Audited Financial Statements
and Other Financial Information

Town of Chelsea, Maine

June 30, 2023

RHR SMITH & COMPANY
Certified Public Accountants

Proven Expertise & Integrity

TOWN OF CHELSEA, MAINE

CONTENTS

JUNE 30, 2023

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT

Selectboard
Town of Chelsea
Chelsea, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Chelsea, Maine, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Town of Chelsea, Maine's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Chelsea, Maine as of June 30, 2023 and the respective changes in financial position and where applicable, cash flows thereof 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Chelsea, 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.

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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 Chelsea, 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

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 auditor’s 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatements 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 controls 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 Chelsea, 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 doubt about the Town of Chelsea, 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, budgetary comparison information and OPEB information on pages 5 through 12 and 56 through 60 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chelsea, Maine's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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 March 12, 2026 on our consideration of the Town of Chelsea, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Chelsea, Maine'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 the Town of Chelsea, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
March 12, 2026

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

(UNAUDITED)

The following management's discussion and analysis of the Town of Chelsea, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regard to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

> The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.
>
> The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have one column for the Town's activities. The type of activity presented for the Town is:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities and include general government, public safety, public works, human services, education/HS transportation and unclassified.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town can be categorized as governmental funds.

Governmental funds: All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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

The Town presents only two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, Schedule of Changes in Net OPEB Liability, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town's total net position increased by $759,937 from $7,675,919 to $8,435,856.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased to a balance of $3,687,706 at the end of this year.

Table 1
Town of Chelsea, Maine
Net Position
June 30,

	2023	2022 (Restated)
Assets		
Current assets	$ 4,785,184	$ 3,836,628
Noncurrent assets:		
Capital assets	4,044,569	4,004,227
Other	883	883
Total assets	8,830,636	7,841,738
Deferred Outflows of Resources		
Deferred outflows related to OPEB	1,295	1,989
Total deferred outflows of resources	1,295	1,989
Liabilities		
Current liabilities	73,645	97,740
Noncurrent liabilities	23,038	51,441
Total liabilities	96,683	149,181
Deferred Inflows of Resources		
Prepaid taxes	1,557	9,699
Deferred revenue	290,780	-
Deferred inflows related to OPEB	7,055	8,928
Total deferred inflows of resources	299,392	18,627
Net Position		
Net investment in capital assets	4,007,376	3,930,746
Restricted	740,774	610,011
Unrestricted	3,687,706	3,135,162
Total net position	$ 8,435,856	$ 7,675,919

Revenues and Expenses

Revenues for the Town’s governmental activities decreased by 7.10%, while total expenses increased by 4.14%. The decrease in revenues was primarily due to operating grants and contributions and miscellaneous. The increase in expenses was due to increases in all expense categories except for human services, unclassified and interest on long-term debt.

Table 2
Town of Chelsea, Maine
Changes in Net Position
For the Years Ended June 30,

	2023	2022
Revenues		
Program Revenues:		
Charges for services	$ 30,127	$ 69,500
Operating grants and contributions	47,448	338,616
General Revenues:		
Taxes	4,051,111	3,960,921
Grants and contributions not restricted to specific programs	792,935	751,652
Miscellaneous	137,756	325,516
Total revenues	5,059,377	5,446,205
Expenses		
General government	397,519	322,611
Public safety	242,734	224,180
Public works	649,028	645,248
Human services	8,031	12,148
County tax	229,326	211,005
Education/HS transportation	2,699,812	2,635,660
Unclassified	72,344	73,852
Interest on long-term debt	646	3,910
Total expenses	4,299,440	4,128,614
Change in net position	759,937	1,317,591
Net position - July 1, Restated	7,675,919	6,358,328
Net position - June 30	$ 8,435,856	$ 7,675,919

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Chelsea, Maine
Fund Balances - Governmental Funds
June 30,

	2023	2022 (Restated)	Increase/ (Decrease)
General Fund:			
Nonspendable	$ 36,083	$ 14,455	$ 21,628
Assigned	336,410	425,225	(88,815)
Unassigned	2,478,994	1,903,725	575,269
Total General Fund	$ 2,851,487	$ 2,343,405	$ 508,082
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	$ 651,155	$ 524,000	$ 127,155
Assigned	111,177	107,262	3,915
Unassigned (deficit)	(6,832)	(6,832)	-
Capital Projects Funds:			
Committed	577,816	511,778	66,038
Assigned	13,077	12,355	722
Unassigned (deficit)	-	(4,314)	4,314
Permanent Funds:			
Nonspendable	45,657	45,640	17
Restricted	43,962	40,370	3,592
Total Nonmajor Funds	$ 1,436,012	$ 1,230,259	$ 205,753

The changes to total fund balances for the general fund and the nonmajor funds occurred due to the regular activity of operations.

Budgetary Highlights

The differences between the original and final budget for the general fund was the use of unassigned fund balance and applied receipts.

The general fund actual revenues exceeded budgeted amounts by $843,186. All revenue categories exceeded budgeted amounts.

The general fund actual expenditures were under budgeted amounts by $186,352. All expenditure categories were under budgeted amounts except for unclassified, debt service - principal and transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the net book value of capital assets recorded by the Town increased by $40,342 from the prior year. This was a result of capital asset additions of $249,268 less current year depreciation expense of $208,926.

Table 4
Town of Chelsea, Maine
Capital Assets, (Net of Depreciation)
June 30,

	2023	2022
Land and Non-Depreciable Assets	$ 60,000	$ 60,000
Buildings and Improvements	49,211	53,624
Equipment	11,499	12,777
Vehicles	304,271	342,683
Infrastructure	3,611,999	3,525,279
Right of Use Lease Asset	7,589	9,864
Total	$ 4,044,569	$ 4,004,227

Debt

At June 30, 2023, the Town had $44,780 in bonds and lease liabilities outstanding versus $83,345 last year. For additional comparative information on the Town's outstanding debt, refer to Note 7 of Notes to Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Currently, the Town's unassigned fund balance is at a level sufficient to sustain government operations for a period of approximately six months.

To further promote and ensure the financial well-being and fiscal stability of the Town, the Chelsea Selectboard adopted a Fund Balance Policy in September of 2011. The Town's management established the policy following a detailed evaluation of the Town's operating characteristics, property tax base, reliability of non-property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risk and other contingent issues. As a result, the Town will strive to maintain an unassigned fund balance level in an amount equal to $2/12^{th}$ or 16.6% of the Town's Operating Budget. Once the Town achieves its goal, any excess funds may be utilized for capital improvement needs and tax rate stabilization or reduction purposes. Further, the Selectboard, with the Town's permission, reserves the right to re-appropriate funds from unassigned fund balance for emergencies and other requirements they believe to be in the best interest of the Town of Chelsea, Maine.

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 Office at 560 Togus Road, Chelsea, Maine 04330-1272.

STATEMENT A

TOWN OF CHELSEA, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 3,975,625
Investments	514,469
Accounts receivable (net of allowance for uncollectibles):	
Taxes	171,198
Liens	44,259
Other	1,659
Due from other governments	34,718
Loans receivable (net of allowance for uncollectibles)	8,726
Tax acquired property	34,528
Total current assets	4,785,182
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	60,000
Buildings and equipment, net of accumulated depreciation	3,976,980
Right of lease assets, net of accumulated depreciation	7,589
Loans receivable	885
Total noncurrent assets	4,045,454
TOTAL ASSETS	8,830,636
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	1,295
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,295
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 8,831,931

TOWN OF CHELSEA, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2023

LIABILITIES	
Current liabilities:	
Accounts payable	$ 31,101
Due to other governments	641
Accrued payroll	14
Current portion of long-term obligations	41,889
Total current liabilities	73,645
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Lease liability	6,069
Accrued compensated absences	12,711
Net OPEB liability	4,258
Total noncurrent liabilities	23,038
TOTAL LIABILITIES	96,683
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	1,557
Deferred revenue	290,780
Deferred inflows related to OPEB	7,055
TOTAL DEFERRED INFLOWS OF RESOURCES	299,392
NET POSITION	
Net investment in capital assets	4,007,376
Restricted	740,774
Unrestricted	3,687,706
TOTAL NET POSITION	8,435,856
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 8,831,931

See accompanying independent auditor’s report and notes to financial statements.

