

TOWN OF SMITHFIELD, MAINE

ANNUAL FINANCIAL REPORT
with Independent Auditor's Report

For the Year Ending January 31, 2023

TOWN OF SMITHFIELD, MAINE
ANNUAL FINANCIAL REPORT
Year Ended January 31, 2023
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KEEL J. HOOD

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

March 8, 2023

Board of Selectmen
Town of Smithfield
Smithfield, Maine

Opinion

I have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Smithfield, Maine as of and for the year ended January 31, 2023, and the related notes to the financial statements, which collectively comprise Town of Smithfield, Maine's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Smithfield, Maine, as of January 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Town of Smithfield, Maine, and to meet my ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Town of Smithfield, Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Smithfield, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Smithfield, Maine's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of the Town's Total Health Plan OPEB Liability and Related Ratios 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. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Thelma Wood, CPA

TOWN OF SMITHFIELD, MAINE
Statement of Net Position
January 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 1,360,853
Receivables:	
Taxes	97,286
Liens	25,050
Other governments	13,695
Total Current Assets	<u>1,496,884</u>
Noncurrent Assets:	
Capital assets, net	1,307,902
Total Assets	<u>2,804,786</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows, OPEB-related	2,549
Total Deferred Outflows	<u>2,549</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	9,867
Bonds Payable	50,000
Total Current Liabilities	<u>59,867</u>
Noncurrent Liabilities:	
Bonds Payable, due in more than one year	200,000
Net OPEB Liability	25,246
Total noncurrent liabilities	<u>225,246</u>
Total liabilities	<u>285,113</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows, OPEB-related	2,519
Total Deferred Inflows	<u>2,519</u>
NET POSITION	
Invested in capital assets, net of related debt	1,057,902
Unrestricted	1,461,801
Total net position \$	<u>2,519,703</u>

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

TOWN OF SMITHFIELD, MAINE
Statement of Activities
For the Year Ended January 31, 2023

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenues
		Charges for Services	Operating grants and contributions	
Governmental activities:	\$			
General government	290,171	2,646		(287,525)
Public safety	125,292			(125,292)
Public works	(45,377)		17,808	63,185
Human services	30,506		908	(29,598)
Leisure services	25,148	3,452	953	(20,743)
Health and sanitation	79,583			(79,583)
Special assessments	1,437,712			(1,437,712)
Unclassified	20,668			(20,668)
Debt service	2,020			(2,020)
Capital outlay	374,951			(374,951)
Total governmental activities	2,340,674	6,098	19,669	0

	<u>Governmental Activities</u>
Net (expense) / revenue	
General revenues:	
Property taxes	1,899,766
Excise taxes	265,588
Interest and costs on taxes	6,713
Intergovernmental:	
State revenue sharing	154,599
Homestead exemption	79,001
Tree growth	12,163
BETE	3,180
ARPA	61,845
Miscellaneous	26,750
Sale of assets	4,262
Total general revenues	2,513,867
Change in Net Position	198,960
Net Position - beginning	2,320,743
Net Position - ending	2,519,703

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

TOWN OF SMITHFIELD, MAINE
Balance Sheet
Governmental Funds
January 31, 2023

ASSETS	General Fund	Total Governmental Funds
Cash	\$ 1,360,853	\$ 1,360,853
Receivables:		
Taxes	97,286	97,286
Liens	25,050	25,050
Other governments	13,695	13,695
Total Assets	1,496,884	1,496,884
LIABILITIES		
Accounts Payable	9,867	9,867
Total liabilities	9,867	9,867
UNEARNED REVENUE		
Unearned property taxes	103,000	103,000
Total Unearned Revenue	103,000	103,000
Total Liabilities and Unearned Revenue	112,867	112,867
FUND BALANCES		
Committed for capital purchases	397,687	397,687
Assigned revenues	184,713	184,713
Assigned expenditures	62,023	62,023
Unassigned	739,594	739,594
Total Fund Equity	1,384,017	1,384,017
Total Liabilities and Fund Equity	\$ 1,496,884	\$ 1,496,884

