

FELCH & COMPANY, LLC
Certified Public Accountants

TOWN OF ASHLAND, MAINE
as of
DECEMBER 31, 2022

Financial Statements

TOWN OF ASHLAND, MAINE

Table of Contents

Independent Auditors' Report

PAGE

Required Supplementary Information

Management's Discussion and Analysis

I-V

Basic Financial Statements:

EXHIBIT

Government-Wide Financial Statements

Statement of Net Position

A

Statement of Activities

B

Fund Financial Statements

Governmental Funds:

Balance Sheet

C

Statement of Revenues, Expenditures and Changes in Fund Balance

D

Reconciliation of the Governmental Funds Balance Sheet with the
Statement of Net Position

E

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances with the Government-Wide
Statement of Activities

F

Notes to the Financial Statements

SCHEDULE

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

1

Schedule of Change in Net Other Post-Employment Benefits (OPEB)
Liability – Maine Municipal Employees Health Trust

2

Notes to Schedule 2

Other Supplementary Information

Schedule of Property Taxes – General Fund

3

Schedule of Other Revenues – General Fund

4

Schedule of Other Expenditures – General Fund

5

Schedule of Capital and Noncapital Outlays – General Fund

6

PAGE

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*

1-2

FELCH & COMPANY, LLC

Certified Public Accountants

P.O. BOX 906
CARIBOU, MAINE 04736
(207) 498-3176
FAX (207) 498-6278
E-MAIL: CPA@FELCHCPA.COM

Independent Auditors' Report

To the Board of Councilors of the
Town of Ashland, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ashland, Maine, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Ashland'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 Ashland, Maine, as of December 31, 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 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Ashland, Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ashland'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.

To the Board of Councilors of the
Town of Ashland, Maine

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ashland, 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 the Town of Ashland, 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 and budgetary comparison information and other post-employment benefits data on pages I-V and Schedules 1, 2 and related notes 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.

To the Board of Councilors of the
Town of Ashland, Maine

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ashland's basic financial statements. Schedules 3 through 6 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, schedules 3 through 6 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the Town of Ashland'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Ashland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ashland's internal control over financial reporting and compliance.

Felch & Company LLC

February 23, 2023

Town of Ashland, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2022

UNAUDITED

In accordance with generally accepted accounting principles, the management of the Town of Ashland presents the following narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2022. This narrative should be used in conjunction with the accompanying basic financial statements. This discussion and analysis include comparative data from the current and the prior year.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Ashland exceeded its liabilities at the close of the most recent fiscal year by \$2,332,930. Of this amount, \$1,184,979 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- The Town's total net position increased by \$314,006.
- At the close of the current fiscal year, the Town of Ashland's governmental funds reported a combined ending fund balance of \$1,475,728. Operations increased the fund balance by \$326,227.
- Long-term obligations decreased by \$25,599 from \$57,532 to \$31,933.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three 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.

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 the Town's assets, liabilities, and deferred inflows and outflows of resources with the difference between these classifications 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 Town's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods (e.g., uncollected taxes). Both the Statement of Net Position and the Statement of Activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the Town reports only the general operations of the Town. Currently, the Town has no business-type activities or component units.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by state law and by debt covenants. However, the Town establishes other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Town currently has two types of funds referred to as governmental funds.

Town of Ashland, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2022

UNAUDITED

Fund Financial Statements (Continued)

Governmental funds use the modified accrual basis of accounting which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

The Town's governmental net position totals \$2,332,930. The largest portion of the Town's net position consists of capital assets (\$1,147,951, net). The Town uses these assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the related debt must be provided from other sources. The following is a summary of net position of the Town:

	<u>NET POSITION</u>	
	<u>2022</u>	<u>2021</u>
Current assets	\$1,486,758	\$ 974,371
Noncurrent assets	20,903	31,933
Capital assets, net of depreciation	<u>1,147,951</u>	<u>1,210,785</u>
Total Assets	<u>2,655,612</u>	<u>2,217,089</u>
Deferred outflows – asset distribution	<u>832,860</u>	<u>836,391</u>
Long-term liabilities	59,853	104,660
Other liabilities	<u>224,868</u>	<u>88,701</u>
Total Liabilities	<u>284,721</u>	<u>193,361</u>
Deferred inflows – asset distribution	<u>870,820</u>	<u>841,195</u>
Net Position:		
Net investment in capital assets	1,147,951	1,168,246
Restricted	-	-
Unrestricted	<u>1,184,979</u>	<u>850,678</u>
Total Net Position	<u>\$2,332,930</u>	<u>\$2,018,924</u>

Unrestricted net position decreased from the normal operations of the Town.

Town of Ashland, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2022

UNAUDITED

Governmental Activities

Net position from operations provided by governmental activities increased by \$314,006. This is a change from an increase of \$83,162 in 2021. General revenues increased by \$147,913.

Employee benefits and insurances were allocated directly to the department that incurred them in 2022.

The following is a summary of the governmental activity for the years ended December 31, 2022 and December 31, 2021.