TOWN OF CHELSEA, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	$ 397,519	$ 25,254	$ 20,000	$ -	$ (352,265)
Public safety	242,734	4,873	-	-	(237,861)
Public works	649,028	-	27,448	-	(621,580)
Human services	8,031	-	-	-	(8,031)
County tax	229,326	-	-	-	(229,326)
Education/HS transportation	2,699,812	-	-	-	(2,699,812)
Unclassified	72,344	-	-	-	(72,344)
Interest on long-term debt	646	-	-	-	(646)
Total government	$ 4,299,440	$ 30,127	$ 47,448	$ -	(4,221,865)

TOWN OF CHELSEA, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(4,221,865)
General revenues:	
Taxes:	
Property taxes, levied for general purposes	3,402,034
Excise taxes	649,077
Grants and contributions not restricted to specific programs	792,935
Miscellaneous	137,756
Total general revenues	4,981,802
Change in net position	759,937
NET POSITION - JULY 1, RESTATED	7,675,919
NET POSITION - JUNE 30	$ 8,435,856

See accompanying independent auditor’s report and notes to financial statements.

STATEMENT C

TOWN OF CHELSEA, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 3,634,252	$ 341,373	$ 3,975,625
Investments	-	514,469	514,469
Accounts receivable (net of allowance for uncollectibles):			
Taxes	171,198	-	171,198
Liens	44,259	-	44,259
Other	1,659	-	1,659
Due from other governments	34,718	-	34,718
Loans receivable (net of allowance for uncollectibles)	-	9,611	9,611
Tax acquired property	34,528	-	34,528
Due from other funds	35,022	896,361	931,383
TOTAL ASSETS	$ 3,955,636	$ 1,761,814	$ 5,717,450
LIABILITIES			
Accounts payable	$ 31,101	$ -	$ 31,101
Due to other governments	641	-	641
Accrued expenses	14	-	14
Due to other funds	896,361	35,022	931,383
TOTAL LIABILITIES	928,117	35,022	963,139
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	1,557	-	1,557
Deferred revenue	-	290,780	290,780
Deferred property tax revenues	174,475	-	174,475
TOTAL DEFERRED INFLOWS OF RESOURCES	176,032	290,780	466,812
FUND BALANCES			
Nonspendable	36,083	45,657	81,740
Restricted	-	695,117	695,117
Committed	-	577,816	577,816
Assigned	336,410	124,254	460,664
Unassigned (deficit)	2,478,994	(6,832)	2,472,162
TOTAL FUND BALANCES	2,851,487	1,436,012	4,287,499
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,955,636	$ 1,761,814	$ 5,717,450

TOWN OF CHELSEA, MAINE

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

Beginning unassigned fund balance, July 1	$ 1,903,725
Revenue surplus (Schedule 1)	843,186
Unexpended appropriations (Schedule 1)	186,352
Fund balance used to reduce tax commitment (Schedule 1)	(521,456)
Change in non-spendable (Table 3)	(21,628)
Ending unassigned fund balance, June 30	**$ 2,478,994**

See accompanying independent auditor’s report and notes to financial statements.

STATEMENT D

TOWN OF CHELSEA, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

	Total Governmental Funds
Total Fund Balances	$ 4,287,499
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, net of accumulated depreciation	4,044,569
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	1,295
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	174,475
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(37,193)
Lease liability	(7,587)
Accrued compensated absences	(15,889)
Net OPEB liability	(4,258)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(7,055)
Net position of governmental activities	$ 8,435,856

See accompanying independent auditor’s report and notes to financial statements.

TOWN OF CHELSEA, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property	$ 3,422,606	$ -	$ 3,422,606
Excise	649,077	-	649,077
Intergovernmental	820,383	20,000	840,383
Interest income	65,121	20,877	85,998
Charges for services	30,127	-	30,127
Other revenue	34,959	16,799	51,758
TOTAL REVENUES	5,022,273	57,676	5,079,949
EXPENDITURES			
Current:			
General government	381,732	-	381,732
Public safety	203,409	-	203,409
Public works	732,249	-	732,249
Human services	8,031	-	8,031
County tax	229,326	-	229,326
Education/HS transportation	2,699,812	-	2,699,812
Unclassified	30,242	42,102	72,344
Debt service:			
Principal	20,830	17,735	38,565
Interest	-	646	646
TOTAL EXPENDITURES	4,305,631	60,483	4,366,114
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	716,642	(2,807)	713,835
OTHER FINANCING SOURCES (USES)			
Transfers in	-	483,561	483,561
Transfers (out)	(208,560)	(275,001)	(483,561)
TOTAL OTHER FINANCING SOURCES (USES)	(208,560)	208,560	-
NET CHANGE IN FUND BALANCES	508,082	205,753	713,835
FUND BALANCES - JULY 1, AS RESTATED	2,343,405	1,230,259	3,573,664
FUND BALANCES - JUNE 30	$ 2,851,487	$ 1,436,012	$ 4,287,499

See accompanying independent auditor’s report and notes to financial statements.

STATEMENT F

TOWN OF CHELSEA, 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, 2023

Net change in fund balances - total governmental funds (Statement E)	$ 713,835
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	249,268
Depreciation expense	(208,926)
	40,342
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	(694)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	(20,572)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	36,288
Deferred inflows of resources are a acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	1,873
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:	
Accrued compensated absences	(11,722)
Lease liability	2,277
Net OPEB liability	(1,690)
	(11,135)
Change in net position of governmental activities (Statement B)	$ 759,937

See accompanying independent auditor’s report and notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Chelsea, Maine was incorporated under the laws of the State of Maine. The Town provides the following services: general government, public safety, public works, human services, education/HR transportation and unclassified.

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).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2023, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 96 "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 99 “Omnibus 2022”. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. Management has determined the impact of this Statement is not material to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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).

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column and (b) reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets; restricted net position and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

Both the government-wide and fund financial statements categorize primary activities as governmental. The Town categorizes all activities of the entity as governmental.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. Both fiduciary funds and component units that are fiduciary in nature have been excluded from these financial statements. The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Fund

a. 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.

Nonmajor Funds

b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

d. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Town or its citizenry. The Town’s policy for authorizing and spending investment income follows State statutes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.

3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

Receivables

Receivables include amounts due from governmental agencies and ambulance receivables. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be $0 as of June 30, 2023. Accounts receivable and loans receivable netted with allowances for uncollectible accounts were $45,103 for the year ended June 30, 2023.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances”.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

Tax Acquired Property

Real property becomes tax acquired when tax liens placed on property and associated costs remain unpaid eighteen months after the filing of the tax lien in accordance with 36 M.R.S.A. § 943. The amount of the taxes and associated costs become assets classified as tax acquired property receivables that are secured by the real property that foreclosed.

After real property becomes tax acquired the Selectboard is responsible for the property and any disposition procedures allowed under the direction of the inhabitants of the Town as authorized by the Town Meeting warrant article.

Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated capital assets are reported at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

A right of use asset is required to be reported at the present value of payments expected to be made during the lease term including any/all other required financial lease obligations in accordance with the terms of the lease and excluding interest. A leased asset will be amortized on a straight-line basis over the lease term or the useful life of the underlying asset (whichever is shorter).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Machinery and equipment	5 - 10 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of a bond payable, a lease liability, accrued compensated absences and net OPEB liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified or rescinded only through a Town meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given through the Fund Balance Ordinance and is expressed by the Selectboard.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

The Town has adopted a set of financial policies to guide the financial operation of the Town. Included in the policies are guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of this item, deferred outflows related to OPEB. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred property tax revenues, which arises only under a modified accrual basis of accounting qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes and deferred revenue also qualify for reporting in this category. These items are reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to OPEB qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 10, 2022 on the assessed value listed as of April 1, 2022, for all real and personal property located in the Town. Taxes were due in two installments on October 12, 2022 and April 12, 2023. Interest on unpaid taxes commenced on October 13, 2022 and April 13, 2023, at 4.00% per annum.