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,307,902
Other long-term assets are not available to pay for current-periods expenditures and therefore are deferred in the funds.	103,000
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(250,000)
Net OPEB liability, including deferred inflows and outflows	(25,216)
Net position of governmental activities	\$ 2,519,703

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

TOWN OF SMITHFIELD, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended January 31, 2023

	General Fund	Total Governmental Funds
Revenues:		
Taxes	\$ 2,156,067	\$ 2,156,067
Intergovernmental	330,457	330,457
Charges for services	6,098	6,098
Miscellaneous	31,012	31,012
Total Revenues	<u>2,523,634</u>	<u>2,523,634</u>
Expenditures:		
Current:		
General government	275,274	275,274
Public safety	103,553	103,553
Public works	201,809	201,809
Human services	30,069	30,069
Leisure services	25,148	25,148
Health and sanitation	79,583	79,583
Special assessments	1,437,712	1,437,712
Unclassified	20,668	20,668
Debt service	52,020	52,020
Capital outlay	374,951	374,951
Total Expenditures	<u>2,600,787</u>	<u>2,600,787</u>
Excess of Revenues Over (Under) Expenditures	<u>(77,153)</u>	<u>(77,153)</u>
Net Change in Fund Balances	(77,153)	(77,153)
Fund Balances - beginning	1,461,170	1,461,170
Fund Balances - ending	<u>\$ 1,384,017</u>	<u>\$ 1,384,017</u>

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

TOWN OF SMITHFIELD, MAINE
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances
 of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended January 31, 2023

Net change in fund balances - total governmental funds	\$	(77,153)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Depreciation expense		(76,407)
Capital asset purchases capitalized		311,736
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets:		
Capital bond obligation principle payments		50,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. They increase liabilities in the Statement of Net Position:		
Change in net OPEB liability with deferred inflows and outflows		(25,216)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred property tax revenue		16,000
Change in Net Position of Governmental Activities	\$	198,960

TOWN OF SMITHFIELD, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
January 31, 2023

		Private Purpose <u>Trust Fund</u>
	ASSETS	
Cash		\$ 8,893
	Total Assets	<u>8,893</u>
	NET ASSETS	
Held in Trust		8,893
	Total Liabilities	<u>\$ 8,893</u>

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

TOWN OF SMITHFIELD, MAINE
Statement of Changes in Fiduciary Net Assets
January 31, 2023

	<u>Private Purpose Trust Fund</u>
Additions:	
Investment income	\$ 10
Total Additions	<u>10</u>
Deductions:	
None	
Total Deductions	<u>0</u>
Change in Net Assets	<u>10</u>
Net Position - beginning	<u>8,883</u>
Net Position - ending	<u><u>8,893</u></u>

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

TOWN OF SMITHFIELD, MAINE
Notes to Combined Financial Statements
January 31, 2023

1. Summary of Significant Accounting Policies

The Town of Smithfield was incorporated in 1840 under the laws of the State of Maine. The Town operates under the Town Meeting/Board of Selectmen form of government.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November, 1989 (when applicable) 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 and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit is made by applying the criteria set forth in GAAP which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

B. Government-wide and Financial Statements

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

1. Summary of Significant Accounting Policies, continued

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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 for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Licenses, permits, fees, excise taxes and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Interest income and charges for services are recorded as revenues when earned, since they are measurable and available.

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

1. Summary of Significant Accounting Policies, continued

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

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

The Town reports the following major governmental fund:

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

Additionally, the Town reports the following fund types:

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Private-purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

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

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

D. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are

1. Summary of Significant Accounting Policies, continued

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Budgetary Accounting

A budget is formally adopted for the General Fund, only, through the passage of a Town warrant, and is prepared on a basis consistent with generally accepted accounting principles. Commitments for goods and services at the end of the year are recorded as encumbrances for budgetary control. These encumbrances lapse at the end of the year and become part of the following year's budgetary amounts. In the General Fund, the level of control (level at which expenditures may not exceed budget and applied revenues) is the accounts within each department. Generally, unexpended appropriations are not carried forward to future years (assigned), and unexpended revenues are lapsed at the close of the year. Once adopted, the budget can only be amended by Town Meeting vote.

