

TOWN OF POWNAL, MAINE

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2021

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Maine Municipal Audit Services, PA

Mindy J. Cyr, CPA

Independent Auditors' Report

To the Board of Selectmen
Town of Pownal
Pownal, Maine

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Town of Pownal, 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 and the aggregate remaining fund information of the Town of Pownal, Maine, as of June 30, 2021, and the respective changes in financial position in accordance 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, schedule of changes in net OPEB liability and related ratios, and budgetary comparison schedule, on pages 5-6, 25, and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pownal, Maine's basic financial statements. The combining balance sheet and combining statement of revenues, expenditures and changes in fund balances, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet and combining statement of revenues, expenditures and changes in fund balances, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet and combining statement of revenues, expenditures and changes in fund balances, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maine Municipal Audit Services, PA

Levant, Maine
October 18, 2021

Town of Pownal

Management's Discussion and Analysis

Fiscal Year ending June 30, 2021

Management of the Town of Pownal offers this management's discussion and analysis report that will provide information that should be used in conjunction with the outside audit report for fiscal year ending June 30, 2021.

Overview of the Financial Statements:

The discussion and analysis report is intended to serve as an introductory to the full audit report. The audit report consists of three components: government-wide financial statements; fund financial statements, and the notes to the financial statements. This report is intended to explain some of these financial statements in a concise and non-financial terminology.

Government-wide Financial Statements:

The government-wide financial statements present the Town's financial position as of a certain date using some common financial reporting tools and using the modified accrual basis of accounting. The governmental activities that are reported include: general government, public safety, public works, health, social services, education and cemetery, parks and recreation activities.

Fund Financial Statements:

A fund is a group of related accounts that have been grouped together to maintain control over activities that are segregated for specific purposes and objectives. These funds include: trust fund accounts.

Trust Fund Accounts include funds set aside by a specific trust fund document or by state law.

Notes to the Financial Statements:

The notes provide the reader with additional information about the Town that will help understand the financial data provided by our outside audit firm and our financial statements.

Government Wide Financial Analysis:

The audit report shows that the Town increased our net position by \$660,709 for the year ending June 30, 2021. Ending Net Position is \$5,129,032. The Town general fund has long-term debt of \$2,505,137 as of June 30, 2021.

Town of Pownal
Management's Discussion and Analysis
Fiscal Year ending June 30, 2021

Differences between the original and final budget for the general fund are typically caused by the usage of assigned and unassigned fund balances along with applied revenues.

All Town departments, except Health and Sanitation finished the year under budget. The Health and Sanitation department overspent their budget by \$ (4,458). The general fund actual revenues totaled \$5,433,008, with actual expenditures totaling \$4,923,872

Contacting the Town's Management:

If you have any questions about this report or need additional financial information, contact the Town Office at 429 Hallowell Road, Pownal, Maine 04069.

Town of Pownal, Maine
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 3,104,881
Taxes receivable	160,385
Tax liens receivable	30,278
<i>Total current assets</i>	3,295,543
Non-current assets:	
Capital assets, net of accumulated depreciation	4,579,145
<i>Total non-current assets</i>	4,579,145
Deferred outflows of resources:	
OPEB related outflows	8,774
<i>Total deferred outflows of resources</i>	8,774
TOTAL ASSETS	\$ 7,883,462
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 54,521
Accrued interest on long term debt	23,201
Escrow payable - <i>Meadowbrook subdivision</i>	117,627
Current portion of long-term debt	255,707
<i>Total current liabilities</i>	451,056
Non-current liabilities:	
<i>Non-current portion of long-term debt:</i>	
Bonds payable, net current portion	2,249,431
OPEB liabilities	23,274
<i>Total non-current liabilities</i>	2,272,705
TOTAL LIABILITIES	2,723,760
DEFERRED INFLOWS OF RESOURCES:	
Prepaid property taxes	16,259
OPEB related inflows	14,411
TOTAL DEFERRED INFLOWS OF RESOURCES	30,670
NET POSITION:	
Net investment in capital assets	2,050,807
Unrestricted	3,078,226
TOTAL NET POSITION	5,129,032
TOTAL LIABILITIES AND NET POSITION	\$ 7,883,462

The accompanying notes are an integral part of this statement.

