report thereon dated March 18, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

Town of Eagle Lake Maine's Response to Findings

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

Purpose of this Report

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

Chester M. Kearney

Presque Isle, Maine
March 18, 2022

TOWN OF EAGLE LAKE, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

SECTION I - FINANCIAL STATEMENT FINDINGS

2021-001 Material Weakness

Condition: Accounts and transactions of the Eagle Lake School Department are not maintained as part of the Town's accounting system.

Criteria and effect: All accounts that are custody of the Town should be recorded as part of the Town's books and records. Failure to record transactions cause the books to be misstated and do not allow for proper internal controls over Town assets.

Cause: The school maintains its own books and does not provide a record to the Town unless requested.

Recommendation: We recommended that the Town request that the school department's administration report the following to the Town office on a monthly basis:

1. Summary of all bank accounts supported by bank statements and reconciliations
2. Summary of all revenue supported by receipts
3. Summary of all disbursements supported by invoices and approved warrants.

Repeat finding: This finding was reported as finding 2020-001 in the most recent audit report.

Views of responsible officials and planned corrective actions: Management agrees and will implement the corrective action plan found on page 40 of this report.

2021-002 Material weakness

Condition: Bank reconciliations do not agree with the general ledger

Criteria and effect: Bank accounts should be reconciled monthly and discrepancies should be investigated.

Cause: Accounts are reconciled but there were discrepancies between the reconciliation and the general ledger that were not followed up on.

Recommendation: Discrepancies should be investigated and resolved on a timely basis by a member of management.

Management response and corrective action plan: Management agrees and will implement the corrective action plan found on page 40 of this report.

TOWN OF EAGLE LAKE, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (cont'd.)

YEAR ENDED JUNE 30, 2021

SECTION II - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2020-001 Material Weakness

Condition: Accounts and transactions of the Eagle Lake School Department are not maintained as part of the Town's accounting system.

Criteria and effect: All accounts that are custody of the Town should be recorded as part of the Town's books and records. Failure to record transactions cause the books to be misstated and do not allow for proper internal controls over Town assets.

Cause: The school maintains its own books and does not provide a record to the Town unless requested.

Recommendation: We recommended that the Town request that the school department's administration report the following to the Town office on a monthly basis:

1. Summary of all bank accounts supported by bank statements and reconciliations
2. Summary of all revenue supported by receipts
3. Summary of all disbursements supported by invoices and approved warrants.

Views of responsible officials and planned corrective actions: Corrective action has not been implemented.

2020-002 Significant Deficiency

Condition: Records and supporting documents could not be located

Criteria and effect: The Town should maintain records and supporting documents in an orderly fashion for a period of at least 7 years. The documents should be organized so that they can be located if and when they are needed and stored in a safe environment.

Cause: Documents were not properly filed at year end and could not be located on a timely basis.

Recommendation: The Town should adopt a system to organize and store records and supporting documents for each individual year end.

Management response and corrective action plan: Management agreed and implemented the corrective action plan.

TOWN OF EAGLE LAKE, MAINE

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2021

SECTION I - FINANCIAL STATEMENT FINDINGS

2021-001 Material Weakness

Name of contact person: John Sutherland, Town Manager

Corrective Action: The Town will work with the school administration to provide information to the Town office so that it can be recorded in TRIO.

Proposed completion date: Management intends to have the policy in place by June 30, 2022.

2021-002 Material Weakness

Name of contact person: John Sutherland, Town Manager

Corrective Action: The Town manager will review reconciliations and verify they agree to the general ledger on a monthly basis. Discrepancies will be followed up on and resolved as quickly as possible.

Proposed completion date: Management intends to implement the corrective action plan immediately.