

TOWN OF CHAPMAN, MAINE

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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To the Board of Selectmen of
Town of Chapman, Maine

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Town of Chapman, Maine, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town'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 Chapman, Maine, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Chapman, Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chapman 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 misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chapman, Maine's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chapman, 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 on pages 4 through 7 and the budgetary comparison information, schedule of employer's pension contributions, schedule of employer's share of net pension liability, notes to GASB #68 required schedules and schedules of changes in net OPEB liability and related ratios on pages 32 through 36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chapman, Maine's basic financial statements. The Schedule of Changes in Committed and Restricted Fund Balances is presented for purposes of additional analysis and is 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 Schedule of Changes in Committed and Restricted Fund Balances is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024 on our consideration of the Town of Chapman, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control or the effectiveness of the Town of Chapman, 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's internal control over financial reporting and compliance.

Chester M. Kearney

Presque Isle, Maine
January 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF CHAPMAN, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

UNAUDITED

As management of Chapman, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Chapman, Maine exceeded its liabilities at the close of the most recent fiscal year by \$1,295,284 (net position). Of this amount, \$501,063 (unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors.
- The government's total net position increased by \$106,146 in the year ended December 31, 2023.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$585,290 an increase of \$58,903 in comparison with the prior year. Approximately 54.88% of this total amount, \$321,215, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$321,215 or 36.13% of total general fund expenditures.

USING THIS ANNUAL REPORT

The Town of Chapman, Maine's financial statements are comprised of a series of statements. The Statement of Net Position and the Statement of Activities provide an overview of the government as a whole and its activities. The Fund Financial Statements, which begin immediately after the Statement of Activities, provide a more detailed look at the governmental funds. Next are the notes to the financial statements, which provide information essential to a complete understanding of the data provided. Following the notes are the combining and individual fund schedules, including non-major governmental funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements present financial information in two statements -the Statement of Net Position and the Statement of Activities. These statements provide an overview of the government as a whole (similar to private-sector statements). All of the current year's revenues are taken into account regardless of when cash is received. The Statement of Net Position provides a picture of the difference between assets and liabilities, which is called Net Position. The Statement of Activities provides a look at how the net position has changed from the prior year to the current year. Increases or decreases in net position can show whether the Town is improving or deteriorating. Other factors need to be considered, such as changes in the Town's property tax base and the condition of the roads, to assess the overall health of the Town.

TOWN OF CHAPMAN, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023
UNAUDITED

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts which is used to maintain control over resources which have been segregated for specific activities or objectives. The Town of Chapman, Maine, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance related legal requirements. All of the funds of the Town are governmental funds. The Fund Financial Statements provide details of the Town's most significant funds, not the Town as a whole. These statements begin immediately after the Statement of Activities. Some funds are required to be established by state law and by bond covenants. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- Governmental funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end which are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets which can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the town's general government operations and the basic services it provides. Governmental funds information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.
- Proprietary funds - The Town maintains no proprietary funds.
- Fiduciary funds - The Town maintains no fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 to 31 of this report.

Other information. This report also includes various supplemental schedules to provide additional detail for the various items reported. These supplemental schedules can be found on pages 32 to 36 of this report.

THE TOWN AS A WHOLE - STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The first two financial statements presented (pages 8 and 9) are the Statement of Net Position and the Statement of Activities and are designed to present the Town as a whole similar to the way a business presents its financial statements. The Statement of Net Position combines the assets and liabilities as presented in the governmental funds with the Town's capital assets and long-term liabilities. The Statement of Activities shows the gross and net cost of the various departments which are funded by various general revenues including property taxes and other revenues. Revenues are recognized when earned regardless of when they are collected and expenses are recognized when the liability becomes due. Since capital asset purchases are not considered an expense under this measurement focus, annual charges for depreciation are recognized to indicate the use of these assets over time.

TOWN OF CHAPMAN, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

UNAUDITED

The following information is a condensed version of the Statement of Net Position and Activities with comparative information included. The analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town of Chapman, Maine's net position for governmental activities increased by \$106,146 during the year ended December 31, 2023. The total cost of governmental activities was \$847,637. However, many programs are subsidized by user fees, grants and contributions. Therefore, the ultimate cost to the taxpayers was \$811,499 after taking into consideration the program revenues. See the Statement of Activities for greater detail.