Town of Pownal, Maine
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
Governmental activities:						
General government	\$ 321,195	\$ 14,140	\$ -	\$ -	\$ (307,056)	\$ (307,056)
Public safety	118,141	-	-	-	(118,141)	(118,141)
Public works	481,459	-	-	34,152	(447,307)	(447,307)
Health and sanitation	112,787	43,028	-	-	(69,758)	(69,758)
Education	3,111,758	-	-	-	(3,111,758)	(3,111,758)
County tax	178,532	-	-	-	(178,532)	(178,532)
Social services	9,380	-	-	-	(9,380)	(9,380)
Interest	58,168	-	-	-	(58,168)	(58,168)
Other	51,991	500	-	-	(51,491)	(51,491)
Depreciation	300,918	-	-	-	(300,918)	(300,918)
Total governmental activities	4,744,329	57,668	-	34,152	(4,652,509)	(4,652,509)
<i>General revenues:</i>						
Property taxes, levied for general purposes					4,472,636	4,472,636
Excise taxes					402,632	402,632
Interest					13,779	13,779
Licenses and permits					20,737	20,737
<i>Grants and contributions not restricted to specific programs:</i>						
State revenue sharing					192,993	192,993
Homestead exemption					139,708	139,708
Other					1,353	1,353
Miscellaneous revenues					69,380	69,380
Total general revenues and transfers					5,313,218	5,313,218
<i>Changes in net position</i>					660,709	660,709
NET POSITION - BEGINNING					4,468,323	4,468,323
NET POSITION - ENDING					\$ 5,129,032	\$ 5,129,032

The accompanying notes are an integral part of this statement.

Town of Pownal, Maine
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	MAJOR FUND Capital Reserves	NON-MAJOR Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,646,401	\$ 338,465	\$ 120,015	\$ 3,104,881
Taxes receivable, net	160,385	-	-	160,385
Tax liens receivable	30,278	-	-	30,278
Interfund receivables	-	207,216	234,821	442,037
TOTAL ASSETS	\$ 2,837,064	\$ 545,681	\$ 354,836	\$ 3,737,580
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts payable	\$ 54,521	-	-	\$ 54,521
Escrow payable - <i>Meadowbrook subdivision</i>	117,627	-	-	117,627
Interfund payables	442,037	-	-	442,037
<i>Total liabilities</i>	614,185	-	-	614,185
<i>Deferred inflows of resources:</i>				
Prepaid property taxes	16,259	-	-	16,259
Deferred property tax revenue	152,530	-	-	152,530
<i>Total deferred inflows of resources</i>	168,789	-	-	168,789
<i>Fund balances: see footnotes</i>				
Non-spendable	-	-	62,954	62,954
Restricted	-	-	179,837	179,837
Committed	-	545,681	41,399	587,079
Assigned	283,944	-	70,646	354,590
Unassigned	1,770,147	-	-	1,770,147
<i>Total fund balances</i>	2,054,090	545,681	354,836	2,954,607
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,837,064	\$ 545,681	\$ 354,836	
<i>Amounts reported for governmental activities in the statement of net position (Stmnt. 1) are different because:</i>				
Depreciable and non-depreciable capital assets as reported in Stmt. 1				4,579,145
Long-term liabilities, including bonds payable and accrued interest, as reported on Stmt. 1				(2,528,338)
Deferred property taxes not reported on Stmt. 1				152,530
Deferred outflows of resources - OPEB related expenditures				8,774
Deferred inflows of resources - OPEB related inflows				(14,411)
OPEB liabilities				(23,274)
NET POSITION OF GOVERNMENTAL ACTIVITIES				\$ 5,129,032

The accompanying notes are an integral part of this statement.