	<u>CHANGE IN NET POSITION</u>	
	<u>2022</u>	<u>2021</u>
<u>REVENUES:</u>		
General Revenues:		
Property taxes	\$1,960,278	\$1,959,172
Homestead exemption and other tax	166,987	155,245
Excise taxes	268,173	271,012
Federal and state aid not restricted	434,577	326,346
Municipal Forest	104,573	32,204
DACF Stumpage/Sale of Town Property	52,025	119,598
Miscellaneous revenues	<u>27,192</u>	<u>2,315</u>
Total General Revenues	<u>3,013,805</u>	<u>2,865,892</u>
Program Revenues:		
Capital and operating grants	899,369	896,529
Charges for services	<u>333,174</u>	<u>279,237</u>
Total Program Revenues	<u>1,232,543</u>	<u>1,175,766</u>
Total Revenues	<u>4,246,348</u>	<u>4,041,658</u>
<u>EXPENSES:</u>		
General Government	369,452	410,119
Education	1,192,263	1,257,727
Highway Department	321,185	287,491
Protection	817,733	629,736
Recreation	88,150	81,810
Library	71,062	53,659
County tax	118,939	126,435
Solid Waste District	179,323	169,146
Economic Development/Revaluation	703,471	894,052
Other	<u>70,764</u>	<u>48,321</u>
Total Expenses	<u>3,932,342</u>	<u>3,958,496</u>
TOTAL CHANGE IN NET POSITION FROM OPERATIONS	314,006	83,162
NET POSITION – January 1	<u>2,018,924</u>	<u>1,935,762</u>
NET POSITION – December 31	<u>\$2,332,930</u>	<u>\$2,018,924</u>

Town of Ashland, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2022

UNAUDITED

GOVERNMENT FUND FINANCIAL ANALYSIS

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

At the end of the year, the Town of Ashland's governmental funds reported a fund balance of \$961,890. Approximately 93% of this fund balance represented council assigned fund balance. The remaining fund balance is unassigned and is available for new spending.

CAPITAL ASSETS

The Town of Ashland's investment in capital assets for its governmental activities as of December 31, 2022 amounts to \$1,147,951, net of depreciation. This investment in capital assets includes land, buildings, equipment and roads. All balances are at historical cost or estimated value at time of purchase. Infrastructure assets such as roads, bridges, and networks are capitalized only during the year of implementation. All construction of infrastructure for the Town is capitalized if the cost of the asset exceeds \$25,000. The Town of Ashland had an decrease in the investment of capital assets for 2022 of \$20,295. The detail of capital assets at the end of 2022 and 2021, net of accumulated depreciation is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 78,000	\$ 78,000
Buildings	579,484	602,774
Equipment and Vehicles	340,658	362,381
Roads	<u>149,809</u>	<u>167,630</u>
Total capital assets, net of depreciation	<u>\$1,147,951</u>	<u>\$1,210,785</u>

Additional information on the Town of Ashland's capital assets can be found in Note 5 of this report.

DEBT ADMINISTRATION

At year end, the Town of Ashland had \$31,933 in long-term obligations. During 2022, long-term obligations had a net decrease of \$25,599. All payments were budgeted payments and were made on schedule.

	<u>2022</u>	<u>2021</u>	
Note payable	31,933	42,539	Maturing in 2025
Note payable	-	14,993	Matured in 2022

GENERAL BUDGETARY ANALYSIS

For 2022, actual revenues were \$3,407,076 compared to budgeted revenues of \$3,062,983. Actual expenditures of \$3,134,022 were higher than budgeted expenditures by \$71,039.

Town of Ashland, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2022

UNAUDITED

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager, at the Town Office in Ashland, P.O. Box 910, Ashland, Maine 04732.

TOWN OF ASHLAND, MAINE

Exhibit A

Statement of Net Position
As of December 31, 2022

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and temporary investments (Notes 1 and 2)	\$ 840,994
Uncollected taxes (Schedule 3)	388,482
Allowance for uncollectible taxes	(51,165)
Accounts receivable	107,882
Grants receivable	181,796
Expired tax lien property	7,739
Current portion note receivable	11,030
Total current assets	<u>1,486,758</u>
<u>NONCURRENT ASSETS</u>	
Capital assets (Note 5)	3,480,523
Less allowance for depreciation	<u>(2,332,572)</u>
Net capital assets	1,147,951
Note receivable - noncurrent portion	<u>20,903</u>
Total noncurrent assets	<u>1,168,854</u>
Total assets	<u>2,655,612</u>
<u>DEFERRED OUTFLOWS</u>	
Deferred asset distribution (Note 9)	820,444
OPEB (Note 11)	<u>12,416</u>
Total deferred outflows	<u>832,860</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts payable	32,042
Grants payable	181,796
Current portion of long-term debt (Note 6)	<u>11,030</u>
Total current liabilities	<u>224,868</u>
<u>NONCURRENT LIABILITIES</u>	
Net OPEB Liability (Note 11)	38,950
Noncurrent portion of long-term obligations (Note 6)	<u>20,903</u>
Total noncurrent liabilities	<u>59,853</u>
Total liabilities	<u>284,721</u>
<u>DEFERRED INFLOWS</u>	
Deferred asset distribution (Note 9)	820,444
OPEB (Note 11)	<u>50,376</u>
Total deferred inflows	<u>870,820</u>
<u>NET POSITION</u>	
Net investment in capital assets	1,147,951
Unrestricted	<u>1,184,979</u>
Total net position	<u>\$ 2,332,930</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF ASHLAND, MAINE

Exhibit B

Statement of Activities
For the Year Ended December 31, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary Government					
Governmental Activities:					
Education	\$ 1,192,263	\$ -	\$ -	\$ -	\$ (1,192,263)
General Government	369,452	11,639	-	-	(357,813)
Protection	817,733	272,734	95,097	-	(449,902)
Highway Department	321,185	-	35,172	-	(286,013)
Recreation	88,150	26,458	-	-	(61,692)
Library	71,062	22,343	-	-	(48,719)
County tax	118,939	-	-	-	(118,939)
Solid Waste District	179,323	-	-	-	(179,323)
Economic development	4,917	-	-	-	(4,917)
Interest expense	193	-	-	-	(193)
CDBG Block Grants	486,819	-	-	491,618	4,799
Other governmental assistance	211,735	-	-	277,482	65,747
Capital outlays	7,869	-	-	-	(7,869)
Other	62,702	-	-	-	(62,702)
Total governmental activities	<u>\$ 3,932,342</u>	<u>\$ 333,174</u>	<u>\$ 130,269</u>	<u>\$ 769,100</u>	<u>(2,699,799)</u>
General revenues:					
Taxes					
Property taxes, levied for general purposes					1,956,239
Homestead reimbursement and other tax related, net of overpaid					166,987
Supplemental taxes					4,039
Excise					268,173
Federal and state aid not restricted to specific purposes					434,577
Municipal forest					104,573
Interest, lien and lease income					22,087
Town owned properties					52,025
Miscellaneous revenues					5,105
Subtotal, general revenues					<u>3,013,805</u>
CHANGE IN NET POSITION					314,006
NET POSITION - JANUARY 1					<u>2,018,924</u>
NET POSITION - DECEMBER 31					<u>\$ 2,332,930</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF ASHLAND, MAINE