3. Deposits

The Town's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The Town includes in cash, balances in certificates of deposits that are available for withdrawal.

At year end, the Town's carrying amount of deposits was \$1,369,746. The bank balances for all funds totaled \$1,455,918. Custodial credit risk is the risk that, in the event of a bank failure the Town's deposits might not be recovered. As of January 31, 2023, all of the Town's deposits were insured or collateralized by securities held in the government's name.

4. Operating Property

Operating and nonoperating property are recorded at cost or, in the case of contributed property, at the fair market value at the date of acquisition. Depreciation is computed on the straight line method based upon the estimated useful lives of the assets as follows:

4. Operating Property, continued

Governmental Activities:	Balance Feb 1 <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance Jan 31 <u>2023</u>
Assets not being depreciated				
Land and easements	\$ 52,400	\$	\$	\$ 52,400
Assets being depreciated				
Buildings	601,000			601,000
Equipment	211,892	21,114		233,006
Vehicles	620,569			620,569
Infrastructure	484,293	290,622		774,915
	<u>1,970,154</u>	<u>311,736</u>	<u>0</u>	<u>2,281,890</u>
Less accumulated depreciation				
Buildings	238,026	15,485		253,511
Equipment	204,017	2,176		206,193
Vehicles	340,574	20,000		360,574
Infrastructure	114,964	38,746		153,710
	<u>897,581</u>	<u>76,407</u>	<u>0</u>	<u>973,988</u>
Capital Assets, net	<u>\$ 1,072,573</u>	<u>\$ 235,329</u>	<u>\$ 0</u>	<u>\$ 1,307,902</u>
Depreciation Expense:				
General government		\$ 10,795		
Public works		43,436		
Public safety		21,738		
Health and sanitation		438		
		<u>\$ 76,407</u>		

5. Property Tax

Property taxes for the year were committed on August 8, 2022, on the assessed value listed as of April 1, 2022, for all taxable real and personal property located in the Town. Payment of taxes was due on November 30, 2022, with interest at 4% on all tax bills unpaid as of that date.

Assessed values are periodically established by the Town's Assessor at 100% of assumed market value. The last revaluation was completed for the list of April 1, 2020. The assessed value for the list of April 1, 2022 upon which the levy for the year ended January 31, 2023 was based was \$113,100,140. This assessed value was 84% of the estimated market value.

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.

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

6. Long-term Debt

The following is a summary of long-term debt transactions of the Town for the year ended January 31, 2023:

Long-term debt payable at Feb 1, 2022	300,000
Debt proceeds	0
Debt Retired	(50,000)
Long-term debt payable at January 31, 2023	<u>250,000</u>
Interest Paid	<u>2,020</u>

The annual requirement to amortize all long-term debt outstanding as of January 31, 2023 is as follows:

	General long-term debt	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 50,000	\$ 1,805
2024	50,000	1,560
2025	50,000	1,265
2026	50,000	910
2027	50,000	495
Total	<u>\$ 250,000</u>	<u>\$ 6,035</u>

7. Unassigned General Fund Fund Equity

The undesignated General Fund fund equity reflected a change for the current year as follows:

Balance - February 1, 2022	\$	847,659
Increase (Decrease):		
Estimated under actual revenues	(8,312)	
Appropriations over expenditures	68,253	
Budgeted utilization of fund equity	<u>(168,006)</u>	
Net Increase (Decrease)		<u>(108,065)</u>
Balance - January 31, 2023	\$	<u>739,594</u>

8. Assigned for Subsequent Year's Expenditures

Historically, the townspeople vote to carry certain departmental unexpended balances and/or overdrafts forward to the following year for expenditure. This is usually in lieu of additional appropriations in any particular account. At January 31, 2023, the following operating account balances were carried forward:

Cemetery extension	\$	4,749
Boards and officials		57,274
Total	\$	<u>62,023</u>

9. Assigned for Subsequent Year's Revenues

The portion of the General Fund fund equity which has been assigned for subsequent year's revenues represents amounts received during the current accounting period that are to be budgeted as revenues in the subsequent year. These accounts, were as follows at January 31, 2023:

State Revenue Sharing	\$	84,023
ARPA		100,690

Total \$		<u>184,713</u>
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10. Committed for capital purchases

Historically, the townspeople vote to raise certain balances in anticipation of expenditure for capital items in future years. This is usually in lieu of additional appropriations in any particular account. At January 31, 2023, the following reserve balances were carried forward:

Paving reserve	\$	220,582
Library reserve		4,207
Equipment reserve		90,828
Capital improvement		29,651
Leap year celebration		5,280
Generator reserve		13,805
Assessing reserve		33,333
Total \$		<u>397,686</u>

11. OPEB Health Insurance Plan Description

General Information about the OPEB Plan

Plan Description - The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees. The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employee Health Trust (MMEHT). The State Legislature has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided - MMEHT Provides healthcare insurance benefits for retirees and their dependents. The employee must have participated in the MMEHT health plan for the 12 months prior to retirement and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits. The retiree is eligible for a State subsidy of 45% of the blended single premium for the retiree only. Under state laws, the blended premium is determined by blending rates for active members and retired members. The retiree pays 55% of the blended premium rate for coverage selected. Spouses must contribute 100% of the blended premium amounts. Thus, the total premium is paid for by both the State and the retiree and or spouse.

Employees Covered by Benefit Terms - At December 31, 2022, the following employees were covered by the benefit terms:

11. OPEB Health Insurance Plan Description, continued

Inactive Employees	0
Active Employees	2
Total	2

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

The Town's total OPEB Liability of \$25,246 was measured as of January 1, 2022, and was determined by an actuarial valuation as of that date.

<i>Changes in the Total OPEB Liability</i>		
Balance at January 31, 2021	\$	25,509
Changes for the year:		
Service cost		549
Interest		550
Changes of benefits		0
Differences between expected and actual experience		1,095
Changes of assumptions		(2,224)
Contributions - employer		(233)
Contributions - member		0
Net investment income		0
Benefit Payments		0
Net Changes		<u>(263)</u>
Balance at January 1, 2022	\$	<u>25,246</u>

Change in assumptions relates to the change in discount rate, demographic assumptions, claim curves, and updated trend arrays.

Differences between expected and actual experience include updates in this valuation related to demographics from the last full valuation two years ago.

Changes of assumptions primarily relate to the reduction in the discount rate and other updates.

For the year ended January 31, 2023, the Town recognized OPEB expense of \$2,097. At January 31, 2023 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,459	\$ 2,519
Changes in Assumptions	0	0
Net difference between projected and actual earnings on OPEB Plan investments.	0	0
Total	<u>\$ 5,459</u>	<u>\$ 2,519</u>

\$107 is reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year ended January 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

11. OPEB Health Insurance Plan Description, continued

Year ended Dec. 31,	
2023	\$ 998
2024	1,000
2025	896
2026	5
2027	0
Thereafter	0

Actuarial Assumptions

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

Inflation	2.40%
Salary increases	2.75%
Discount rate	2.06% per annum
Healthcare cost trend rates - Pre-Medicare	7.52%
Healthcare cost trend rates - Medicare	8.17%

Mortality rates for Healthy Annuitants were based on 112.1% and 118.5%, respectively, for males and females, of the 2010 Public Plan General Benefits Weighted Healthy Retiree Mortality Table.

Mortality rates for Active Employees were based on 83% and 88.6%, respectively, for males and females, of the 2010 Public Plan General Benefits Weighted Employee Mortality Table.

The actuarial assumptions are the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 202 and based on the experience study covering the period from June 30, 2016 through June 30, 2020.