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

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 $29,957 for the year ended June 30, 2023.

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.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided; operating or capital grants and contributions, including special assessments).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

At June 30, 2023, the Town's bank deposits amounting to $3,975,625 were comprised of bank balances of $4,005,626. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash balance. Of these balances, $3,671,286 was covered by federal depository insurance and consequently was not exposed to custodial credit risk and $334,340 was collateralized with securities held by the financial institution in the Town's name.

Account Type	Bank Balance
Checking accounts	$ 981,678
Repurchase agreement	334,340
Cash equivalents	7,033
ICS savings accounts	2,689,608
	$ 4,012,659

Investments:

Custodial credit risk for investments is 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 possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2023 the Town's investments of $514,469 were comprised of $38,675 of certificates of deposit that were fully insured by the federal depository insurance.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

$475,794 of the investments in open-ended mutual funds are not exposed to custodial risk because their underlying securities do not exist in physical or book-entry form.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for $38,675 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

The Town had the following investments and maturities at June 30, 2023:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Debt securities:				
Corporate bonds	$ 352,901	$ -	$ 148,345	$ 204,556
Equity securities:				
Domestic stock	122,893	77,730	-	-
	$ 475,794	$ 77,730	$ 148,345	$ 204,556

In accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with well-established financial institutions (banks, credit unions) or other recognized investment services only. The Town's investments of $38,675 in certificates of deposit were covered by federal depository insurance and consequently were not exposed to custodial credit risk.

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2023:

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

		Fair Value Measurements Using		
	June 30, 2023 Total	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Investments by fair value level				
Debt securities				
Corporate bonds	$ 352,901	$ 352,901	$ -	$ -
Total debt securities	352,901	352,901	-	-
Equity securities				
Common stock - domestic	$ 122,893	$ 122,893	$ -	$ -
Total	122,893	122,893	-	-
Total investments by fair value level	475,794	475,794	-	-
Cash equivalents measured at the net asset value (NAV)				
Money market mutual funds	7,033			
Total cash equivalents measured at the NAV	7,033			
Total investments and cash equivalents measured at fair value	$ 482,827			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level II or III investments. Certificates of deposit held with local financial institutions for $38,675 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk - Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other States and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in various insured certificates of deposit.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2023 consisted of the following individual fund receivables and payables:

	Receivables (Due From)	Payables (Due To)
General fund	$ 41,951	$ 903,288
Nonmajor special revenue funds	611,517	16,049
Nonmajor capital projects funds	286,996	20,876
Nonmajor permanent funds	4,775	5,026
	$ 945,239	$ 945,239

The result of amounts owed between funds are considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2023 consisted of the following:

	Transfers From	Transfers To
General fund	$ 208,560	$ -
Nonmajor special revenue funds	-	145,560
Nonmajor capital projects funds	275,001	338,001
	$ 483,561	$ 483,561

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	Balance, 7/1/22	Additions	Disposals	Balance 6/30/23
Non-depreciated assets:				
Land	$ 60,000	$ -	$ -	$ 60,000
	60,000	-	-	60,000
Depreciated assets:				
Buildings and improvements	669,900	-	-	669,900
Equipment	273,145	-	-	273,145
Vehicles	1,105,252	-	-	1,105,252
Infrastructure	6,103,878	249,268	-	6,353,146
Right of use lease asset	11,382	-	-	11,382
	8,163,557	249,268	-	8,412,825
Less accumulated depreciation:				
Buildings and improvements	(616,276)	(4,413)	-	(620,689)
Equipment	(260,368)	(1,278)	-	(261,646)
Vehicles	(762,569)	(38,412)	-	(800,981)
Infrastructure	(2,578,599)	(162,548)	-	(2,741,147)
Right of use lease asset	(1,518)	(2,275)	-	(3,793)
	(4,219,330)	(208,926)	-	(4,428,256)
Net depreciated assets	3,944,227	40,342	-	3,984,569
Net capital assets	$ 4,004,227	$ 40,342	$ -	$ 4,044,569

Current year depreciation:	
General government	$ 3,554
Public safety	39,325
Public works	166,047
	$ 208,926

NOTE 6 - LOANS RECEIVABLE

The Town, through various federal programs, received a CDBG grant in 2013. As part of that grant, the Town entered into a promissory note in the amount of $12,300 with

NOTE 6 - LOANS RECEIVABLE (CONTINUED)

a resident of the Town, with principal and interest payments due in monthly installments of $108. The balance due as of June 30, 2023 was $9,611. This loan is past due and has been since fiscal year 2018.

The following is a summary of changes in loan receivable for the year ended June 30, 2023:

	Balance, 7/1/22	Additions	Reductions	Balance, 6/30/23	Current Portion
Loan receivable	$ 9,611	$ -	$ -	$ 9,611	$ 8,726

NOTE 7 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended June 30, 2023:

	Balance, 7/1/22	Additions	Reductions	Balance, 6/30/23	Current Portion
Bond payable	$ 73,481	$ -	$ (36,288)	$ 37,193	$ 37,193
Lease liability	9,864	-	(2,277)	7,587	1,518
Total	$ 83,345	$ -	$ (38,565)	$ 44,780	$ 38,711

The following is a summary of the outstanding bond payable and lease liability:

Bond payable:	
$277,560, bond payable to Maine Municipal Bond Bank, annual principal payments vary with interest charged semi-annually at a fixed rate varying from 0.65% to 2.55% per annum through the year 2024.	$ 37,193
Lease Liability:	
The Town leases a copier under a non-cancellable lease agreement with Conway Technology Group dated April 18, 2022. The term of the lease is for a five-year period expiring April 2027 . Annual payments are $2,277.	7,587
	$ 44,780

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The right of use lease asset associated with this lease liability (including amortization/depreciation applicable to the same) are presented as a separate category of Capital Assets and is grouped accordingly on the Statement of Net Position.

The following is a summary of outstanding bond and lease liability principal and interest requirements for the following fiscal years ending June 30:

	Bond Payable		Lease Liability		Total
	Principal	Interest	Principal	Interest	Debt Service
2024	$ 37,193	$ 474	$ 2,277	$ -	$ 39,944
2025	-	-	2,277	-	2,277
2026	-	-	2,277	-	2,277
2027	-	-	756	-	756
	$ 37,193	$ 474	$ 7,587	$ -	$ 45,254

All bonds payable and lease liabilities are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

NOTE 8 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in other long-term obligations for the year ended June 30, 2023:

	Balance, 7/1/22	Additions	Reductions	Balance, 6/30/23	Current Portion
Accrued compensated absences	$ 4,167	$ 11,722	$ -	$ 15,889	$ 3,178
Net OPEB liability	2,568	2,180	(490)	4,258	-
Total	$ 6,735	$ 13,902	$ (490)	$ 20,147	$ 3,178

Please see Notes 9 and 18 for detailed information on each of the other long-term obligations.

NOTE 9 - ACCRUED COMPENSATED ABSENCES

The Town’s policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation but not sick leave. The liability for these compensated absences is recorded as a long-term obligation in the government-wide

NOTE 9 - ACCRUED COMPENSATED ABSENCES (CONTINUED)

financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2023, the Town's liability for compensated absences is $15,889, which represents a net increase of $11,722 from the prior year.