Town of Pownal, Maine
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	MAJOR FUND Capital Reserves	NON-MAJOR Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 4,519,203	\$ -	\$ -	\$ 4,519,203
Excise taxes	402,632	-	-	402,632
Intergovernmental revenue	368,206	-	-	368,206
Charges for services	57,668	-	-	57,668
Licenses and permits	20,737	-	-	20,737
Interest	12,791	768	220	13,779
Other revenues	51,771	-	17,609	69,380
<i>Total revenues</i>	5,433,008	768	17,829	5,451,605
EXPENDITURES:				
General government	318,282	-	-	318,282
Public safety	118,141	-	-	118,141
Public works	705,309	-	-	705,309
Health and sanitation	112,787	-	-	112,787
Social services	9,380	-	-	9,380
Education	3,111,758	-	-	3,111,758
County tax	178,532	-	-	178,532
Debt service	320,915	-	-	320,915
Unclassified	48,768	-	11,173	59,941
<i>Total expenditures</i>	4,923,872	-	11,173	4,935,045
<i>Excess (deficiency) of revenues over (under) expenditures</i>	509,136	768	6,656	516,560
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	1	-	60,001
Transfers (out)	(1)	(25,000)	(35,000)	(60,001)
<i>Total other financing sources (uses)</i>	59,999	(24,999)	(35,000)	-
<i>Net change in fund balances</i>	569,135	(24,231)	(28,344)	516,560
FUND BALANCES - BEGINNING	1,484,955	569,912	383,180	2,438,047
FUND BALANCES - ENDING	\$ 2,054,090	\$ 545,681	\$ 354,836	\$ 2,954,607

The accompanying notes are an integral part of this statement.

(Continued)

Town of Pownal, Maine
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 (Statement 4)	\$	516,560
<p>Amounts reported for governmental activities in the Statement of Activities (Stmnt. 2) are different due to the following items:</p>		
<p>Depreciation expense recorded on Statement of Activities, yet not required to be recorded as expenditures on Governmental Funds Report</p>		(300,918)
<p>Capital outlays expensed on the Governmental Funds Report (Stmnt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmnt. 2)</p>		231,800
<p>Revenues in the Statement of Activities (Stmnt 2) that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes and other deferred revenue.</p>		(46,567)
<p>Accrued interest expense on long-term debt is reported in the government wide Statement of Activities but does not require the use of current financial resources; therefore, is not reported as an expenditure in the Governmental Funds.</p>		7,663
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. More specifically, this represents the net amount of principal reduction in debt service made during the fiscal year.</p>		255,084
<p>OPEB expenses under GASB #75 are not reported in the governmental fund statements</p>		(2,913)
<hr/>		
Changes in net position of governmental activities (see Stmnt. 2)	\$	660,709
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The accompanying notes are an integral part of this statement.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town operates under a selectmen-town meeting form of government and was incorporated in 1808 under the laws of the State of Maine.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the Town to restructure much of the information presented in the past. The more significant of the government’s accounting policies are described below.

In evaluating how to define the Town for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. Based on the criteria, it was determined that no other entities should be included in the Town’s financial statements.

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 1989 that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB-pronouncements issued after that date to its business-type activities, the Town has chosen not to do so.

B. Basis of Presentation

The Town’s basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-Wide Financial Statements

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reports information on all of the non-fiduciary activities of the Town as a whole.

The Statement of Net Position reports all financial and capital resources of the Town and reports the difference between assets and liabilities, as “net position” not fund balance or equity. The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenue and reflects the “net (expense) revenue” of the Town’s individual functions before applying general revenues.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The Town has elected not to allocate indirect costs among programs. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

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. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund.

Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

C. Measurement Focus and Basis of Accounting

Governmental Fund Types

General Fund – The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – This fund is used for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Reserves Fund is considered a major fund.

Permanent Fund – This fund is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column (a breakdown by fund for the non-major funds is provided on Schedules B & C). GASB NO. 34 sets forth minimum criteria for the determination of major funds.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

The Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting in accordance with GASB #34. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

D. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair value.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	20-40
Infrastructure	40
Machinery and Equipment	10-20
Vehicles	10-20

Management believes it is not cost effective to report general capital assets acquired before January 1, 2008, but may report them in the future.