	<u>12/31/23</u>	<u>12/31/22</u>
Statement of Net Position		
Total current assets	626,503	564,482
Total non-current assets	<u>759,660</u>	<u>719,207</u>
Total assets	1,386,163	1,283,689
Deferred outflows of resources	13,006	17,770
Total current liabilities	(7,213)	(8,095)
Total non-current liabilities	(83,967)	(87,268)
Deferred inflows of resources	<u>(12,705)</u>	<u>(16,958)</u>
Total net position	<u>1,295,284</u>	<u>1,189,138</u>
Statement of Activities		
Tax revenues	612,094	582,194
Intergovernmental revenues	149,337	130,762
Other revenues	<u>156,214</u>	<u>91,784</u>
Total revenues	<u>917,645</u>	<u>804,740</u>
Education	362,916	356,774
County tax	55,226	50,116
General government	97,876	92,091
Reserves	10,196	12,540
Public safety	33,698	6,564
Property services	11,698	10,498
Fire protection	59,910	41,181
Highways	158,806	178,071
General assistance	-	-
Recreation	10,438	6,344
ARPA Funding	1,762	(21,484)
Community service	7,225	6,878
Pension expense	798	4,419
OPEB expense	<u>950</u>	<u>360</u>
Total expenses	<u>811,499</u>	<u>744,352</u>
Change in net position	<u>106,146</u>	<u>60,388</u>

TOWN OF CHAPMAN, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

UNAUDITED

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS AND GENERAL FUND BUDGETARY HIGHLIGHTS

The Town continues to meet its responsibilities for sound financial management. Actual revenues were over budget by \$113,795 due to positive revenue sharing collections and stumpage revenues. Actual expenditures were under budget by \$6,080. The fund balance increased by \$59,875.

CAPITAL ASSETS

Governmental activities capital assets net of depreciation totaled \$713,805 as of December 31, 2023, representing a \$44,991 increase from the prior year end. The Town spent funds on a roof for the municipal building, a new fire truck and other equipment. Annual depreciation expense totaled \$71,065. See financial statement note 4 for further details. The Town maintains a number of reserve accounts to contribute to the replacement and acquisition of new assets for the purpose of providing public service. See financial statement page 37 for a listing of these reserve accounts.

LONG-TERM DEBT

The Town obtained a loan in 2022 to assist the snowmobile club in purchasing a new groomer. The club will reimburse the town for all debt service payments related to this loan. The only other long-term obligations relate to pension and OPEB liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Inflationary trends in the region compare favorably to national indices.

All factors were considered in preparing the Town's budget for the 2024 fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact the Town Manager, at P.O. Box 500, Mapleton, ME 04757.

BASIC FINANCIAL STATEMENTS

TOWN OF CHAPMAN, MAINE
GOVERNMENT WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and equivalents	\$ 573,933
Taxes receivable	40,310
Tax liens	7,074
Other accounts receivable	98
Note receivable due within one year	3,521
Due from other governments	<u>1,567</u>
	<u>626,503</u>
Note receivable due in more than one year	45,855
Capital assets net of accumulated depreciation	<u>713,805</u>
	<u>759,660</u>
TOTAL ASSETS	<u>1,386,163</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related expenditures	11,884
OPEB related expenditures	<u>1,122</u>
	<u>13,006</u>
 LIABILITIES	
Current liabilities	
Accounts payable	949
Compensated absences	2,743
Current portion of long-term debt	<u>3,521</u>
	<u>7,213</u>
Noncurrent liabilities:	
Long-term debt, net of current portion	45,855
Pension liabilities	30,010
OPEB liabilities	<u>8,102</u>
	<u>83,967</u>
TOTAL LIABILITIES	<u>91,180</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension related inflows	8,090
OPEB related inflows	<u>4,615</u>
	<u>12,705</u>
 NET POSITION	
Invested in capital assets, net of related debt	759,660
Restricted	34,561
Unrestricted	<u>501,063</u>
TOTAL NET POSITION	<u>\$ 1,295,284</u>

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

TOWN OF CHAPMAN, MAINE
 GOVERNMENT WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Functions/Programs</u>	Program Revenues				Net (expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Education	\$ 362,916				\$ (362,916)
County tax	55,226				(55,226)
General government	103,264	5,388			(97,876)
Reserves	10,196				(10,196)
Public safety	34,209	511			(33,698)
Property services	12,203	505			(11,698)
Fire protection	64,763	2,296		2,557	(59,910)
Highways	181,386	700	21,880		(158,806)
General assistance	-				-
Recreation	12,739	2,301		-	(10,438)
ARPA Funding	1,762		-		(1,762)
Community service	7,225				(7,225)
Pension expense (recovery)	798				(798)
OPEB expense	950				(950)
Total governmental activities	<u>\$ 847,637</u>	<u>\$ 11,701</u>	<u>\$ 21,880</u>	<u>\$ 2,557</u>	<u>\$ (811,499)</u>
General revenues:					
Property tax revenues					492,725
Excise taxes					119,369
Intergovernmental revenues					149,337
Interest income					2,567
Other revenues					153,647
Total general revenues					<u>917,645</u>
Change in net position					106,146
Net position - beginning of year					<u>1,189,138</u>
Net position - end of year					<u>\$ 1,295,284</u>