NOTE 10 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. The County of Kennebec has no outstanding debt. At June 30, 2023, the Town's share of the school debt was approximately:

	Outstanding Debt	Town's Percentage	Amount
RSU #12	$ 10,756,791	16.60%	$ 1,785,627

NOTE 11 - RESTRICTED NET POSITION

At June 30, 2023, the Town had the following restricted net position:

Nonmajor permanent funds:	
Nonspendable principal:	
Searls Mills cemetery	$ 10,000
Katon scholarship fund	20,000
Hayes Hill cemetery	500
Chelsea Heights cemetery	2,853
George Woodbury lot	100
Harry Morrill lot	100
H. S. Patterson lot	500
Kirkwood Dondero lot	200
Thomas and William Winter lot	250
Dewey Sequin lot	100
William Robbins lot	100
Mary Blanchard Searles Mills lot	200
Davenport cemtery	50
Francis Gardner lot	200
Caron lot Chelsea Heights	500
Searles Mills cemetery	10,004

NOTE 11 - RESTRICTED NET POSITION (CONTINUED)

Nonmajor special revenue funds:	
CDBG rehab	38,488
FEMA	12,652
COVID grant	282
Natural gas TIF	573,349
Age friendly grant	3,650
Broadband grant	22,500
175th celebration donations	234
Nonmajor permanent funds:	
Searls Mills cemetery	1,136
Ruth Ludwig library	5,360
Katon scholarship fund	411
Perpetual care	9,703
Cemetery lot sales	8,785
Cemetery interest	5,818
John Bernier	12,749
	$ 740,774

NOTE 12 - NONSPENDABLE FUND BALANCES

At June 30, 2023, the Town had the following nonspendable fund balances:

General fund:	
Tax acquired property	$ 36,083
Nonmajor permanent funds (Schedule I)	45,657
	$ 81,740

NOTE 13 - RESTRICTED FUND BALANCES

At June 30, 2023, the Town had the following restricted fund balances:

Nonmajor special revenue funds (Schedule E)	$ 651,155
Nonmajor permanent funds (Schedule I)	43,962
	$ 695,117

NOTE 14 - COMMITTED FUND BALANCES

At June 30, 2023, the Town had the following committed fund balances:

Nonmajor capital projects funds (Schedule G)	$ 577,816

NOTE 15 - ASSIGNED FUND BALANCES

At June 30, 2023, the Town had the following assigned fund balances:

General Fund:	
Cemeteries/parks	$ 6,256
Use in FY24	330,154
Nonmajor special revenue funds (Schedule E)	111,177
Nonmajor capital projects funds (Schedule G)	13,077
	$ 460,664

NOTE 16 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were overspent at June 30, 2023:

General government (Article 6)	$ 21,097
Public safety animal control (Article 18)	1,142
Solid waste (Article 20)	717
Recycling (Article 21)	5,264
Legal (Article 7)	2,862
Overlay	517
Debt service (Article 13)	1,996
Donations and contributions (Article 24)	4,500
Transfers to other funds (Article 23)	155,560
	$ 193,655

NOTE 17 - DEFICIT FUND BALANCES

At June 30, 2023, the Town had the following deficit fund balances:

Fire Department Forestry Grant	$ 332
CDBG Pass-thru	6,500
	$ 6,832

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. 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*. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of $2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

Employees Covered by Benefit Terms

At January 1, 2023, the following employees were covered by the benefit terms:

Active members	2
Retirees and spouses	0
Total	2

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

Retiree Premium Amounts

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

Pre-Medicare	**Single Coverage**	**Family Coverage**
POS C	$1,141	$2,559
Medicare		
Medicare-Eligible Retirees	$601	$1,201

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the Town reported a liability of $4,258 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2023 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2023, the Town recognized OPEB expense of $511. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 415	$ 5,819
Changes of assumptions	880	1,236
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	-	-
Total	$ 1,295	$ 7,055

$0 were reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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:

	MMEHT
Plan year ended December 31:	
2024	$ (1,772)
2025	(1,703)
2026	(2,187)
2027	(98)
2028	-
Thereafter	-

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2023. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.72% per annum for June 30, 2023 was based upon a measurement date of December 29, 2022. The sensitivity of net OPEB liability to changes in discount rate are as follows:

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	1.06%	2.06%	3.06%
Total OPEB liability	$ 4,876	$ 4,258	$ 3,740
Plan fiduciary net position	-	-	-
Net OPEB liability	$ 4,876	$ 4,258	$ 3,740
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

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. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	$ 3,644	$ 4,258	$ 5,001
Plan fiduciary net position	-	-	-
Net OPEB liability	$ 3,644	$ 4,258	$ 5,001
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2023, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2021. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Assumptions

The actuarial assumptions used in the January 1, 2023 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2022 and based on the experience study covering the period from June 30, 2016 through June 30, 2021. As of January 1, 2023, they are as follows:

Discount Rate - 3.72% per annum for year end 2023 reporting. 2.06% per annum for year end 2022 reporting.

Trend Assumptions*:*

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007 and version 2023_fl was used for this valuation. The following assumptions were input into this model:

Variable	Rate
Rate of Inflation	3.00%
Rate of Growth in Real Income/GDP per capital 2032+	1.50%
Extra Trend due to Taste/Technology 2032+	0.80%
Expected Health Share of GDP 2032	19.80%
Health Share of GDP Resistance Point	19.00%
Year for Limiting Cost Growth to GDP Growth	2043

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The trends selected from 2023 to 2026 were based on plan design, population weighting, renewal projections and market analysis. For years 2027 - 2031, these are

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

interpolated from 2026 to 2032 (which is the product of the inflation, GDP and extra trend rate assumptions).

Deductibles, Co-payments and Out of Pocket Maximums are assumed to increase at the above trend rates. The ultimate trend rate reflects an assumed nominal per capital GDP growth.

Administrative and claims expense - 3% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2021.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims. A constant cost sharing in plan design between employer and employees is assumed.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Rate of Mortality:

Healthy Annuitant - Based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95 and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Active Employees - Rates of mortality are based on 83.5% and 88.6% of the 2010 Public Plan General Benefits- Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model as described in the healthy annuitant mortality. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Retiree Continuation Percentage*:*

Medicare participant retirees - 100% assumed to continue in the plan elected.

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible.

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2023 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan.

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2023 was ($5,404).

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the January 1, 2023 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020.The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town Office at 560 Togus Road, Chelsea, Maine 04330-1272.

NOTE 19 - DEFERRED COMPENSATION PLAN

MISSIONSQUARE RETIREMENT

A. Plan Description

The Town offers key employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and maintained by MissionSquare Retirement. The plan, available to employees who are in certain employee groups, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

NOTE 19 - DEFERRED COMPENSATION PLAN (CONTINUED)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

B. Funding Policy

Under the defined contribution plan, employees may elect to participate. The Town will match an eligible employee's contribution up to $25 per pay period to the Mission Square Retirement Plan. The Town will contribute 5% (per the annual contract) for the Town Manager.

The Town's contributions to the plan for 2023 were $5,057.

NOTE 20 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Town participates in a public entity risk pool sponsored by the Maine Municipal Association. The Maine Municipal Association Group Risk Pool is a state-chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2023.

The Town is a member of the Maine Municipal Association - Property and Casualty Pool and pays an annual premium for its coverage. Under the property portion of the policy, coverage is provided after a per occurrence deductible is met. The limit of coverage for liability claims brought under the Maine Tort Claims Act is $400,000 per occurrence. A $2,000,000 limit of liability is provided for liability claims outside the Maine Tort Claims Act. There is no aggregate liability limit. Coverage for Public Officials Liability, including Employment Practices, is a part of the program. Coverage is on an occurrence basis, rather than a "claims made" form. A $2,000,000 limit of liability is provided for all claims for Wrongful Acts seeking monetary damages pursuant to federal or state law for which the Maine Tort Claims Act does not provide immunity or limitations. Each member has a $4,000,000 annual aggregate limit. An annual sublimit of $100,000

NOTE 20 - RISK MANAGEMENT (CONTINUED)

per member applies for all back wages and/or future salary awards for employment related claims, subject to a $5,000 retention and a 10% contribution by the member.

The Town is also a member of the Maine Municipal Association - Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker’s compensation coverage. The Town’s agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies’ reinsurance contracts, coverage for claims in excess of $1,000,000.