Net Position and Fund Balances

In the Government-wide financial statements, the difference between the Town's total assets and total liabilities represents net position. Net position displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

- Non-spendable* – Funds that are not in spendable form, such as funds that are legally required to be maintained in tact (corpus of a permanent fund).
- Restricted* – Funds that can be spent only for specific purposes because of constitutional provisions or enabling legislation.
- Committed* – Funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the governing body.
- Assigned* – Funds intended to be used for specific purposes set by the Board of Selectmen.
- Unassigned* – Funds available for any purpose.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue arises when resources are received by the Town before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Property Taxes

Property taxes for the current year were committed on July 27, 2020, on the assessed value listed as of April 1, 2020, for all real and personal property located in the Town. Payment of taxes was due on September 15, 2020, December 15, 2020, March 15, 2021, and June 15, 2021, with interest at 8% on all tax bills unpaid as of the due date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$165,850 for the year ended June 30, 2021.

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

Risk Management

The Town pays insurance premiums to certain agencies to cover risks that may occur in normal operations. The Town purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Typically, the Town invests funds in checking accounts, savings accounts, certificates of deposit, and U.S. government obligations (through an investment group owned by a financial institution). From time to time the Town’s deposits and investments may be subject to risks, such as the following:

Custodial Credit Risk – Deposits - the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town uses only financial institutions that are insured by the FDIC or additional insurance. At June 30, 2021, cash deposits had a carrying value of \$3,104,881, all of which was covered by FDIC or collateralized.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Credit Risk – The Town does not have a formal policy regarding credit risk. Maine statutes authorize the Town to invest in obligations of the U.S. Treasury, and U.S. Agencies and certain bonds, securities and real assets.

Custodial Credit Risk – Investments – the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy. None of the Town’s investments were subject to custodial credit risk.

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. All investments held by the Town are Level 1 inputs.

3. CAPITAL ASSETS

Governmental activities:	Balance 7/1/20	Additions	Deletions	Balance 6/30/21
<i>Capital assets:</i>				
Buildings & improvements	\$ 65,967	\$ 7,950	\$ -	\$ 73,917
Vehicles	1,814,890	10,500	-	1,825,390
Equipment	150,332	-	-	150,332
Infrastructure	4,585,531	213,350	-	4,798,881
Total capital assets	6,616,720	231,800	-	6,848,520
<i>Less accumulated depreciation</i>	<i>(1,968,457)</i>	<i>(300,918)</i>	<i>-</i>	<i>(2,269,375)</i>
Governmental activities Capital assets, net	\$ 4,648,263	\$ (69,118)	\$ -	\$ 4,578,875

Depreciation expense has not been charged as a direct expense for any department of the Town.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

4. PENDING LITIGATION

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

5. SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

6. INTERFUND ACTIVITY

Interfund balances as of June 30, 2021 consisted of the following:

DUE TO:	
<i>Major Governmental Funds</i>	
Capital Reserve	\$ 207,216
<i>Non-major Governmental Funds</i>	
Special Revenues	166,834
Capital Projects	7,218
Road bond	47,184
Permanent – Expendable	13,585
TOTAL	<u>\$ 442,037</u>
DUE FROM:	
General Fund	<u>\$ 442,037</u>

Interfund transfers for the year ended June 30, 2021 consisted of the following:

Transfer to:	
General Fund	\$ 60,000
Capital Reserve	1
TOTAL	<u>\$ 60,001</u>
Transfer from:	
General Fund	\$ 1
Capital Reserve	25,000
Special Revenue Fund	35,000 <i>(recreation impact fees)</i>
TOTAL	<u>\$ 60,001</u>

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

7. DEFERRED COMPENSATION PLAN

The Town offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and maintained by International City Management Association Retirement Corporation (ICMA-RC). The plan allows employees to defer a portion of their salary, plus town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Town contributes 6% of the annual gross pay of employees who work an average of 36 hours per week. Employees are eligible to participate after 90 days of services. Employee's interest in Town contribution vests 20% for each year of service. Employee is 100% vested after 5 years of service. This applies to employees hired after 5/1/2008. Any employees hired prior to 5/1/2008 are grandfathered under earlier vesting schedules, which allows the employee's interest in the Town's contribution to vest at 1/3 each year of full employment service. If the employee terminates, non-vested portions revert back to the Town. The Town contributes at the end of the year based on the Town's payroll records.

Employees who work an average of less than 36 hours, but more than 20 hours per week are eligible to defer pay into the plan, but the Town does not contribute. An employee is eligible to participate after ninety days of service. Employees are fully vested in their deferred contribution.