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

TOWN OF CHAPMAN, MAINE

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2023

	GENERAL FUND (MAJOR FUND)	ARPA FUND (NON-MAJOR FUND)	TOTAL
ASSETS			
Cash and cash equivalents	\$ 539,372	\$ 34,561	\$ 573,933
Uncollected taxes	40,310		40,310
Tax liens	7,074		7,074
Due from other governments	1,567		1,567
Other accounts receivable	98		98
TOTAL ASSETS	\$ 588,421	\$ 34,561	\$ 622,982
LIABILITIES			
Accounts payable	\$ 949		\$ 949
Compensated absences	2,743		2,743
	3,692	-	3,692
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue-property taxes	34,000	-	34,000
FUND BALANCES			
Non-spendable	7,074		7,074
Restricted	-	34,561	34,561
Committed for capital projects	220,753		220,753
Assigned	1,687		1,687
Unassigned	321,215		321,215
TOTAL FUND BALANCES	550,729	34,561	585,290
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 588,421	\$ 34,561	\$ 622,982

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

TOWN OF CHAPMAN, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2023

Total fund balance, governmental funds	\$ 585,290
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	713,805
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	34,000
Some assets are not receivable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statements of Net Position.	
Note receivable	45,855
Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Notes payable	(45,855)
Liabilities, deferred outflows of resources and deferred inflows of resources related to pensions are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Deferred outflows of resources - pension related expenditures	11,884
Deferred inflows of resources - pension related inflows	(8,090)
Pension liabilities	(30,010)
Deferred outflows of resources - OPEB related expenditures	1,122
Deferred inflows of resources - OPEB related inflows	(4,615)
OPEB liabilities	(8,102)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 1,295,284</u>

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

TOWN OF CHAPMAN, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2023

	GENERAL FUND (MAJOR FUND)	ARPA FUND (NON-MAJOR FUND)	TOTAL
REVENUES			
Taxes			
Property	\$ 488,725		\$ 488,725
Excise	119,369		119,369
Intergovernmental revenues	173,774		173,774
Interest income	1,777	790	2,567
Other revenues	165,348		165,348
TOTAL REVENUES	948,993	790	949,783
EXPENDITURES			
Current			
Education	362,916		362,916
County tax	55,226		55,226
General government	98,025		98,025
Reserves	94,225		94,225
Public safety	34,209		34,209
Property services	12,203		12,203
Protection	47,679		47,679
Highways	165,742		165,742
ARPA Funding		1,762	1,762
General assistance	-		-
Recreation	11,668		11,668
Community service	7,225		7,225
TOTAL EXPENDITURES	889,118	1,762	890,880
CHANGE IN FUND BALANCE	59,875	(972)	58,903
FUND BALANCE - JANUARY 1, 2023	490,854	35,533	526,387
FUND BALANCE - DECEMBER 31, 2023	\$ 550,729	\$ 34,561	\$ 585,290

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

TOWN OF CHAPMAN, 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 DECEMBER 31, 2023

Net change in fund balances - total governmental funds: \$ 58,903

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period:

Capital asset purchases capitalized	116,056	
Depreciation expense	<u>(71,065)</u>	44,991

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Increase in unavailable property tax revenue	4,000
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Pension expense reported under GASB #68 is not reported in the governmental funds

	<u>(798)</u>
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OPEB expense reported under GASB #75 is not reported in the governmental funds

	<u>(950)</u>
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Change in net position of governmental activities

	<u><u>\$ 106,146</u></u>
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The notes to the financial statements are an integral part of these statements.

TOWN OF CHAPMAN, MAINE
NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Chapman, Maine, was incorporated under the laws of the State of Maine and operates under a town meeting, selectmen, town manager form of government and provides the following services: public safety, public works, health and social services, education, public improvements, planning and zoning, and general administrative services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. In evaluating how to define the reporting entity, for financial purposes, management has considered all potential component units. The criteria used to determine which entities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon all pertinent facts derived from the analysis of the above criteria, it was determined that no additional entities should be included as part of these financial statements.

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Currently there are no proprietary or fiduciary funds.

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Measurement Focus and Basis of Accounting

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

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

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

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

The Town reports the following major governmental funds:

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

In addition to the General Fund the Town reports one non-major special revenue fund to report and account for ARPA funding.

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

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

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

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Budgets

An operating budget is adopted each year for the general fund on the same modified accrual basis used to reflect actual revenues and expenditures. Special revenue funds do not have legally adopted budgets, but administratively approved project budgets.

Cash and temporary 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.

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are reported at fair value.

Short-term Inter-fund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the combined balance sheet.

Capital Assets

Capital assets, not including infrastructure assets, purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost if actual historical is not available. Infrastructure assets capitalized have an original cost of \$50,000 or more. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives. Estimated useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Building improvements	50 years
Equipment	5-15 years
Paving	10-15 years

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Compensated absences

Town employees are granted vacation and sick leave in varying amounts. Vacation is intended to be taken within the year earned. Unused vacation is paid to employees prior to year-end, or with town manager's approval, transferred to the next year. Accumulated sick leave is payable, at a 25% and 50% rate (maximum 30 days) to an employee upon voluntary termination or retirement. The liability for accumulated sick and vacation pay has been accrued in the financial statements in the amount of \$2,743. The Town has a designated account with a balance of \$4,270 to fund this liability, any remaining balance would be charged to surplus.