Exhibit C

Balance Sheet
Governmental Funds
As of December 31, 2022

	General <u>Fund</u>	Community Development <u>Block Grants</u>	Other Special Revenue <u>Funds</u>	Total Govern- mental <u>Funds</u>
<u>ASSETS</u>				
Cash and temporary investments (Notes 1 and 2)	\$ 749,034	\$ 19,124	\$72,836	\$ 840,994
Uncollected taxes (Note 8 and Schedule 3)	388,482	-	-	388,482
Allowance for uncollectible taxes	(51,165)	-	-	(51,165)
Accounts receivable	107,882	-	-	107,882
Grants Receivable	-	181,796	-	181,796
Expired tax lien property	<u>7,739</u>	<u>-</u>	<u>-</u>	<u>7,739</u>
 Total assets	 <u>\$1,201,972</u>	 <u>\$ 200,920</u>	 <u>\$72,836</u>	 <u>\$1,475,728</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	<u>\$ 32,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,042</u>
Grants payable	<u>-</u>	<u>181,796</u>	<u>-</u>	<u>181,796</u>
Deferred inflows				
Property taxes (Note 8)	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Fund balances:				
Restricted:				
Special Revenue Funds	-	-	-	-
Unrestricted:				
Assigned				
Designated for subsequent years' expenditures (Schedule 6)	201,241	-	-	201,241
Designated for subsequent years' commitment	692,900	-	-	692,900
Unassigned				
General fund	<u>(24,211)</u>	<u>19,124</u>	<u>72,836</u>	<u>67,749</u>
Total fund balances	<u>869,930</u>	<u>19,124</u>	<u>72,836</u>	<u>961,890</u>
 Total liabilities and fund balances	 <u>\$1,201,972</u>	 <u>\$ 200,920</u>	 <u>\$72,836</u>	 <u>\$1,475,728</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF ASHLAND, MAINE

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Community Development Block Grants	Other Special Revenue Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 1,921,239	\$ -	\$ -	\$ 1,921,239
Homestead reimbursement/BETE				
Reimbursement	199,146	-	-	199,146
Abatements	(5,921)	-	-	(5,921)
Discounts	(22,955)	-	-	(22,955)
Tax anticipation	(3,283)	-	-	(3,283)
Supplemental	4,039	-	-	4,039
Federal assistance	-	491,618	234,759	726,377
State assistance				
Revenue sharing	433,967	-	-	433,967
Tree Growth Reimbursement	89,573	-	-	89,573
Highway Block Grant	35,172	-	-	35,172
Maine Development Foundation	-	-	42,723	42,723
Veterans Reimbursement	610	-	-	610
Donations	20,000	-	-	20,000
Other revenues (Schedule 4)	770,661	-	-	770,661
TOTAL REVENUES	<u>3,442,248</u>	<u>491,618</u>	<u>277,482</u>	<u>4,211,348</u>
EXPENDITURES				
Education	1,192,263	-	-	1,192,263
General Government	358,275	-	-	358,275
Protection	768,452	-	-	768,452
Highway Department	289,697	-	-	289,697
Recreation	73,858	-	-	73,858
Library	70,410	-	-	70,410
County tax	118,939	-	-	118,939
Solid Waste District	179,323	-	-	179,323
Economic development	4,917	-	-	4,917
Debt Service	15,185	-	-	15,185
Federal Grant expenditures	-	486,819	166,062	652,881
State Grant expenditures	-	-	45,673	45,673
Capital outlays	52,546	-	-	52,546
Other expenditures (Schedule 5)	62,702	-	-	62,702
TOTAL EXPENDITURES	<u>3,186,567</u>	<u>486,819</u>	<u>211,735</u>	<u>3,885,121</u>
NET INCREASE IN FUND BALANCE				
FROM OPERATIONS	255,681	4,799	65,747	326,227
FUND BALANCE - JANUARY 1	<u>614,249</u>	<u>14,325</u>	<u>7,089</u>	<u>635,663</u>
FUND BALANCE - DECEMBER 31	<u>\$ 869,930</u>	<u>\$ 19,124</u>	<u>\$ 72,836</u>	<u>\$ 961,890</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF ASHLAND, MAINE

Exhibit E

Reconciliation of the Governmental Funds Balance Sheet with the
Statement of Net Position
December 31, 2022

Total fund balance - governmental funds (Exhibit C)		\$ 961,890
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 as assets in governmental funds:		
The cost of capital assets is	\$ 3,480,523	
Accumulated depreciation is	<u>(2,332,572)</u>	
		1,147,951
Deferred outflows in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Deferred OPEB		12,416
Deferred inflows in governmental activities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Deferred OPEB		(50,377)
Property taxes receivable will be collected this year, but are not available to pay for the current period's expenditures and, therefore, are deferred in the funds:		
Deferred property taxes		300,000
Notes receivable		31,933
Net OPEB liability		(38,950)
Long-term obligations		<u>(31,933)</u>
Total net position - governmental activities (Exhibit A)		<u>\$2,332,930</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF ASHLAND, MAINE

Exhibit F

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances with the
Government-Wide Statement of Activities
For the Year Ended December 31, 2022