The Town is also a member of the Maine Municipal Association - Unemployment Compensation Group Fund (“MMA UC Fund”). The MMA UC Fund was created to assist in meeting members’ obligations under the Employment Security Act in an efficient and cost-effective manner. The Fund is composed of individual municipalities and other public and related non-profit entities that are individually self-insured but administered as a group. Within the Fund, each member has a separate account. As such, the Town makes quarterly payments into their account, based on rates developed by MMA’s consulting actuary. Claims, if any, are paid out of the Town’s own account. The Maine Department of Labor classifies MMA’s UC Fund members as Direct Re-imbursement Employers. In other words, the Fund reimburses the Maine DOL on the Town’s behalf only when the Town has unemployment claims from present or former employees.

Occasionally, the Town may have layoffs or resignations or even a part-time employee losing a primary job, that lead to larger claims payments than anticipated. When claims exceed the balance of the Town’s account, the UC Fund continues to pay the Town’s claims with no regard for the negative balance. Repayment of a negative balance is spread out over a period of years to avoid a financial hardship to the Town.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2023. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 21 - CONTINGENCIES

The Town participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations

NOTE 21 - CONTINGENCIES (CONTINUED)

governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 22 - TAX INCREMENT FINANCING DISTRICT

The Town has established a tax increment financing district in accordance with Maine statutes to finance development programs located in the Town of Chelsea, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the district's so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program and to finance future expansion.

Natural Gas Line Municipal Tax Increment Financing District and Development Program

In March of 2015, the Chelsea Selectboard, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing (TIF) District and Development Program for Maine Natural Gas and Summit Natural Gas for the construction of natural gas transmission and distribution lines to service communities across the Kennebec Valley region. The TIF District term begins July 1, 2015 and continues for a total of 30 years until June 30, 2045. The TIF District includes the area that encompasses the natural gas transmission lines across the Town. The total area of the TIF District is 53.62 acres. The original assessed value of the property was $0. The development of the Maine Natural Gas and Summit Natural Gas transmission lines is estimated to generate approximately $6.9 million of increased assessed value.

In September 2022, the Chelsea Selectboard , as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing (TIF) District and Development Program for Maine Business Growth Omnibus. The TIF District term begins March 31, 2021 and continues for a total of 30 years until June 30, 2052.

Under this Development Program, the Town will capture 100% of the increased assessed value over the original assessed value of the TIF District and retain the tax revenues generated by the captured assessed value for designated economic development purposes. All TIF tax revenues received will be deposited into a Development Program Fund. The projects recognized for the use of these funds in the Development Program include repairing and replacing roads affected by the natural gas projects, public water or storm water management, public safety equipment including a

NOTE 22 - TAX INCREMENT FINANCING DISTRICT (CONTINUED)

tanker truck, economic development organizations memberships, recreational trails, funding a commercial business development loan/grant fund to support local businesses and other miscellaneous administrative expense types to support the TIF District. Any company/developer, including any future owners of properties located within the TIF District, will pay for and/or finance all private improvements located in the District through private sources, unless otherwise agreed to in credit enhancement agreements. The Town may consider issuing municipal bonds to pay for any of the public projects.

Abatements

The Town has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities and, during the year ended June 30, 2023, had no active tax abatement agreements.

NOTE 23 - RESTATEMENT

During fiscal year 2023, the Town determined that certain transactions were recorded incorrectly or omitted. Therefore, a restatement to ARPA fund beginning fund balance was required. The ARPA fund beginning fund balance decreased from $290,780 to $0 and the governmental activities net position decreased from $7,966,699 to $7,675,919.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Changes in Net OPEB Liability
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

TOWN OF CHELSEA, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance - July 1	$ 2,343,405	$ 2,343,405	$ 2,343,405	$ -
Resources (Inflows):				
Taxes:				
Property	3,400,063	3,400,063	3,422,606	22,543
Excise	402,000	402,000	649,077	247,077
Intergovernmental	590,699	328,324	820,383	492,059
Charges for services	19,500	19,500	30,127	10,627
Interest income	22,700	22,700	65,121	42,421
Other revenue	22,409	6,500	34,959	28,459
Amounts Available for Appropriation	6,800,776	6,522,492	7,365,678	843,186
Charges to Appropriations (Outflows):				
General government	398,065	391,656	381,732	9,924
Public safety	244,012	244,012	203,409	40,603
Public works	1,022,446	1,022,446	732,249	290,197
Human services	12,100	12,100	8,031	4,069
County assessment	229,327	229,327	229,326	1
Education/HS transportation	2,700,570	2,700,570	2,699,812	758
Unclassified	48,457	28,598	30,242	(1,644)
Debt service:				
Principal	17,735	17,735	20,830	(3,095)
Interest	1,099	1,099	-	1,099
Transfers to other funds	208,560	53,000	208,560	(155,560)
Total Charges to Appropriations	4,882,371	4,700,543	4,514,191	186,352
Budgetary Fund Balance - June 30	$ 1,918,405	$ 1,821,949	$ 2,851,487	$ 1,029,538
Utilization of unassigned fund balance	$ 415,000	$ 511,456	$ -	$ (511,456)
Utilization of assigned fund balance	10,000	10,000	-	(10,000)
	$ 425,000	$ 521,456	$ -	$ (521,456)

See accompanying independent auditor’s report and notes to financial statements.

TOWN OF CHELSEA, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/2022 (Reporting December 31, 2022)	$ 2,568	$ -	$ 2,568
Changes for the year:			
Service cost	2,084	-	2,084
Interest	96	-	96
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(490)	-	(490)
Contributions - employer	-	33	(33)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	-	(33)	33
Administrative expense	-	-	-
Net changes	1,690	-	1,690
Balances at 1/1/2023 (Reporting December 31, 2023)	$ 4,258	$ -	$ 4,258

See accompanying independent auditor’s report and notes to financial statements.

TOWN OF CHELSEA, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost (BOY)	$ 2,084	$ 2,411	$ 2,147	$ 747	$ 803	$ 756
Interest (includes interest on service cost)	96	282	274	201	152	109
Changes of benefit terms	-	-	-	(155)	-	-
Differences between expected and actual experience	-	(9,699)	-	1,243	-	540
Changes of assumptions	(490)	(1,289)	637	1,689	(414)	64
Benefit payments, including refunds of member contributions	-	(33)	(32)	-	-	-
Net change in total OPEB liability	$ 1,690	$ (8,328)	$ 3,026	$ 3,725	$ 541	$ 1,469
Total OPEB liability - beginning	$ 2,568	$ 10,896	$ 7,870	$ 4,145	$ 3,604	$ 2,135
Total OPEB liability - ending	$ 4,258	$ 2,568	$ 10,896	$ 7,870	$ 4,145	$ 3,604
Plan fiduciary net position						
Contributions - employer	-	33	32	-	-	-
Contributions - member	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	-	(33)	(32)	-	-	-
Administrative expense	-	-	-	-	-	-
Net change in fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	$ -	$ -	$ -	$ -	$ -	$ -
Plan fiduciary net position - ending	$ -	$ -	$ -	$ -	$ -	$ -
Net OPEB liability - ending	$ 4,258	$ 2,568	$ 10,896	$ 7,870	$ 4,145	$ 3,604
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered payroll	$ 69,680	$ 69,680	$ 62,530	$ 62,530	34,027	34,027
Net OPEB liability as a percentage of covered payroll	6.1%	3.7%	17.4%	12.6%	12.2%	10.6%

See accompanying independent auditor’s report and notes to financial statements.

SCHEDULE 4

TOWN OF CHELSEA, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018
MMEHT:						
Employer contributions	$ -	$ 33	$ 32	$ -	$ -	$ -
Benefit payments	-	(33)	(32)	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 69,680	$ 69,680	$ 62,530	$ 62,530	$ 34,027	$ 34,027
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying independent auditor's report and notes to financial statements.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

Changes of Assumptions

There was a change in the discount rate from 2.06% to 3.72% per GASB 75 discount rate selection. Ultimate medical trends were aligned to the higher inflation environment for the roll forward as of this measurement date.