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Deferred outflows/inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town's deferred outflows of resources are detailed in Notes #9 and #12.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows of resources related to pensions and OPEB are detailed in Notes #9 and #12.

Fund Equity or Balances

The Town of Chapman, Maine follows Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 establishes a fund balance hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds and defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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

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

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Allowance for Uncollectible Accounts

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

Use of Estimates

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

Property Tax

The Town's property tax was levied August 17, 2023, on the assessed value listed as of April 1, 2023, for all real and personal property located in the Town. Property taxes for the fiscal year ended December 31, 2023, \$492,725, were assessed at a rate of 16.1 mils on the dollar on a total taxable valuation of \$30,604,009. Taxes were due and payable on October 31, 2023 with interest at the rate of 8% being charged on taxes unpaid after that date.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues. Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax lien and associated costs remain unpaid.

Unrecognized Property Tax Revenue

The Town follows the standard established by GASB #33 regarding the recognition of property taxes. The criterion for this standard is to recognize property tax revenue as it becomes both "measurable and available". Measurable is defined as the amount that the Town can reasonably expect to receive of the property taxes assessed for the current year. Available is defined as the amount of current and past due taxes that will be collected during the current period or expected to be collected shortly thereafter to pay current liabilities. For the purposes of this report, 60 days is used as the collection period after year-end. Accordingly, a liability has been reported on the governmental funds' balance sheet for the taxes considered collectible but not available for current liabilities of \$34,000 as of December 31, 2023.

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Other General Items

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

Minimum Fund Balance

The select board has adopted a financial policy of maintaining a level of undesignated fund balance in the general fund that is equivalent to 2-3 months of annual assessments, comprised of the municipal appropriation, school education appropriation, County tax and TIF finance plan amount. Maintaining the fund balance at this level will ensure municipal operations may continue with no revenue stream while meeting external tax obligations for up to 1 fiscal quarter.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2023, the Town's appropriations exceeded expenditures by \$6,080, a favorable variance. Expenditures exceeded appropriations in the property services, fire protection and recreation accounts.

(2) CASH AND EQUIVALENTS

Cash and equivalents on December 31, 2023 consist of the following:

Deposits	
Checking account	181,738
Savings account	34,561
ICS account	<u>357,499</u>
Total deposits	573,798
Petty cash on hand	<u>135</u>
	<u>573,933</u>
Cash held in:	
Governmental funds	<u>573,933</u>

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does have a policy with respect to custodial credit risk for deposit accounts. The bank has pledged securities to collateralize the Town's deposits that exceed FDIC Insurance. The Pledged Securities will carry a market value greater than the value of the deposits exceeding FDIC Insurance. As of December 31, 2023, none of the Town's bank balances were exposed to custodial credit risk.

(3) NOTE RECEIVABLE

In 2022 the Town of Chapman, Maine entered into an agreement with the Chapman Ridge Runners Snowmobile Club to purchase a snow groomer to take advantage of the lower interest rate that the Town would be able to secure. The Town obtained grants and a loan from Katahdin Trust to purchase the groomer. Payments on the loan will be made by the Snowmobile Club. The note receivable represents the principal due from the Snowmobile Club. The note receivable has the same terms as the loan which can be found at Note #6 on page 22.

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(4) CAPTIAL ASSETS

Total capital assets and activity for the year ended December 31, 2023 for the 3 towns participating in the interlocal agreement is as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Asset:				
Buildings and improvements	912,861	111,172		1,024,033
Pool/Bathhouse	206,864			206,864
Trucks/Equipment	2,259,773	469,109		2,728,882
Road improvements	<u>3,853,829</u>			<u>3,853,829</u>
	<u>7,233,327</u>	<u>580,281</u>		<u>7,813,608</u>
Accumulated depreciation				
Buildings and improvements	557,575	26,197		583,772
Pool/Bathhouse	154,141	5,357		159,498
Trucks/Equipment	1,620,965	105,614		1,726,579
Road improvements	<u>1,763,938</u>	<u>223,901</u>		<u>1,987,839</u>
	<u>4,096,619</u>	<u>361,069</u>		<u>4,457,688</u>
Net book value	<u>3,136,708</u>	<u>219,212</u>		<u>3,355,920</u>

The Town of Chapman, Maine's portion (approximately 20%) of the above is as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Asset:				
Buildings and improvements	179,684	22,234		201,918
Pool/Bathhouse	35,364			35,364
Trucks/Equipment	462,350	93,822		556,172
Road improvements	<u>809,240</u>			<u>809,240</u>
	<u>1,486,638</u>	<u>116,056</u>		<u>1,602,694</u>
Accumulated depreciation				
Buildings and improvements	111,516	5,239		116,755
Pool/Bathhouse	30,828	1,071		31,899
Trucks/Equipment	328,810	21,123		349,933
Road improvements	<u>346,670</u>	<u>43,632</u>		<u>390,302</u>
	<u>817,824</u>	<u>71,065</u>		<u>888,889</u>
Net book value	<u>668,814</u>	<u>44,991</u>		<u>713,805</u>

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

Governmental Activities:

General government	5,239
Highways	43,632
Fire protection	21,123
Recreation	<u>1,071</u>
	<u>71,065</u>

(5) STATUTORY DEBT LIMITATION

In accordance with MRSA Title 30, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of a certain percentage of the state valuation of such municipality. The Town believes it is in compliance with State statutes.