The Town's contributions to the plan including employee contributions for the year ended June 30, 2021 totaled \$10,019.

8. FUND BALANCES

Non-spendable:

Permanent fund – <i>reserve for endowments</i>	<u>\$ 62,954</u>
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Restricted:

Capital Project Fund	
Road bonds	\$ 47,184
Special Revenue Fund	
Impact fees	\$ 103,933
Federal Emergency Management Agency	28,607
Fire Department Ropes Rescue Grant	382
DPW grants	<u>(269)</u>
	<u>132,653</u>
TOTAL RESTRICTED	<u>\$ 179,837</u>

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

8. FUND BALANCES (CONTINUED)

Committed:

Capital Project Fund

Capital Reserves	\$ 545,681
Future expenses	1,728
Fire truck	4,491
Highway truck	<u>999</u>
	552,899

Special Revenue Fund

PWCA	13,052
Fire station	6,881
Veteran's memorial	4,594
Fire department EMS	2,492
Formatted ordinances	3,000
Mallet Hall improvements	3,045
Stewardship fund for town owned land	<u>1,116</u>
	<u>34,180</u>

TOTAL COMMITTED **\$ 587,079**

Assigned:

Permanent Fund \$ 70,646

General Fund

Public works – garage electric & paving	\$ 63,051
Fire department	36,554
General government	14,349
Engine refurb	25,000
Community events sign	35,000
General government FY22 expenses	34,550
Public works FY22 expenses	53,637
Fire department FY22 expenses	16,877
Comprehensive plan	1,454
Mallet Hall operations	<u>3,472</u>
	283,944

TOTAL ASSIGNED **\$ 354,590**

UNASSIGNED **\$ 1,770,147**

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

9. LONG-TERM DEBT

	Balance 7/1/2020	Additions	(Reductions)	Balance 6/30/2021
MMBB, 2007E, due annually \$39,416, 25 years, 2-6%, till 11/1/2033	\$ 709,506	\$ -	\$ (39,417)	\$ 670,089
MMBB, 2011C, due annually \$45,725, 30 years, 2.02-5.52%, till 11/1/2040	960,207	-	(45,724)	914,483
MMBB, 2016C, due annually \$150k, 10 years, 1.16-2.13%, till 11/1/2026	1,050,000	-	(150,000)	900,000
<i>Long-term leases:</i>				
Androscoggin Bank, grader lease, 10 Payments, \$21,378/year to 2021	40,508	-	(19,943)	20,565
Total	\$ 2,760,221	\$ -	\$ (255,084)	\$ 2,505,137

The annual future principal payment requirement for bonds payable outstanding as of June 30, 2021, is as follows:

Year ending June 30,	Governmental Activities		Total
	Principal	Interest	
2022	\$ 255,706	\$ 84,232	\$ 339,938
2023	235,141	76,805	311,946
2024	235,141	70,153	305,294
2025	235,140	64,110	299,250
2026	235,140	57,582	292,722
2027-2031	575,701	181,143	756,844
2032-2036	425,701	151,750	577,451
2037-2041	307,467	52,857	360,324
Total	\$ 2,505,137	\$ 738,632	\$ 3,243,769

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. ECONOMIC DEPENDENCY

The Town of Pownal's largest taxpayer is Central Maine Power. CMP represents approximately 24.6% of the total assessed valuation of the Town as of June 30, 2021.

11. 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 health benefits, but it is subject to an implicit benefit for its members in MMEHT.

Accounting Policies

The impact of experience gains or losses and assumption changes on the Total OPEB Liability (TOL) are recognized in the OPEB expense over the average expected remaining life of all active and inactive members of the Plan. As of the beginning of the measurement period, this average was 11 years.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 328	\$ 12,423
Changes in assumptions	8,446	1,988
Net difference between projected & actual earnings on OPEB plan investments	-	-
Total	\$ 8,774	\$ 14,411

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

Year ended June 30:

2022	(517)
2023	(517)
2024	(517)
2025	(517)
2026	(515)
Thereafter	(3,054)

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

11. OPEB OBLIGATIONS (CONTINUED)

As of January 1, 2021, the plan membership data is comprised of 6 active members with only an implicit benefit.