Other Supplementary Information

Other supplementary information includes financial statements not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF CHELSEA, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUDGET AND ACTUAL - GENERAL FUND REVENUES
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Taxes:				
Property taxes	$ 3,400,063	$ -	$ 3,422,606	$ 3,422,606
Auto excise	400,000	400,000	645,122	245,122
Boat excise	2,000	2,000	3,955	1,955
Intergovernmental revenues:				
State revenue sharing	300,000	300,000	517,793	217,793
Homestead/BETE reimbursement	262,375	-	262,400	262,400
Local road assistance	25,824	25,824	27,448	1,624
Tree growth	-	-	3,573	3,573
Veterans' exemption	-	-	2,220	2,220
Other	2,500	2,500	6,949	4,449
Charges for services:				
Building permits	6,000	6,000	6,259	259
Plumbing permits	2,600	2,600	3,421	821
Junk yard permits	-	-	50	50
Motor vehicle agent fees	7,000	7,000	13,564	6,564
Dog agent fees	-	-	1,370	1,370
Animal welfare fees	1,500	1,500	3,353	1,853
Recreational agent fees	900	900	602	(298)
Town clerk lic/certificate fees	1,500	1,500	1,288	(212)
Returned check fees	-	-	70	70
Dog warrant fees	-	-	150	150
Interest income:				
Tax/lien interest	17,700	17,700	32,509	14,809
Interest income	5,000	5,000	32,612	27,612
Miscellaneous revenues:				
Misc. other	22,409	6,500	34,959	28,459
Amounts Available for Appropriation	$ 4,457,371	$ 779,024	$ 5,022,273	$ 4,243,249

See accompanying independent auditor’s report and notes to financial statements.

SCHEDULE B

TOWN OF CHELSEA, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
GENERAL GOVERNMENT					
Administrative salaries	$ 181,056	$ -	$ 181,056	$ 182,131	$ (1,075)
Administrative expense	41,583	-	41,583	49,871	(8,288)
Town office expense	23,829	-	5,420	25,315	(19,895)
Administration miscellaneous	32,530	-	32,530	24,624	7,906
Cont lab/services	3,830	-	3,830	3,575	255
Assessor's office	26,244	-	26,244	21,769	4,475
Board expense	6,400	-	6,400	6,090	310
Employee benefits	55,733	-	55,733	37,549	18,184
Code enforcement agreement	26,860	-	38,860	30,808	8,052
Totals	398,065	-	391,656	381,732	9,924
PUBLIC SAFETY					
Fire department	85,474	-	85,474	82,600	2,874
Public safety	61,035	-	61,035	23,658	37,377
Insurance	28,395	-	28,395	27,674	721
Animal control	11,261	-	11,261	12,403	(1,142)
Ambulance	56,491	-	56,491	56,257	234
Street lights	1,356	-	1,356	817	539
Totals	244,012	-	244,012	203,409	40,603
PUBLIC WORKS					
Winter roads	318,820	-	318,820	279,214	39,606
Summer roads	640,700	-	640,700	390,169	250,531
Solid waste	28,110	-	28,110	28,827	(717)
Recycling	13,896	-	13,896	19,160	(5,264)
Cemetery and parks	20,920	-	20,920	14,879	6,041
Totals	1,022,446	-	1,022,446	732,249	290,197

TOWN OF CHELSEA, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
HUMAN SERVICES					
General assistance	5,100	-	9,600	1,031	8,569
Donations and contributions	7,000	-	2,500	7,000	(4,500)
Totals	12,100	-	12,100	8,031	4,069
COUNTY TAX	229,327	-	229,327	229,326	1
EDUCATION/HS TRANSPORTATION	2,700,570	-	2,700,570	2,699,812	758
UNCLASSIFIED					
Legal	12,000	-	22,098	24,960	(2,862)
Miscellaneous	6,500	-	6,500	4,765	1,735
Overlay	29,957	-	-	517	(517)
Totals	48,457	-	28,598	30,242	(1,644)
DEBT SERVICE					
Principal	17,735	-	17,735	20,830	(3,095)
Interest	1,099	-	1,099	-	1,099
Totals	18,834	-	18,834	20,830	(1,996)
TRANSFERS TO OTHER FUNDS					
FD equipment	5,000	-	5,000	5,000	-
FD building	10,000	-	10,000	10,000	-
TO buildings	10,000	-	10,000	10,000	-
TO equipment	2,000	-	2,000	2,000	-
TIF GF transfer	145,560	-	-	145,560	(145,560)
Mobile	2,000	-	2,000	2,000	-
Salt shed	14,000	-	4,000	14,000	(10,000)
Revaluation reserve	10,000	-	10,000	10,000	-
Transfer station reserve	10,000	-	10,000	10,000	-
Totals	208,560	-	53,000	208,560	(155,560)
TOTAL DEPARTMENTAL OPERATIONS	$ 4,882,371	$ -	$ 4,700,543	$ 4,514,191	$ 186,352

See accompanying independent auditor's report and notes to financial statements.

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 58,893	$ 277,523	$ 4,957	$ 341,373
Investments	383,708	62,363	68,398	514,469
Loans receivable (net of allowance for uncollectibles)	9,611	-	-	9,611
Due from other funds	600,900	277,429	18,032	896,361
TOTAL ASSETS	$ 1,053,112	$ 617,315	$ 91,387	$ 1,761,814
LIABILITIES				
Due to other funds	$ 6,832	$ 26,422	$ 1,768	$ 35,022
TOTAL LIABILITIES	6,832	26,422	1,768	35,022
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	290,780	-	-	290,780
TOTAL DEFERRED INFLOWS OF RESOURCES	290,780	-	-	290,780
FUND BALANCES				
Nonspendable	-	-	45,657	45,657
Restricted	651,155	-	43,962	695,117
Committed	-	577,816	-	577,816
Assigned	111,177	13,077	-	124,254
Unassigned (deficit)	(6,832)	-	-	(6,832)
TOTAL FUND BALANCES	755,500	590,893	89,619	1,436,012
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,053,112	$ 617,315	$ 91,387	$ 1,761,814

See accompanying independent auditor’s report and notes to financial statements.

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	$ 20,000	$ -	$ -	$ 20,000
Interest income	15,302	5,044	531	20,877
Other	10,122	3,099	3,578	16,799
TOTAL REVENUES	45,424	8,143	4,109	57,676
EXPENDITURES				
Other	41,533	69	500	42,102
Debt service:				
Principal	17,735	-	-	17,735
Interest	646	-	-	646
TOTAL EXPENDITURES	59,914	69	500	60,483
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,490)	8,074	3,609	(2,807)
OTHER FINANCING SOURCES (USES)				
Transfers in	145,560	338,001	-	483,561
Transfers (out)	-	(275,001)	-	(275,001)
TOTAL OTHER FINANCING SOURCES (USES)	145,560	63,000	-	208,560
NET CHANGE IN FUND BALANCES	131,070	71,074	3,609	205,753
FUND BALANCES - JULY 1, RESTATED	624,430	519,819	86,010	1,230,259
FUND BALANCES - JUNE 30	$ 755,500	$ 590,893	$ 89,619	$ 1,436,012

See accompanying independent auditor’s report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE E

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2023

	CDBG Rehab	Chelsea Cares	COVID Grant	Fire Dept Forestry Grant	CDBG Pass-through	Christmas Donations
ASSETS						
Cash and cash equivalents	$ 27,424	$ -	$ -	$ -	$ -	$ -
Investments	-	-		-	-	-
Loans receivable (net of allowance for uncollectibles)	9,611	-	-	-	-	-
Due from other funds	1,453	3,931	282	-	-	121
TOTAL ASSETS	$ 38,488	$ 3,931	$ 282	$ -	$ -	$ 121
LIABILITIES						
Due to other funds	$ -	$ -	-	$ 332	$ 6,500	$ -
TOTAL LIABILITIES	-	-	-	332	6,500	-
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	38,488	-	282	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	3,931	-	-	-	121
Unassigned	-	-	-	(332)	(6,500)	-
TOTAL FUND BALANCES (DEFICITS)	38,488	3,931	282	(332)	(6,500)	121
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	$ 38,488	$ 3,931	$ 282	$ -	$ -	$ 121