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(6) LONG-TERM DEBT

In December of 2022, the Town of Castle Hill, Maine entered into an agreement with the Aroostook River Snowmobile Club to purchase a snow groomer through the Town to take advantage of its tax-exempt status and lower interest rate. The Town took out a 12-year, 5.17% loan from Katahdin Trust for \$53,737 to purchase the groomer. Payments on the loan will be made by the Snowmobile Club. The first payment of \$503.65 was due on January 21, 2023, additional payments will be made on a monthly basis through the maturity date of December 21, 2034.

Activity in the long-term liability accounts is as follows:

	<u>Balance</u> <u>January 1</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>December 31</u>
Notes payable	53,737	-	4,361	49,376
Pension liabilities	29,364	646	-	30,010
OPEB liabilities	<u>7,511</u>	<u>591</u>	-	<u>8,102</u>
Total	<u>90,612</u>	<u>1,237</u>	<u>4,361</u>	<u>87,488</u>

As of December 31, 2023, long-term debt matures as follows:

December 31,	Principal	Interest	Total
2024	3,521	2,523	6,044
2025	3,708	2,336	6,044
2026	3,904	2,140	6,044
2027	4,111	1,933	6,044
2028	4,328	1,716	6,044
2029-33	25,330	4,890	30,220
2034-38	<u>4,474</u>	<u>145</u>	<u>4,619</u>
	<u>49,376</u>	<u>15,683</u>	<u>65,059</u>

(7) OTHER REVENUES – GENERAL FUND

Other revenues are as follows:

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Highway Department	640	700	60
Fire Department	2,170	2,296	126
Recreation Department	2,376	2,301	(75)
Property services	300	505	205
Public Safety	574	511	(63)
Stumpage	60,000	137,045	77,045
Other various fees	<u>6,916</u>	<u>21,990</u>	<u>15,074</u>
	<u>72,976</u>	<u>165,348</u>	<u>92,372</u>

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) JOINT VENTURE - INTERLOCAL AGREEMENT

The legislative body held a joint town meeting September 9, 2009 to approve the fourth amendment to the Interlocal Agreement. The cost sharing formula for administration is now based on 70% of the population as set by the current U.S. Census and 30% of the current State valuation with the resulting percentage rounded to the nearest 10th and adopted annually. The cost sharing formula for the highway department and capital costs are apportioned between the towns on the basis of the total road miles maintained within each community in a given year. Road miles for each party will be determined by adding the total number of road miles maintained during the summer months to the total number of road miles maintained during the winter months and dividing the total by two. The calculation will be utilized and updated annually each fiscal year.

The ownership of the Municipal building is as follows:

	<u>Before Transfer</u>	<u>After Transfer</u>
Town of Mapleton, Maine	75%	60%
Town of Castle Hill, Maine	25%	20%
Town of Chapman, Maine	<u>0%</u>	<u>20%</u>
	<u>100%</u>	<u>100%</u>

Administrative and highway department cost allocations are as follows:

	<u>Municipal Building</u>	<u>Administration</u>	<u>Highway</u>
Town of Mapleton, Maine	60%	68.78%	52.04%
Town of Castle Hill, Maine	20%	13.81%	22.88%
Town of Chapman, Maine	<u>20%</u>	<u>17.41%</u>	<u>25.08%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

(9) PENSION PLAN

Town employees contribute to the Maine Public Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers. The system maintains a defined benefit pension plan.

Benefits provided – The plan provides retirement and disability benefits, annual cost-of living adjustments and death benefits to plan members and beneficiaries. The plan provides defined retirement benefits based on the members' average final compensation and service credit earned as of retirement. Employees covered under this plan become vested after five years of service. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal retirement age at retirement. MainePERS also provides disability and death benefits which are established by contract with the PLD employers under applicable statutory provisions.

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) PENSION PLAN (cont'd.)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5%.

Description of Funding Policy – Participants contributed 7.6% of their wages to the plan in FY 22/23 and will contribute 7.7% in FY 23/24. The Town contribution is 10.2% of participant wages to the plan through June 30, 2024.

The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the Consolidated Plan. That report may be obtained by writing to the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

At December 31, 2023, the Town reported a pension liability of \$30,010 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. For the year ended December 31, 2023, the Town recognized pension expense of \$798 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions.

At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	5,571	
Difference between projected and actual earnings		5,093
Changes of assumptions		
Plus: Contributions made July 2023 – December 2023	6,069	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>244</u>	<u>2,997</u>
	<u>11,884</u>	<u>8,090</u>

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

Year ending	
December 31,	
2024	4,445
2025	(6,053)
2026	5,165
2027	237

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) PENSION PLAN (cont'd.)