Key Economic Assumptions:

Measurement date: January 1, 2021
Discount rates: 2.12% per annum for year end 2021 reporting
2.74% per annum for year end 2020 reporting
Trend assumptions: *Pre-Medicare Medical* – Initial trend of 8.50% applied in FYE 2020 grading over 20 years to 3.28% per annum.
Pre-Medicare Drug – Initial trend of 8.75% applied in FYE 2020 grading over 20 years to 3.28% per annum.
Medicare Medical – Initial trend of 5.00% applied in FYE 2020 grading over 20 years to 3.28% per annum.
Medicare Drug – Initial trend of 8.75% applied in FYE 2020 grading over 20 years to 3.28% per annum.
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.

Demographic Assumptions:

Retiree continuation: Retirees who are current Medicare participants – 100%
Retirees who are Pre-medicare, active participants – 75%
Spouses who are Pre-medicare, spouse is active participant – 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 projected from the 2006 base rates using the RPEC_2015 model, with an ultimate rate of 0.85% 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.

**TOWN OF POWNAL, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

11. OPEB OBLIGATIONS (CONTINUED)

Assumed rate of retirement: For employees hired prior to July 1, 2014
 Age 55-58 – 5%
 Age 59-64 – 20%
 Age 65-69 - 25%
 Age 70+ - 100%

For employees hired after July 1, 2014
 Age 55-63 – 5%
 Age 64-69 – 20%
 Age 70+ - 100%

Salary increases: 2.75% per year

Discount Rate

The discount rate used to measure the TOL was 2.12% based on a measurement date of January 1, 2021. 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 Rate	1% Increase
1.12%	2.12%	3.12%
\$ 28,803	\$ 23,274	\$ 18,952

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 rates.

1% Decrease	Healthcare Trend Rates	1% Increase
\$ 18,112	\$ 23,274	\$ 30,326

A 1% decrease in the healthcare trend rate decreases the NOL by approximately 22.2%. A 1% increase in the healthcare trend rate increases the NOL by approximately 30.3%.

TOWN OF POWNAL, MAINE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

Schedules of Required Supplementary Information start with one year of information as of the implementation of GASB No. 75, but eventually will build up to 10 years of information. The schedule below shows changes in total OPEB liability and related ratios required by GASB No. 75.

	FYE 2021	FYE 2020	FYE 2019	FYE 2018
Total OPEB Liability				
Service cost (BOY)	\$ 3,015	\$ 3,002	\$ 3,321	\$ 1,743
Interest (includes interest on service cost)	574	1,101	895	658
Changes of benefit terms	0	(310)	0	0
Differences between expected and actual experience	0	(15,183)	0	588
Changes of assumptions	1,769	5,499	(2,981)	4,211
Benefit payments, including refunds of member contributions	0	(80)	(77)	(282)
Net change in total OPEB liability	\$ 5,358	\$ (5,971)	\$ 1,158	\$ 6,918
Total OPEB liability – beginning	\$ 17,916	\$ 23,887	\$ 22,729	\$ 15,811
Total OPEB liability – ending	\$ 23,274	\$ 17,916	\$ 23,887	\$ 22,729
Plan fiduciary net position				
Contributions – employer	0	80	77	282
Contributions – member	0	0	0	0
Net investment income	0	0	0	0
Benefit payments, including refunds of member contributions	0	(80)	(77)	(282)
Administrative expenses	0	0	0	0
Net change in plan fiduciary net position	0	0	0	0
Plan fiduciary net position – beginning	0	0	0	0
Plan fiduciary net position – ending	0	0	0	0
Net OPEB liability – endings	\$ 23,274	\$ 17,916	\$ 23,887	\$ 22,729
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered employee payroll	\$ 240,302	\$ 240,302	\$ 226,372	\$ 226,372
Net OPEB liability as a percentage of covered employee payroll	9.7%	7.5%	10.6%	10.0%