Total net change in fund balances - governmental funds (Exhibit D)		\$ 326,227
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:		
Depreciation expense		\$ (107,511)
Capital outlays		<u>44,677</u>
		(62,834)
Principal payments on loans are accounted for as expenditures using the governmental approach. These payments are used to off-set liabilities in governmental activities.		
		14,992
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Increase in deferred OPEB liability		33,777
Change in deferred inflows/outflows of resources		<u>(33,156)</u>
		621
Deferred property taxes are not recognized as revenues in governmental funds. These taxes are recognized as revenue on the government-wide approach.		
		<u>35,000</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 314,006</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements
December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ashland, Maine was incorporated in 1862 and adopted its first charter in 1935, which allows for a Council-Manager form of government. The Council consists of four members elected by the voters with individual terms of three years.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The criteria for including a potential component unit within the reporting entity is that of manifestation of oversight responsibility and financial interdependency. The Ashland Water and Sewer District has not been included because it does not meet these criteria.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The authority establishing the standards for governmental accounting principles is the Governmental Accounting Standards Board (GASB).

The Town of Ashland's basic financial statements include government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government. These statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities. The Town currently has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each department or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the department, grants and contributions that are restricted to meeting the operational or capital requirements of a particular department and interest earned on grants that is required to be used to support a particular department. Revenues that are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenue of the Town.

Fund Financial Statements

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. GASB standards set forth minimum criteria based on the size of the funds for the determination of major funds.

Fund Accounting

The accounts of the Town are organized based on funds or account groups, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets and account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. The various funds are summarized by type in the financial statements.

The focus of governmental fund financial statements is on the major funds. Each major fund is presented in a separate column and non-major funds are summarized into a single column. GASB standards set forth minimum criteria based on the size of the funds for the determination of major funds. Town management may also choose to designate additional funds as major based on other criteria.

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements
December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed.

The following funds are reported as major by the Town:

General Fund - The general fund accounts for financial resources in use for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. A significant part of the General Fund's revenues are used principally to finance the operations of the Town of Ashland.

Community Development Block Grants - This is a special revenue fund for reporting grants that support community development activities.

Special Revenue Fund - This fund accounts for revenues derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities. The special revenue fund is the aggregate of other funds for financial reporting purposes.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included in the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the way the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities. During 2022, there were no proprietary funds.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Governmental funds use the modified accrual basis of accounting. On the accrual basis of accounting, expenses are recognized at the time they are incurred. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within 60 days of fiscal year-end. Licenses and permits, charges for services, fines and forfeits and miscellaneous revenues are recorded as revenues when received in cash.

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General property taxes, self-assessed taxes and investment earnings are recorded when they become both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for expenditures for debt service, prepaid expenses and other long-term obligations, which are recognized when paid.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of fund balance, is utilized in the governmental fund types. In the general fund, for budgetary purposes, appropriations lapse at fiscal year-end except for that portion related to encumbered amounts. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The encumbrances are subject to re-appropriation by the Town Council in any succeeding fiscal year.

Budgetary Data

Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted each year through passage of an annual budget ordinance and amended as required for the General Fund. In accordance with generally accepted accounting principles, these budgets use the same accounting basis to reflect actual revenues and expenditures. Budgets for the Special Revenue Funds are made on a project basis, sometimes spanning over more than one fiscal year. Budgetary control is exercised at the departmental level or by project. All unencumbered budget appropriations, except reserve budgets, lapse at the end of each fiscal year.

The general operating fund is legally required to be budgeted and appropriated. The major document prepared is the tax budget, which separates these funds by function and estimated appropriation needed to fund each function. The tax budget demonstrates a need for existing or increased tax rates. This budget is approved by the Town's Board of Councilors and may be amended during the year if projected increases or decreases in revenues or expenditures are identified by the Town. The amounts reported as the original budget amounts in the budgetary statements (Schedule 1) reflect the amounts in the legally adopted budget. Changes, if any, are reflected in the final budget column.

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. 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 the 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.

Monies for all funds are maintained in a pool. Individual funds are maintained through the Town's accounting records to allow proper segregation of cash for each fund.

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements
December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Town employees are granted vacation and sick leave in varying amounts. Earned vacation time is required to be used within one year of accrual. Accumulated sick leave is not payable to employees upon termination.

Property Taxes

Property taxes are levied as of April 1, committed for collection on July 11, and are due and payable on or before November 30. It is the Town's policy to allow a 2% discount on any property taxes paid within 30 days of mailing. Property taxes levied on April 1 are used to finance the operations of the Town for the calendar budget year beginning January 1. In accordance with Maine law, taxes not collected within eight months following the date of the commitment are secured by liens. Property tax revenues are recognized in the fiscal year for which the items have been levied, in conformity with the policy of other local governments in Maine.

The Town has adopted the standard established by GASB No. 33 regarding the recognition of property taxes. The criterion 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 that will be collected of current and past due taxes 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 established on the balance sheet for the taxes considered collectible but not available for current liabilities.

Allowance for Uncollectible Receivables

Taxes receivables are recorded at estimated net realizable value. Therefore, an allowance for uncollectible taxes of \$51,165 has been established. Tax revenue is recorded net of the allowance for uncollectible taxes.

Prepaid Expense

Payments made benefiting future periods under the governmental fund basis are recorded under the non-allocated method and are currently expensed as paid. Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items using the consumption method for government-wide activities. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activity's column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. The Town maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Infrastructure assets have a separate threshold for capitalization of \$25,000.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	8-10 years
Infrastructure	15-100 years

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements
December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 34 requires the reporting of new infrastructure expenditures effective with the beginning of the implementation year (2004).