Discount Rate

The discount rate used to measure the collective pension liability was 6.50% for 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at the contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of December 31, 2023 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.50% for the PLD Consolidated Plan.

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
5.50%	6.50%	7.50%
\$82,231	\$30,010	\$(13,067)

Town employees not participating in MainePERS are covered under the social security system.

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year December 31, 2023 with the following exceptions:

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension 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 first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the measurement date of June 30, 2023 this was 10 years for the PLD plan.

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

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the plan's year ended June 30, 2023 valuation were based on the results of an actuarial experience study for the period of June 30, 2015 to June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no changes in assumptions for the plan's fiscal year ended June 30, 2023.

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) PENSION PLAN (cont'd.)

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized as pension expense 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 first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Rate of return

The long-term rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the largest asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investment purposes.

Asset Class	Target Allocation	Long-term expected real rate of return
Public equities	30.0%	6.0%
US Government	7.5	2.6
Private equity	15.0	7.6
Real assets:		
Real estate	10.0	5.2
Infrastructure	10.0	5.3
Natural resources	5.0	5.0
Traditional credit	7.5	3.2
Alternative credit	5.0	7.4
Diversifiers	10.0	5.0

(10) RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Town participates in the Maine Municipals 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 commercial company’s reinsurance contracts, individual stop loss coverage for member Town’s for claims in excess of \$400,000 with an excess limit of \$2,000,000. There have been no significant changes in insurance coverage during the past year.

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(10) RISK MANAGEMENT (cont'd.)

The Town also is a member of the Maine Municipal Association – Property and Casualty Pool (“Pool”). As with the Fund above, the Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$26,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$100,000.

(11) CONTINGENCIES

The Town is liable for its proportional share of any defaulted debt by entities of which it is a member. At December 31, 2023 the Town’s share is as follows:

	Outstanding <u>Debt</u>	Town’s <u>Percentage</u>	Town’s <u>share</u>
County of Aroostook	0	.39 %	0
SAD #1	\$1,755,795	3.75%	\$65,842

(12) OPEB OBLIGATIONS

Plan Description

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

Accounting Policies

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1	\$ 3,757
Contributions made subsequent to the measurement date	362	
Changes of assumptions	<u>759</u>	<u>858</u>
	<u>\$ 1,122</u>	<u>\$ 4,615</u>

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) OPEB OBLIGATIONS (cont'd.)

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

Year ended December 31:

2024	(87)
2025	(561)
2026	(685)
2027	(685)
2028	(685)
Thereafter	(790)

As of January 1, 2023, the plan membership data is comprised of 6 active members and 1 retiree with only an implicit benefit.

Key Assumptions

Measurement Date:	January 1, 2023
Discount Rate:	3.72% per annum for year-end 2023 reporting 2.06% per annum for year-end 2022 reporting
Trend Assumptions:	Rate of inflation – 3.00% Rate of Growth in Real Income/GDP per capita 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

Future Plan Changes

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

Demographic Assumptions

Retiree continuation:	Retirees who are current Medicare participants: 100% Retirees who are Pre-Medicare, active participants: 75% Spouses who are Pre-Medicare, active participants: 50%
Rate of mortality:	Based on 104% and 120 % of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both project from the 2006 base rates using RPEC-2015 model, with an ultimate rate of 85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120 and convergence to the ultimate rate in the year 2020.
Marriage assumptions:	A husband is assumed to be 3 years older than his wife

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) OPEB OBLIGATIONS (cont'd.)

Assumed rate of retirement: For employees hired prior to July 1, 2014
 Age 55-63 – 5%
 Age 64-69 – 20%
 Age 70 + - 100%

For employees hired after July 1, 2014
 Age 55-58 – 5%
 Age 59-64 – 20%
 Age 65-69 – 25%
 Age 70 + - 100%

Salary increases: 2.75% per year
 Changes in assumptions: Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Discount Rate

The discount rate used to measure the OPEB liability was 3.72% based on a measurement date of January 1, 2023. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

The following table shows how the net OPEB liability (NOL) as of December 31, 2023 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 3.72%.

1% Decrease	Current Discount Rate	1% Increase
2.72%	3.72%	4.72%
\$9,258	\$8,102	\$7,153

A 1% decrease in the discount rate increases the NOL by approximately 14.3% while a 1% increase in the discount rate decreases the NOL by approximately 11.7%.

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

1% Decrease	Healthcare Trend Rates	1% Increase
\$6,978	\$8,102	\$9,527

A 1% decrease in the healthcare trend rate decreases the TOL by approximately 13.9% while a 1% increase in the healthcare trend rate increases the TOL by approximately 17.6%.

(13) NONSPENDABLE FUND BALANCES

At December 31, 2023, the non-spendable fund balance consists of property that has tax liens against it.