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2023

	FEMA Disaster	Woodlot Sales	Natural Gas TIF	ARPA Grant	Age Friendly	Broadband Grant	175th Celebration Donations	Total
ASSETS								
Cash and cash equivalents	$ -	$ 19,446	$ 12,023	$ -	$ -	$ -	$ -	$ 58,893
Investments	-	60,406	323,302	-	-	-	-	383,708
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	9,611
Due from other funds	12,652	27,273	238,024	290,780	3,650	22,500	234	600,900
TOTAL ASSETS	$ 12,652	$ 107,125	$ 573,349	$ 290,780	$ 3,650	$ 22,500	$ 234	$ 1,053,112
LIABILITIES								
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,832
TOTAL LIABILITIES	-	-	-	-	-	-	-	6,832
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue	-	-	-	290,780	-	-	-	290,780
TOTAL DEFERRED INFLOWS OF RESOUCES	-	-	-	290,780	-	-	-	290,780
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	12,652	-	573,349	-	3,650	22,500	234	651,155
Committed	-	-	-	-	-	-	-	-
Assigned	-	107,125	-	-	-	-	-	111,177
Unassigned	-	-	-	-	-	-	-	(6,832)
TOTAL FUND BALANCES	12,652	107,125	573,349	-	3,650	22,500	234	755,500
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 12,652	$ 107,125	$ 573,349	$ 290,780	$ 3,650	$ 22,500	$ 234	$ 1,053,112

See accompanying independent auditor’s report and notes to financial statements.

TOWN OF CHELSEA, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	CDBG Rehab	Chelsea Cares	COVID Grant	Fire Dept Forestry Grant	CDBG Pass-through	Christmas Donations	Subtotal
REVENUES							
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment income, net of unrealized gains/(losses)	399	-	-	-	-	-	399
Other income	-	-	-	-	-	-	-
TOTAL REVENUES	399	-	-	-	-	-	399
EXPENDITURES							
Other	-	-	$ -	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	-	-
					-		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	399	-	-	-	-	-	399
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	399	-	-	-	-	-	399
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	38,089	3,931	282	(332)	(6,500)	121	35,591
FUND BALANCES (DEFICITS) - JUNE 30	$ 38,488	$ 3,931	$ 282	$ (332)	$ (6,500)	$ 121	$ 35,990

TOWN OF CHELSEA, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	FEMA Disaster	Woodlot Sales	Natural Gas TIF	ARPA	Age Friendly	Broadband Grant	175th Celebration Donations	Total
REVENUES								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ 20,000	$ -	$ 20,000
Investment income, net of unrealized gains/(losses)	-	3,915	10,988	-	-	-	-	15,302
Other income	-	-	-	-	9,888	-	234	10,122
TOTAL REVENUES	-	3,915	10,988	-	9,888	20,000	234	45,424
EXPENDITURES								
Other	-	-	31,595	-	9,938	-	-	41,533
Debt service:								
Principal	-	-	17,735	-	-	-	-	17,735
Interest	-	-	646	-	-	-	-	646
TOTAL EXPENDITURES	-	-	49,976	-	9,938	-	-	59,914
					-			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	3,915	(38,988)	-	(50)	20,000	234	(14,490)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	145,560	-	-	-	-	145,560
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	145,560	-	-	-	-	145,560
NET CHANGE IN FUND BALANCES (DEFICITS)	-	3,915	106,572	-	(50)	20,000	234	131,070
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	12,652	103,210	466,777	-	3,700	2,500	-	624,430
FUND BALANCES (DEFICITS) - JUNE 30	$ 12,652	$ 107,125	$ 573,349	$ -	$ 3,650	$ 22,500	$ 234	$ 755,500

See accompanying independent auditor's report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2023

	Fire Dept. Donations	Town Reserve	Fire Dept. Reserve	Fire Truck Reserve	Revaluation Reserve	Fire Equipment Reserve	Town Office Equipment	Salt/Sand Shed	Tower Lease Sale	Transfer Station Reserve	Total
ASSETS											
Cash and cash equivalents	$ 5,312	$ 101,494	$ 17,229	$ 85,994	$ 10,000	$ 15,643	$ 8,306	$ 23,545	$ -	$ 10,000	$ 277,523
Investments	-	-	3,465	-	-	11,374	23,580	23,944	-	-	62,363
Due from other funds	7,765	259,733	-	-	-	-	9,931	-	-	-	277,429
TOTAL ASSETS	$ 13,077	$ 361,227	$ 20,694	$ 85,994	$ 10,000	$ 27,017	$ 41,817	$ 47,489	$ -	$ 10,000	$ 617,315
LIABILITIES											
Due to other funds	$ -	$ -	$ 14,549	$ -	$ -	$ 6,846	$ -	$ 5,027	$ -	$ -	$ 26,422
TOTAL LIABILITIES	-	-	14,549	-	-	6,846	-	5,027			26,422
FUND BALANCES											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	-	361,227	6,145	85,994	10,000	20,171	41,817	42,462	-	10,000	577,816
Assigned	13,077	-	-	-	-	-	-	-	-	-	13,077
Unassigned	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	13,077	361,227	6,145	85,994	10,000	20,171	41,817	42,462	-	10,000	590,893
TOTAL LIABILITIES AND FUND BALANCES	$ 13,077	$ 361,227	$ 20,694	$ 85,994	$ 10,000	$ 27,017	$ 41,817	$ 47,489	$ -	$ 10,000	$ 617,315

See accompanying independent auditor’s report and notes to financial statements.

SCHEDULE H

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Fire Dept. Donations	Town Reserve	Fire Dept. Reserve	Fire Truck Reserve	Revaluation Reserve	Fire Equipment Reserve	Town Office Equipment	Salt/Sand Shed	Tower Lease Sale	Transfer Station Reserve	Total
REVENUES											
Investment income, net of unrealized gains/(losses)	$ 77	$ 1,341	$ 459	$ 1,222	$ -	$ 332	$ 649	$ 964	$ -	$ -	$ 5,044
Other income	646	-	-	-	-	-	-	-	2,453	-	3,099
TOTAL REVENUES	723	1,341	459	1,222	-	332	649	964	2,453	-	8,143
EXPENDITURES											
Other	-	-	-	-	-	-	69	-	-	-	69
TOTAL EXPENDITURES	-	-	-	-	-	-	69	-	-	-	69
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	723	1,341	459	1,222	-	332	580	964	2,453	-	8,074
OTHER FINANCING SOURCES (USES)											
Transfers in	-	285,001	10,000	2,000	10,000	5,000	2,000	14,000	-	10,000	338,001
Transfers (out)	-	-	-	-	-	-	-	-	(275,001)	-	(275,001)
TOTAL OTHER FINANCING SOURCES (USES)	-	285,001	10,000	2,000	10,000	5,000	2,000	14,000	(275,001)	10,000	63,000
NET CHANGE IN FUND BALANCES (DEFICITS)	723	286,342	10,459	3,222	10,000	5,332	2,580	14,964	(272,548)	10,000	71,074
FUND BALANCES (DEFICITS) - JULY 1	12,354	74,885	(4,314)	82,772	-	14,839	39,237	27,498	272,548	-	519,819
FUND BALANCES (DEFICITS) - JUNE 30	$ 13,077	$361,227	$ 6,145	$ 85,994	$ 10,000	$ 20,171	$ 41,817	$ 42,462	$ -	$ 10,000	$ 590,893

See accompanying independent auditor’s report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Chelsea, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of the cemeteries.