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The Town currently reports only other post-employment benefits and property to be transferred as detailed in (Note 9) as deferred outflows of resources.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then. The Town currently reports only other post-employment benefits and the same property listed in the preceding paragraph as deferred inflows of resources in the Statement of Net Position. The Town also reports deferred property taxes in the general fund as deferred inflows on the fund balance sheet.

Accounts Payable, Accrued Expenses and Long-term Obligations

All payables accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Net Position

Net position represents the difference between assets, liabilities and deferred inflows and outflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications

Generally accepted accounting principles require fund balance classification to be Nonspendable, Restricted or Unrestricted. Unrestricted is then determined to be Committed, Assigned or Unassigned by the Town. The Town considers expenditures that are incurred for purposes where restricted and unrestricted fund balances are available, to be expended in the following order - Restricted, Committed, Assigned and Unassigned. In the 2022 fiscal year there were no nonspendable funds.

Restricted Fund Balance

Restricted fund balances are restricted due to external contributors that have donated the funds to the Town. These contributors have placed restrictions on how or when the Town can use the funds.

Committed Fund Balance

Funds that have been set aside for specific purposes which require formal action (such as a town vote) for these funds to be released.

Unrestricted Assigned Fund Balance

Funds assigned by the authority of the Town Council for which they intend to use them for specific purposes. These assignments are recommended in the proposed budget which then gets voted on by the Town's people. If the budget is approved, the funds are then assigned for a specific purpose. The Councilors do not need a town vote to release these funds.

Unrestricted Unassigned Fund Balance

The remaining fund balance that is not restricted, committed, or assigned is considered unassigned. These funds are spendable funds in the ordinary course of government operations.

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements
December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(2) CASH AND TEMPORARY INVESTMENTS

Deposits with financial institutions are subject to custodial risk, which is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy is to invest in regional banks and to insure the funds to as great a degree as possible. As of December 31, 2022, the Town's carrying amount of deposits was \$840,993 and the bank balance was \$1,135,443. All the deposits carried by financial institutions at year end were either fully insured or collateralized.

(3) LEGAL DEBT LIMIT

The Town's legal debt limit is \$5,673,750 which represents 7.5% of the Town's 2022 state valuation of \$75,650,000.

(4) JOINT VENTURES

Northwestern Aroostook County Septage Board

The Northwestern Aroostook County Septage Board is owned jointly by the Towns of Ashland, Portage and Masardis, the Organizations of Oxbow, Garfield, Nashville and the Unorganized Territories of Aroostook County, Township 11 Range 4, and Township 10 Range 4. As of December 31, 2022, the most recent report available at the audit date, the Town of Ashland owned 39.2% of this facility. A summary of the facility's activity for 2022 is as follows:

	<u>Amount</u>	<u>Ashland's Share</u>
Total Assets	\$12,704	\$4,980
Total Liabilities	-	-
Total Net Position	<u>\$12,704</u>	<u>\$4,980</u>
Total Revenues	\$ 3,724	
Less Total Expenditures	<u>(2,350)</u>	
Increase in Net Position	<u>\$ 1,374</u>	

Aroostook Valley Solid Waste Disposal District

The Aroostook Valley Solid Waste Disposal District is owned jointly by the Towns of Ashland and Masardis and the Plantations of Oxbow and Garfield. As of December 31, 2019, the most recent report available at the audit date, the Town of Ashland, owned 81.2% of this facility. A summary of the facility's activity for 2019 is as follows:

	<u>Amount</u>	<u>Ashland's Share</u>
Total Assets	\$ 445,915	\$362,083
Total Liabilities	<u>13,569</u>	<u>11,018</u>
Total Net Position	<u>\$ 432,346</u>	<u>\$351,065</u>
Total Revenues	\$ 273,435	
Less - Expenditures	<u>(287,516)</u>	
(Decrease) in Net Position	<u>\$ (14,081)</u>	

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements
December 31, 2022

(5) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance January 1, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, 2022
<u>Governmental Activities</u>				
Land	\$ 78,000	\$ -	\$ -	\$ 78,000
Buildings and improvements	1,168,082	-	-	1,168,082
Equipment and vehicles	1,753,161	44,677	-	1,797,838
Roads	<u>436,603</u>	<u>-</u>	<u>-</u>	<u>436,603</u>
Totals at historical cost	<u>3,435,846</u>	<u>44,677</u>	<u>-</u>	<u>3,480,523</u>
Less accumulated depreciation for:				
Buildings and improvements	565,308	23,290	-	588,598
Equipment and vehicles	1,390,780	66,400	-	1,457,180
Roads	<u>268,973</u>	<u>17,821</u>	<u>-</u>	<u>286,794</u>
	<u>2,225,061</u>	<u>107,511</u>	<u>-</u>	<u>2,332,572</u>
Governmental activities capital assets, net	<u>\$1,210,785</u>	<u>\$ (62,834)</u>	<u>\$ -</u>	<u>\$1,147,951</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 11,798
Highway Department	31,488
Protection	49,281
Library	652
Recreation	<u>14,292</u>
	<u>\$107,511</u>

(6) LONG-TERM DEBT

Governmental Activities:

As of December 31, 2022, governmental long-term debt consisted of a 4% note payable in annual installments of \$12,308 principal and interest secured by certain property with a balance due of \$31,933.

The following is a summary of changes in long-term debt for the year ended December 31, 2022:

	Balance January 1, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, 2021	Due Within One Year
<u>Governmental Activities</u>					
Note payable	\$42,539	\$ -	\$10,606	\$31,933	\$11,030
Note payable	<u>14,993</u>	<u>-</u>	<u>14,993</u>	<u>-</u>	<u>-</u>
	<u>\$57,532</u>	<u>\$ -</u>	<u>\$25,599</u>	<u>\$31,933</u>	<u>\$11,030</u>

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements

December 31, 2022

(6) LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including interest, for long-term debt as of December 31, 2022, are as follows:

Year	<u>Principal</u>	<u>Interest</u>
<u>Ending</u>		
2023	\$11,030	\$1,277
2024	11,472	836
2025	<u>9,431</u>	<u>377</u>
	<u>\$31,933</u>	<u>\$2,490</u>

(7) CONCENTRATION OF RISK - MAJOR TAXPAYERS

During 2022, the Town received \$259,689 of its property tax revenues from five taxpayers. This amount makes up 13.2% of the Town's total commitment. As of December 31, 2022, these taxes were paid in full.