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(14) TAXES

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

(15) DEFERRED COMPENSATION PLAN

The Town has established for its employees, as an alternative to participation in the defined benefit pension plan, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employees to defer a portion of their salaries until future years. The deferred compensation amount is not available to the employees until termination, retirement or death. The plan is being maintained by the International City Management Retirement Corporation (I.C.M.A.).

Contributions are at the rate of 10.25% of the town manager's salary, with an additional 3.5% added for employees with ten or more years of service. The Town's contribution to the plan for December 31, 2023 totaled \$994.

(16) SUBSEQUENT EVENTS

Management has evaluated all subsequent events through January 26, 2024, the date the financial statements were available to be issued and determined that no additional disclosures are required in order for these financial statements to be fairly stated.

(17) LEASES

The Town follows GASB #87 in regard to reporting leases. The policy is applied to contracts entered or changed, on or after January 1, 2022. The Town assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Town assesses whether; the contract involves the use of an identified asset, if the Town has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use and if the Town has the right to direct the use of the asset. The Town recognizes a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those for property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Town's incremental borrowing rate. Generally, the Town will use the incremental borrowing rate as the discount rate. The Town has elected not to separate non-lease components of the contract and account for the lease and non-lease components as a single lease component.

TOWN OF CHAPMAN, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(17) LEASES (cont'd.)

A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to extend that the lessee is reasonably certain to exercise. Under GASB #87 lease transactions of buildings and equipment that have a lease term of 12 months or less are recognized in the statement of activities as an expense on a straight-line basis over the lease term in the period in which the obligation for those payments has occurred.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHAPMAN, MAINE

SCHEDULE OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes				
Commitment	\$ 487,274	\$ 487,274	\$ 492,725	\$ 5,451
Taxes unavailable for use in the current period	-	-	(4,000)	(4,000)
Excise tax	116,358	116,358	119,369	3,011
Intergovernmental revenues				
Revenue sharing	67,617	67,617	80,906	13,289
LRAP Funds	19,001	19,001	21,880	2,879
Homestead exemption	50,936	50,936	55,677	4,741
BETE reimbursement	2,661	2,661	10	(2,651)
Veterans reimbursement	215	215	223	8
Tree growth	14,700	14,700	15,078	378
General assistance	1,050	1,050	-	(1,050)
Interest income	2,410	2,410	1,777	(633)
Other revenues	72,976	72,976	165,348	92,372
TOTAL REVENUES	<u>835,198</u>	<u>835,198</u>	<u>948,993</u>	<u>113,795</u>
EXPENDITURES				
Education	362,916	362,916	362,916	-
County tax	55,226	55,226	55,226	-
General government	99,170	99,170	98,025	1,145
Reserves	99,211	99,211	94,225	4,986
Public safety	34,215	34,215	34,209	6
Property services	12,036	12,036	12,203	(167)
Fire protection	46,079	46,079	47,679	(1,600)
Highways	165,909	165,909	165,742	167
General assistance	1,500	1,500	-	1,500
Recreation	11,339	11,339	11,668	(329)
Community service	7,597	7,597	7,225	372
TOTAL EXPENDITURES	<u>895,198</u>	<u>895,198</u>	<u>889,118</u>	<u>6,080</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (60,000)</u>	<u>\$ (60,000)</u>	<u>59,875</u>	<u>\$ 119,875</u>
FUND BALANCE - JANUARY 1, 2023			<u>490,854</u>	
FUND BALANCE - DECEMBER 31, 2023			<u>\$ 550,729</u>	

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

TOWN OF CHAPMAN, MAINE

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	2,559	2,559	-	39,366	6.50%
2015	2,854	2,854	-	36,591	7.80%
2016	2,882	2,882	-	32,377	8.90%
2017	3,411	3,411	-	35,904	9.50%
2018	4,763	4,763	-	48,648	9.79%
2019	4,536	4,536	-	45,364	10.00%
2020	6,507	6,507	-	64,708	10.06%
2021	7,786	7,786	-	76,257	10.21%
2022	8,356	8,356	-	81,127	10.30%
2023	8,758	8,758	-	85,734	10.22%

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

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

Chester M. Kearney, Certified Public Accountants

TOWN OF CHAPMAN, MAINE

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the Net Pension Liability (Asset)	0.054020%	0.060344%	0.061936%	0.047970%	0.047249%	0.051632%	0.055366%	0.049974%	0.06263%	0.058186%
Employer's proportionate share of the Net Pension Liability (Asset)	\$ 30,010	\$ 29,364	\$ (3,284)	\$ 31,448	\$ 23,830	\$ 23,174	\$ 52,139	\$ 53,105	\$ 37,129	\$ 19,276
Employer's Covered Payroll	\$ 85,734	\$ 81,127	\$ 76,257	\$ 64,708	\$ 45,364	\$ 48,648	\$ 35,904	\$ 32,377	\$ 36,591	\$ 39,366
Employer's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered employee payroll	35.00%	36.20%	-4.31%	48.60%	52.53%	47.64%	145.22%	164.02%	101.47%	48.97%
Plan fiduciary net position as a percentage of the total pension liability	92.3%	93.3%	100.9%	88.4%	90.6%	91.1%	86.4%	81.6%	88.3%	94.1%

Amounts presented have a measurement date of June 30, 2023

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

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

Chester M. Kearney, Certified Public Accountants

TOWN OF CHAPMAN, MAINE
NOTES TO GASB #68 REQUIRED SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2023

Valuation Date:

Only fiscal years 2014 - 2023 are reported. The Town will continue to present information until a full ten-year trend is compiled.