SCHEDULE I

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2023

	Searls Mills Cemetery	Ruth Ludwig Library	Katon Scholarship Fund	Hayes Hill Cemetery	Chelsea Heights Cemetery
ASSETS					
Cash and cash equivalents	$ -	$ -	$ -	$ 10	$ 60
Investments	11,153	5,360	22,162	282	1,609
Due from other funds	-	-	-	208	1,184
TOTAL ASSETS	$ 11,153	$ 5,360	$ 22,162	$ 500	$ 2,853
LIABILITIES					
Due to others funds	$ 17	$ -	$ 1,751	$ -	$ -
TOTAL LIABILITIES	17	-	1,751	-	-
FUND BALANCES					
Nonspendable	10,000	-	20,000	500	2,853
Restricted	1,136	5,360	411	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	11,136	5,360	20,411	500	2,853
TOTAL LIABILITIES AND FUND BALANCES	$ 11,153	$ 5,360	$ 22,162	$ 500	$ 2,853

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2023

	George Woodbury Lot	Harry Morril Lot	H.S. Patterson Lot	Kirkwood Dondero Lot	Thomas and William Winter Lot	Dewey Seguin Lot
ASSETS						
Cash and cash equivalents	$ 2	$ 2	$ 10	$ 5	$ 5	$ 2
Investments	56	56	282	113	141	56
Due from other funds	42	42	208	82	104	42
TOTAL ASSETS	$ 100	$ 100	$ 500	$ 200	$ 250	$ 100
LIABILITIES						
Due to others funds	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	100	100	500	200	250	100
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	100	100	500	200	250	100
TOTAL LIABILITIES AND FUND BALANCES	$ 100	$ 100	$ 500	$ 200	$ 250	$ 100

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2023

	William Robbins Lot	Mary Blanchard Searles Mills Lot	Davenport Cemetery	Francis Gardner Lot	Caron Lot Chelsea Heights	Searles Mills Cemetery
ASSETS						
Cash and cash equivalents	$ 2	$ 5	$ 1	$ 5	$ 10	$ 209
Investments	56	113	28	113	282	5,641
Due from other funds	42	82	21	82	208	4,154
TOTAL ASSETS	$ 100	$ 200	$ 50	$ 200	$ 500	$ 10,004
LIABILITIES						
Due to others funds	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	100	200	50	200	500	10,004
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	100	200	50	200	500	10,004
TOTAL LIABILITIES AND FUND BALANCES	$ 100	$ 200	$ 50	$ 200	$ 500	$ 10,004

TOWN OF CHELSEA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2023

	Perpetual Care	Cemetery Lot Sales	Cemetery Interest	John Bernier	Total
ASSETS					
Cash and cash equivalents	$ 204	$ 184	$ 122	$ 4,119	$ 4,957
Investments	5,471	4,954	3,281	7,189	68,398
Due from other funds	4,028	3,647	2,415	1,441	18,032
TOTAL ASSETS	$ 9,703	$ 8,785	$ 5,818	$ 12,749	91,387
LIABILITIES					
Due to others funds	$ -	$ -	$ -	$ -	$ 1,768
TOTAL LIABILITIES	-	-	-	-	1,768
FUND BALANCES					
Nonspendable	-	-	-	-	45,657
Restricted	9,703	8,785	5,818	12,749	43,962
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	9,703	8,785	5,818	12,749	89,619
TOTAL LIABILITIES AND FUND BALANCES	$ 9,703	$ 8,785	$ 5,818	$ 12,749	91,387

See accompanying independent auditor’s report and notes to financial statements.

SCHEDULE J

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Searls Mills Cemetery	Ruth Ludwig Library	Katon Scholarship Fund	Hayes Hill Cemetery	Chelsea Heights Cemetery
REVENUES					
Investment income, net of unrealized gains/(losses)	$ -	$ 15	$ 11	$ -	$ -
Other income	-	-	-	-	-
TOTAL REVENUES	-	15	11	-	-
EXPENDITURES					
Other	-	-	500	-	-
TOTAL EXPENDITURES	-	-	500	-	-
NET CHANGE IN FUND BALANCES	-	15	(489)	-	-
FUND BALANCES - JULY 1	11,136	5,345	20,900	500	2,853
FUND BALANCES - JUNE 30	$ 11,136	$ 5,360	$ 20,411	$ 500	$ 2,853

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	George Woodbury Lot	Harry Morril Lot	H.S. Patterson Lot	Kirkwood Dondero Lot	Thomas and William Winter Lot	Dewey Seguin Lot
REVENUES						
Investment income, net of unrealized gains/(losses)	$ -	$ -	$ -	$ -	$ -	$ -
Other income	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-
EXPENDITURES						
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-
FUND BALANCES - JULY 1	100	100	500	200	250	100
FUND BALANCES - JUNE 30	$ 100	$ 100	$ 500	$ 200	$ 250	$ 100

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	William Robbins Lot	Mary Blanchard Searles Mills Lot	Davenport Cemetery	Francis Gardner Lot	Caron Lot Chelsea Heights	Searles Mills Cemetery
REVENUES						
Investment income, net of unrealized gains/(losses)	$ -	$ -	$ -	$ -	$ -	$ 17
Other income	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	17
EXPENDITURES						
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-	-	17
FUND BALANCES - JULY 1	100	200	50	200	500	9,987
FUND BALANCES - JUNE 30	$ 100	$ 200	$ 50	$ 200	$ 500	$ 10,004

TOWN OF CHELSEA, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Perpetual Care	Cemetery Lot Sales	Cemetery Interest	John Bernier	Total
REVENUES					
Investment income, net of unrealized gains/(losses)	$ -	$ -	$ -	$ 488	$ 531
Other income	750	1,750	1,071	7	3,578
TOTAL REVENUES	750	1,750	1,071	495	4,109
EXPENDITURES					
Other	-	-	-	-	500
TOTAL EXPENDITURES	-	-	-	-	500
NET CHANGE IN FUND BALANCES	750	1,750	1,071	495	1,109
FUND BALANCES - JULY 1	8,953	7,035	4,747	12,254	86,010
FUND BALANCES - JUNE 30	$ 9,703	$ 8,785	$ 5,818	$ 12,749	$ 89,619

See accompanying independent auditor’s report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net assets.

TOWN OF CHELSEA, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2023

	Land and Non-depreciable Assets	Buildings and Improvements	Machinery, Equipment and Vehicles	Infrastructure	Total
General government	$ -	$ 175,000	$ 24,159	$ -	$ 199,159
Public safety	-	369,900	1,365,620	-	1,735,520
Public works	-	125,000	-	6,353,146	6,478,146
Town-wide	60,000	-	-	-	60,000
Total General Capital Assets	60,000	669,900	1,389,779	6,353,146	8,472,825
Less: Accumulated Depreciation	-	(620,690)	(1,066,420)	(2,741,146)	(4,428,256)
Net General Capital Assets	$ 60,000	$ 49,210	$ 323,359	$ 3,612,000	$ 4,044,569

See accompanying independent auditor's report and notes to financial statements.

TOWN OF CHELSEA, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2023

	General Capital Assets 7/1/22	Additions	Deletions	General Capital Assets 6/30/23
General government	$ 199,159	$ -	$ -	$ 199,159
Public safety	1,735,520	-	-	1,735,520
Public works	6,228,878	249,268	-	6,478,146
Town-wide	60,000	-	-	60,000
Total General Capital Assets	8,223,557	249,268	-	8,472,825
Less: Accumulated Depreciation	(4,219,330)	(208,926)	-	(4,428,256)
Net General Capital Assets	$ 4,004,227	$ 40,342	$ -	$ 4,044,569

See accompanying independent auditor’s report and notes to financial statements.

RHR SMITH & COMPANY
Certified Public Accountants
Proven Expertise & Integrity

INDEPENDENT AUDITOR'S 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*

Selectboard
Town of Chelsea
Chelsea, 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, each major fund and the aggregate remaining fund information of the Town of Chelsea, Maine as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Town of Chelsea, Maine's basic financial statements and have issued our report thereon dated March 12, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chelsea, Maine's internal control over financial reporting (internal control) as a basis for designing the 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 of Chelsea, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chelsea, 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 organization'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.

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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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chelsea, 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*. We noted certain other matters that we reported to management of the Town of Chelsea, Maine in a separate letter dated March 12, 2026.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the organization’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 organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
March 12, 2026