Town of Pownal, Maine
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 4,472,816	\$ 4,472,816	\$ 4,519,203	\$ 46,387
Excise taxes	231,000	231,000	402,632	171,632
Intergovernmental revenue	236,959	236,959	368,206	131,246
Charges for services	33,180	33,180	57,668	24,488
Licenses and permits	12,450	12,450	20,737	8,287
Interest	9,100	9,100	12,791	3,691
Other revenues	12,007	22,007	51,771	29,764
<i>Total revenues</i>	5,007,512	5,017,512	5,433,008	415,496
EXPENDITURES:				
General government	339,100	367,181	318,282	48,899
Public safety	130,016	171,572	118,141	53,431
Public works	726,252	821,998	705,309	116,689
Health and sanitation	108,329	108,329	112,787	(4,458)
Social services	11,350	11,350	9,380	1,970
Education	3,111,758	3,111,758	3,111,758	(0)
County tax	178,532	178,532	178,532	-
Debt service	342,465	342,465	320,915	21,550
Unclassified	29,894	53,982	48,768	5,214
<i>Total expenditures</i>	4,977,696	5,167,168	4,923,872	243,296
<i>Excess (deficiency) of revenues over (under) expenditures</i>	29,816	(149,656)	509,136	
OTHER FINANCING SOURCES (USES):				
Transfer (to) other funds - <i>capital reserve</i>	(1)	(1)	(1)	-
Transfer from other funds - <i>capital reserve</i>	-	-	25,000	25,000
Transfer from other funds - <i>recreation impact fees</i>	-	-	35,000	35,000
<i>Total other financing sources</i>	(1)	(1)	59,999	60,000
<i>Net changes in fund balances</i>			569,135	
FUND BALANCES - BEGINNING			1,484,955	
FUND BALANCES - ENDING			\$ 2,054,090	

Town of Pownal, Maine
Combining Balance Sheet - All Other Non-Major Governmental Funds
June 30, 2021

	Capital Projects Fund	Road Bond	Permenant Fund	Special Revenue Fund	Total Non-Major Governmental Funds
ASSETS:					
Cash	\$ -	\$ -	\$ 120,015	\$ -	\$ 120,015
Interfund receivable	7,218	47,184	13,585	166,834	234,821
TOTAL ASSETS	\$ 7,218	\$ 47,184	\$ 133,600	\$ 166,834	\$ 354,836
LIABILITIES AND FUND BALANCE:					
<i>Fund Balance: - see footnotes</i>					
Non-spendable	\$ -	\$ -	\$ 62,954	\$ -	\$ 62,954
Restricted	-	47,184	-	132,653	179,837
Committed	7,218	-	-	34,180	41,399
Assigned	-	-	70,646	-	70,646
<i>Total fund balance</i>	7,218	47,184	133,600	166,834	354,836
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,218	\$ 47,184	\$ 133,600	\$ 166,834	\$ 354,836

Town of Pownal, Maine
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Other Non-Major Governmental Funds
For the Year Ended June 30, 2021

	CAPITAL PROJECTS			SPECIAL REVENUE		TOTAL NON-MAJOR
	FUND	ROAD BOND	PERMENANT FUND	FUND	GOVERNMENTAL FUNDS	
REVENUES:						
Interest income	\$ -	\$ -	\$ 220	\$ -	\$ 220	
Other revenue	-	-	3,000	14,609	17,609	
<i>Total revenues</i>	-	-	3,220	14,609	17,829	
EXPENDITURES:						
Special projects	10,000	-	-	1,173	11,173	
<i>Total expenditures</i>	10,000	-	-	1,173	11,173	
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	(10,000)	-	3,220	13,436	6,656	
OTHER FINANCING SOURCES (USES) OF FUNDS:						
Transfers (to) general fund	-	-	-	(35,000)	(35,000)	
Transfers from general fund	-	-	-	-	-	
<i>Total other financing sources (uses)</i>	-	-	-	(35,000)	(35,000)	
<i>NET CHANGE IN FUND BALANCES</i>	(10,000)	-	3,220	(21,564)	(28,344)	
FUND BALANCE - BEGINNING OF YEAR	17,218	47,184	130,380	188,398	383,180	
FUND BALANCE - END OF YEAR	\$ 7,218	\$ 47,184	\$ 133,600	\$ 166,834	\$ 354,836	