Changes of Benefit Terms include:

There were no benefit changes for the Town employees in the employees' retirement plan.

Changes of Assumptions include:

The discount rate was unchanged at 6.50% and the COLA benefit remained at 1.91%.
The rate of inflation was 2.75%. 2.75% was also used by MainePers in its years ended June 30, 2022-2016.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	A level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.
Asset valuation method	One-third of the investment return that is different from the actuarial assumption for investment return
Retirement age	60 or 65, depending on years of creditable service at certain dates
Mortality	RP2014 Total Dataset Health Annuitant Mortality Table for males and females is used

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

TOWN OF CHAPMAN, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost (BOY)	\$ 727	\$ 708	\$ 590	\$ 539	\$ 660	\$ 480
Interest (includes interest on service cost)	179	269	314	400	350	395
Changes of benefit terms	-	-	-	(235)	-	-
Differences between expected and actual experience	845	(4,845)	-	(206)	-	547
Changes of assumptions	(814)	296	603	1,315	(710)	(672)
Benefit payments, including refunds of member contributions	(346)	(581)	(559)	(608)	(585)	(641)
Net Change in total OPEB Liability	<u>\$ 591</u>	<u>\$ (4,153)</u>	<u>\$ 948</u>	<u>\$ 1,205</u>	<u>\$ (285)</u>	<u>\$ 109</u>
Total OPEB Liability - Beginning	<u>\$ 7,511</u>	<u>\$ 11,664</u>	<u>\$ 10,716</u>	<u>\$ 9,511</u>	<u>\$ 9,796</u>	<u>\$ 9,693</u>
Total OPEB Liability - Ending	<u>\$ 8,102</u>	<u>\$ 7,511</u>	<u>\$ 11,664</u>	<u>\$ 10,716</u>	<u>\$ 9,511</u>	<u>\$ 9,802</u>
Plan Fiduciary Net Position						
Contributions - Employer	346	581	530	608	585	641
Contributions - Member	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(346)	(581)	(530)	(608)	(585)	(607)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net positions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fiduciary Net Position - Beginning	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Fiduciary Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%
Covered employee payroll	48,941	48,941	30,420	30,420	41,556	39,384
Net OPEB liability as a percentage of covered employee payroll	16.1%	15.3%	38.3%	35.2%	24.2%	25.0%

Amounts presented have a measurement date of January 1

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

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

SUPPLEMENTARY INFORMATION

TOWN OF CHAPMAN, MAINE

SCHEDULE OF CHANGES IN COMMITTED AND RESTRICTED FUND BALANCES

YEAR ENDED DECEMBER 31, 2023

	Balance January 1	Appropriation	Receipts	Total Available	Disbursements	Transfers	Balance December 31
Committed Fund Balances							
Highway equipment	27,908	1,439	10,225	39,572	(13,990)	1,045	26,627
Local road improvement	67,856	71,495	-	139,351	(8,143)	-	131,208
Fire department	51,892	10,098	1,099	63,089	(53,054)	-	10,035
Municipal building	9,099	5,000	-	14,099	(10,862)	-	3,237
Comprehensive planning	5,359	174	-	5,533	-	-	5,533
Recreation program	6,368	1,306	965	8,639	(6,704)	(1,045)	890
Legal fees-individual	10,000	-	-	10,000	(349)	-	9,651
Legal fees-joint	1,588	65	-	1,653	-	-	1,653
Septic systems	242	-	-	242	-	-	242
Assessing	334	2,000	216	2,550	-	-	2,550
Revaluation	12,042	4,587	-	16,629	-	-	16,629
Employee benefits	3,852	418	-	4,270	-	-	4,270
Vital records	1,594	1,365	1,090	4,049	-	-	4,049
Pump house/dry hydrant)	348	-	348	696	-	-	696
Office equipment reserve	3,342	1,264	-	4,606	(1,123)	-	3,483
	<u>201,824</u>	<u>99,211</u>	<u>13,943</u>	<u>314,978</u>	<u>(94,225)</u>	<u>-</u>	<u>220,753</u>
Restricted Fund Balances							
ARPA Funding	35,533	-	790	36,323	(1,762)	-	34,561

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

Chester M. Kearney, Certified Public Accountants

ADDITIONAL REPORT



Chester M. Kearney
Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171 Fax 207-764-6362

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

To the Board of Selectmen of the
Town of Chapman, Maine

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chapman, Maine, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town of Chapman, Maine's basic financial statements and have issued our report thereon dated January 26, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Chapman, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Chester M. Kearney

Presque Isle, Maine
January 26, 2024