Discount Rate

The rate used to measure the total OPEB liability was 2.06% per annum. Since the plan is pay as you go and is not funded, the discount rate was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

		MMEHT Plan (1.06%, 2.06%, 3.06%)
1% Decrease	\$	29,563
Current Rate		25,246
1% Increase		21,685

11. OPEB Health Insurance Plan Description, continued

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

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

	MMEHT Plan
1% Decrease	\$ 21,594
Current Rate	25,246
1% Increase	29,769

12. Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Town has obtained coverage from the Maine Municipal Association risk pool. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. In determining claims, events that might create claims but for which none have been reported, are considered.

The Town's Management estimates that the amount of actual or potential claims against the Town as of January 31, 2023, are unknown. Therefore, the General Fund contains no provision for, and does not present, estimated claims.

13. Subsequent Events

The Town's management has concluded that no events that occurred after to January 31, 2023 and before March 8, 2023 require disclosure as subsequent events.

TOWN OF SMITHFIELD, MAINE
Budget Comparison Schedule
General Fund
For the year ended January 31, 2023

	<u>Budgeted Amounts</u>			Variance with final budget positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:	\$	\$	\$	\$
Taxes	2,173,082	2,173,082	2,156,067	(17,015)
Intergovernmental	248,920	248,920	330,457	81,537
Charges for services			6,098	6,098
Miscellaneous	28,000	28,000	31,012	3,012
Total revenues	<u>2,450,002</u>	<u>2,450,002</u>	<u>2,523,634</u>	<u>73,632</u>
Expenditures:				
Current:				
General government	304,820	304,820	275,274	29,546
Public safety	154,918	154,918	103,553	51,365
Public works	207,182	207,182	201,809	5,373
Human services	25,907	25,907	30,069	(4,162)
Leisure services	18,600	18,600	25,148	(6,548)
Health and sanitation	93,499	93,499	79,583	13,916
Special assessments	1,493,897	1,493,897	1,437,712	56,185
Unclassified	23,452	23,452	20,668	2,784
Debt service	52,020	52,020	52,020	0
Capital outlay	754,454	754,454	374,951	379,503
Total expenditures	<u>3,128,749</u>	<u>3,128,749</u>	<u>2,600,787</u>	<u>527,962</u>
Excess of revenues over (under) expenditures	<u>(678,747)</u>	<u>(678,747)</u>	<u>(77,153)</u>	<u>601,594</u>
Net change in fund balances	<u>(678,747)</u>	<u>(678,747)</u>	<u>(77,153)</u>	<u>601,594</u>
Fund Balance - beginning	1,461,170	1,461,170	1,461,170	0
Fund Balance - ending	<u>\$ 782,423</u>	<u>\$ 782,423</u>	<u>\$ 1,384,017</u>	<u>\$ 601,594</u>

TOWN OF SMITHFIELD, MAINE
 Schedule of Changes in the Town's Total Health Plan OPEB
 Liability and Related Ratios

Last 10 Fiscal Years*

	2022	2021	2020	2019
Service cost (BOY)	\$ 445	266	317	288
Interest (includes interest on service cost)	640	667	594	597
Changes of benefit terms	0	(436)	0	0
Differences between expected and actual experience	0	1,017	0	422
Changes of assumptions	1,631	5,574	(1,728)	280
Benefit payments, including refunds of member contributions	(224)	(146)	(140)	(121)
Net change in total OPEB liability	2,492	6,942	(957)	1,466
Total OPEB liability- beginning	23,017	16,075	17,032	15,566
Total OPEB liability- ending	25,509	23,017	16,075	17,032
<u>Plan fiduciary net position</u>				
Contributions- employer	224	146	140	121
Contributions- member				
Net investment income				
Benefit payments, including refunds of member contributions	(224)	(146)	(140)	(121)
Administrative expense	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- ending	25,509	23,017	16,075	17,032
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered employee payroll	70,155	66,670	66,670	66,670
Net OPEB liability as a percentage of covered employee payroll	36.4%	34.5%	24.1%	25.5%

*information available presented