(8) DEFERRED PROPERTY TAXES

The Town follows the standard established by generally accepted accounting principles regarding the recognition of property taxes. The criterion 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 that will be collected of current and past due taxes 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 established on the balance sheet for the taxes considered collectible but not available for current liabilities.

(9) DEFERRED ASSET DISTRIBUTION

During 2005, the Town finished the construction of the water supply system improvements necessary to support fire protection requirements at two sawmill facilities in the Towns of Ashland and Masardis. The cost of the construction of these improvements was \$820,444 and was funded by grants and private sawmill companies in the amounts of \$486,194 and \$334,250, respectively. According to an agreement with these companies, these improvements will be turned over to the private companies in the year 2025.

(10) EMPLOYEES' RETIREMENT PLAN

MAINEPERS

As of July 1, 2022, the Town adopted the Maine Public Employees Retirement System (MainePERS). This plan is a multiple-employer cost sharing defined benefit pension plan and is defined as a Participating Local District (PLD). At this point, there is no financial information available to disclose. Disclosure for the pension plan will start next fiscal year.

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements
December 31, 2022

(11) OTHER POST-EMPLOYMENT BENEFIT (OPEB)

Plan Description – Maine Municipal Employees Health Trust

The Town participates in the Maine Municipal Employees Health Trust (MMEHT) in which retirees and spouses may participate in group health insurance through a single employer OPEB plan. The Town does not contribute directly towards the cost of the retiree premiums. The retiree must meet the minimum age of 55 with at least 5 years of service at retirement to be eligible. The retiree must enroll when first eligible and continue coverage without interruption thereafter.

Benefits

The non-Medicare retirees are offered the same plans that are available to the active employees. Medicare retirees are assumed to be enrolled in Medicare Parts A and B and the Retiree Group Companion Plan which includes prescription coverage. Medical benefits are provided for the life of the retiree and surviving spouses. Current retirees do not have access to dental benefits. Future new retirees who retire after December 31, 2016 will have access to purchase dental coverage at the Plan COBRA (Consolidated Omnibus Budget Reconciliation Act) rates.

Funding Policy

The Plan is pay as you go and is not funded. The retiree and spouse contribute 100% of the monthly premium.

Employees Covered by Benefit Terms

On December 31, 2022, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	<u>8</u>
Total	<u>8</u>

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2022, using the Entry Age Normal Cost Method to value the plan's actuarial liabilities and to set the normal cost. The amortization method is a level dollar method using an open 30-year amortization period.

Discount Rate

The discount rate is based on the December 31, 2021 Bond Buyer 20-Bond GO Index and is 2.06% per annum.

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

On December 31, 2022, the Town reported a liability of \$38,950 for its net MMEHT liability. The net OPEB liability was measured as of January 1, 2022, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2022, the Town recognized MMEHT expense of (\$93). On December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ -	\$41,310
Changes of assumptions	12,416	9,066
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>-</u>
Total	<u>\$12,416</u>	<u>\$50,376</u>

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements
December 31, 2022

(11) OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)

OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources
(Continued)

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

Year Ending <u>December 31,</u>	<u>Amounts</u>
2023	\$ (6,963)
2024	(6,966)
2025	(5,214)
2026	(4,375)
2027	(4,413)
Thereafter	(10,029)
 <u>Change in net OPEB Liability</u>	
Balance at December 31, 2021	\$ <u>72,727</u>
Changes for the year:	
Service cost	5,223
Interest	1,647
Changes of benefits	-
Differences between expected and actual	(32,624)
Changes of assumptions	(7,495)
Benefit payments	<u>(528)</u>
Net changes	<u>(33,777)</u>
Balance at December 31, 2022	\$ <u>38,950</u>

The following table shows how the net MMEHT OPEB liability as of December 31, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

1% Decrease	Current Discount Rate	1% Increase
<u>1.06%</u>	<u>2.06%</u>	<u>3.06%</u>
\$46,377	\$38,950	\$32,992

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care because of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments. Lower healthcare trend rates produce a lower total OPEB liability.

1% Decrease	Healthcare Cost Trend Rates	1% Increase
\$32,339	\$38,950	\$47,794

Future Plan Changes

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

TOWN OF ASHLAND, MAINE

Notes to the Financial Statements
December 31, 2022

(12) TAX ANTICIPATION NOTE

On February 16, 2022, the Town issued a Tax Anticipation Note in an amount not-to-exceed \$500,000 at an interest rate of 3.56% to finance working capital expenditures. During the year, the Town borrowed and repaid a total of \$375,000.

(13) RISKS AND UNCERTAINTIES

The Town's operations may be affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Town's financial position, operations and cash flows. Additional risks include, but are not limited to, military conflicts in Europe, the oil and gas market, supply chain issues and inflation. Possible effects may include, but are not limited to, disruption to the Town's customers and revenue, absenteeism in the Town's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Town, including property and equipment and investments.

(14) SUBSEQUENT EVENTS

Management has reviewed subsequent events through February 23, 2023, the date that these financial statements were available to be issued and determined that no additional adjustments or disclosures are required in order for these financial statements to be fairly stated.

TOWN OF ASHLAND, MAINE

Schedule 1

Budgetary Comparison Schedule for the General Fund
For the Year Ended December 31, 2022

	General Fund		
	Budgeted Amounts		Actual (Budgetary) Basis
	Original	Final	
REVENUES			
Property taxes	\$ 1,898,113	\$ 1,898,113	\$ 1,921,239
Homestead reimbursement	150,000	150,000	179,086
BETE Reimbursement	30,000	30,000	20,060
Abatements	(7,500)	(7,500)	(3,283)
Discounts	(20,000)	(20,000)	(22,955)
Tax Anticipation	(7,000)	(7,000)	(5,921)
Supplemental Taxes	-	-	4,039
State assistance			
Revenue sharing	300,000	300,000	433,967
Tree Growth	25,000	25,000	89,573
Other State Grants, net	1,400	1,400	610
Donations	-	-	20,000
Other revenues	692,970	692,970	770,661
TOTAL REVENUES	3,062,983	3,062,983	3,407,076
EXPENDITURES			
Education	1,230,000	1,230,000	1,192,263
General Government	345,895	345,895	358,275
Protection	646,240	646,240	768,453
Highway department	309,228	309,228	289,697
Recreation	76,404	76,404	73,858
Library	66,460	66,460	70,410
County tax	126,500	126,500	118,939
Solid Waste District	179,325	179,325	179,323
Economic development	3,500	3,500	4,917
Debt service	15,500	15,500	15,185
Other	63,931	63,931	62,702
TOTAL EXPENDITURES	3,062,983	3,062,983	3,134,022
EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	-	-	273,054
OTHER SOURCES (USES)			
Federal and State Grants, net			
Highway Block Grant	-	-	35,172
Maine Community Development Foundation, net of expenses	-	-	582
2020 Housing Assistance Grant, net of expenses	-	-	4,445
2021 American Rescue Plan, net of expenses	-	-	64,417
Whole Tree Grant Endowment, net of expense	-	-	-
Other Federal Grants	-	-	229
Other State Grants, net	-	-	336
Budgeted Overlay	-	-	-
Capital Outlays from Reserve	-	-	(52,008)
TOTAL OTHER SOURCES	-	-	53,173
NET INCREASE IN FUND BALANCE	\$ -	\$ -	326,227
FUND BALANCE - JANUARY 1			635,663
FUND BALANCE - DECEMBER 31			\$ 961,890

TOWN OF ASHLAND, MAINE

Schedule 2

Schedule of Change in Net Other Post-Employment Benefits (OPEB) Liability
Maine Municipal Employees Health Trust
For the Last Five Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 5,223	\$ 4,557	\$ 3,838	\$ 4,189	\$ 4,524
Interest	1,647	1,834	2,512	2,113	2,546
Changes of benefits	-	-	(1,255)	-	-
Differences between expected and actual experience	(32,624)	-	(12,171)	-	(20,330)
Changes of assumptions	(7,495)	4,226	12,405	(5,852)	8,084
Benefit payments	(528)	(508)	(274)	(263)	(529)
Administrative expense	-	-	-	-	-
Net change in total OPEB liability	(33,777)	10,109	5,055	187	(5,705)
Total OPEB liability - beginning	<u>72,727</u>	<u>62,618</u>	<u>57,563</u>	<u>57,376</u>	<u>63,081</u>
Total OPEB liability - ending (a)	<u>\$ 38,950</u>	<u>\$ 72,727</u>	<u>\$ 62,618</u>	<u>\$ 57,563</u>	<u>\$ 57,376</u>
Plan fiduciary net position					
Contributions - employer	\$ 528	\$ 508	\$ 274	\$ 263	\$ 529
Benefit payments	<u>528</u>	<u>508</u>	<u>274</u>	<u>263</u>	<u>529</u>
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's net OBEP liability - ending (a) - (b)	<u>\$ 38,950</u>	<u>\$ 72,727</u>	<u>\$ 62,618</u>	<u>\$ 57,563</u>	<u>\$ 57,376</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$416,125	\$240,879	\$248,317	\$248,317	\$ 248,317
Net OPEB liability as a percentage of covered-employee payroll	9.4%	30.2%	26.0%	23.2%	23.1%

TOWN OF ASHLAND, MAINE

Notes to Schedule 2
For the Year Ended December 31, 2022

NOTE 1 – VALUATION DATE

Only fiscal years 2018 through 2022 are reported. The amounts presented have a measurement date as of January 1, 2022. The Town will continue to present information until a full ten-year trend is compiled.

NOTE 2 – BENEFIT CHANGES

There were no substantive plan changes during calendar year 2022.

NOTE 3 – CHANGE IN ASSUMPTIONS

The change in discount rate from 2.12% to 2.06% was the only change in assumption for the 2022 valuation.

NOTE 4 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Investment rate of return	2.06% compounded annually for 2022 2.12% compounded annually for 2021 2.74% compounded annually for 2020 4.10% compounded annually for 2019 3.44% compounded annually for 2018
Salary increase rate	2.75%
Mortality	Based on 112.1% and 118.5% of the RP-2020 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females

TOWN OF ASHLAND, MAINE

Schedule 3

Schedule of Property Taxes - General Fund
For the Year Ended December 31, 2022

	<u>Total</u>	<u>2023 Taxes</u>	<u>2022 Taxes</u>	<u>2021 Taxes and Liens</u>	<u>Prior Taxes and Liens</u>
UNCOLLECTED AT JANUARY 1	\$ 340,580	\$ -	\$ (1,948)	\$ 231,803	\$ 110,725
2021 COMMITMENT (\$77,506,900 @ .02525)	1,957,049	-	1,957,049	-	-
SUPPLEMENTAL TAXES	4,039	-	2,431	1,608	-
	<u>1,961,088</u>	<u>-</u>	<u>1,959,480</u>	<u>1,608</u>	<u>-</u>
COLLECTIONS	1,907,265	6,300	1,681,054	168,128	51,783
ABATEMENTS	5,921	-	5,614	307	-
TAX ACQUIRED	-	-	-	-	-
	<u>1,913,186</u>	<u>6,300</u>	<u>1,686,668</u>	<u>168,435</u>	<u>51,783</u>
UNCOLLECTED AT DECEMBER 31	\$ 388,482	\$ (6,300)	\$ 270,864	\$ 64,976	\$ 58,942
REPRESENTED BY:					
Real Estate Taxes	\$ 328,040	\$ (6,300)	\$ 268,258	\$ 62,625	\$ 3,457
Personal Property Taxes	60,442	-	2,606	2,351	55,485
	<u>\$ 388,482</u>	<u>\$ (6,300)</u>	<u>\$ 270,864</u>	<u>\$ 64,976</u>	<u>\$ 58,942</u>

TOWN OF ASHLAND, MAINE

Schedule 4

Schedule of Other Revenues - General Fund
 For the Year Ended December 31, 2022

	<u>Budget</u>	<u>Actual</u>
Excise taxes	\$ 261,500	\$ 268,173
Interest on delinquent taxes	12,000	10,782
Lease/Sale of property	50,000	51,667
Municipal forest	25,000	15,000
Interest on deposits	750	956
Lien costs	6,000	6,223
Registrations, permits and clerk fees	12,925	15,765
Departmental revenues		
Fire Department	11,718	10,267
Police Department	23,310	37,320
Reimbursement for officer training	-	43,599
Ambulance service	228,838	256,645
Cemetery	1,000	-
Library	24,777	22,343
Recreation	29,492	26,458
General assistance	650	188
Other	<u>5,010</u>	<u>5,275</u>
	<u>\$ 692,970</u>	<u>\$ 770,661</u>

TOWN OF ASHLAND, MAINE

Schedule 5

Schedule of Other Expenditures - General Fund
For the Year Ended December 31, 2022

	<u>Budget</u>	<u>Actual</u>
Cemetery	\$ 1,500	\$ 567
Community service	2,800	2,800
Planning board/code enforcement	42,291	43,912
General assistance	1,500	268
Food Pantry	1,000	-
Trotting Park	500	307
Website	-	1,548
Human Services		
Northwood Manor	5,000	5,000
Aroostook Area Agency on Aging	800	800
Aroostook County Action Program	495	495
American Red Cross	300	300
Temporary Shelter for the Homeless	1,955	938
Outside Agencies		
Northern Maine Development Commission	2,500	2,478
Central Aroostook Humane Society	2,285	2,284
Other	<u>1,005</u>	<u>1,005</u>
	<u>\$ 63,931</u>	<u>\$ 62,702</u>

TOWN OF ASHLAND, MAINE

Schedule 6

Schedule of Capital and Noncapital Outlays - General Fund
For the Year Ended December 31, 2022

	Balances <u>January 1</u>	<u>Receipts</u>	Total <u>Available</u>	Expendi- <u>tures</u>	<u>Reallocated</u>	Balances <u>December 31</u>
Insurance	\$ 1,167	\$ -	\$ 1,167	\$ -	\$ (1,167)	\$ -
Fire truck	2,918	6	2,924	-	1,346	4,270
Ambulance Equipment Reserve	-	1	1	-	2,026	2,027
Library Equipment Reserve	23,518	24	23,542	-	-	23,542
Recreation Equipment Reserve	-	-	-	-	3,051	3,051
General Gov't Cemetery Reserve	-	170	170	-	29,526	29,696
New equipment	55,317	30,500	85,817	24,677	9,435	70,575
Ambulance equipment	776	-	776	-	(776)	-
Ambulance memorial	893	-	893	-	(893)	-
Ambulance appreciation	8,350	437	8,787	6,873	-	1,914
Fire appreciation fund	775	25	800	-	-	800
Farm Lease	2,402	-	2,402	359	-	2,043
Fire tanker savings	896	-	896	-	(896)	-
Industrial Park Building Lease	7,000	-	7,000	-	(7,000)	-
Web Updates	2,438	-	2,438	1,548	-	890
DACF Stumpage	62,433	-	62,433	-	-	62,433
COVID Response	610	-	610	229	(381)	-
Community Center recreation	936	-	936	-	(936)	-
Recreation - Beaulier	1,215	-	1,215	-	(1,215)	-
Miscellaneous recreation	360	-	360	-	(360)	-
Memory Cloukey	540	-	540	-	(540)	-
TOTAL	\$ 172,544	\$ 31,163	\$ 203,707	\$ 33,686	\$ 31,220	\$ 201,241

FELCH & COMPANY, LLC

Certified Public Accountants

P.O. BOX 906
CARIBOU, MAINE 04736
(207) 498-3176
FAX (207) 498-6278
E-MAIL: CPA@FELCHCPA.COM

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*

To the Board of Councilors of the
Town of Ashland, Maine

We have audited, in accordance with the 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 and major fund of the Town of Ashland, Maine, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Ashland, Maine's basic financial statements, and have issued our report thereon dated February 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Ashland, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ashland, 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described below, that we consider to be a significant deficiency.

The size of the Town imposes practical limitations on the establishment of those internal control structure policies and procedures that depend on segregation of duties (i.e., one person handles almost all accounting functions relating to receipts and disbursements). Failure to segregate duties such as the preparation of checks, check signing, posting transactions, preparing deposits, and reconciling the bank statements, could lead to the misuse of funds as well as the misuse of cash not being detected.

To the Board of Councilors of the
Town of Ashland, Maine

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ashland, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Ashland, Maine's Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the Town of Ashland's response to the finding identified in our audit and described above. The Town of Ashland's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Management has responded that budget constraints will prohibit the Town from hiring additional accounting staff. The Town's council and manager have additional procedures to help counteract the segregation of duties such as reviewing the bank statements and reconciliations as well as reviewing all invoices before the checks are mailed. The Town'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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Felch & Company LLC

February 23, 2023