

**CITY OF WATERVILLE,
MAINE**

FINANCIAL REPORT

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Waterville, Maine
Waterville, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterville, Maine (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterville, Maine as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the schedule proportionate share of the net pension liability and related ratios on page 44, the schedule of employer contributions on page 45, the schedule of changes in the health plan OPEB liability and related ratios on page 46, and the schedule of proportionate share of the GTL plan net OPEB liability on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, on our consideration of the City of Waterville, 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 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 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 City of Waterville, Maine's internal control over financial reporting and compliance.

Nicholson, Michael & Company

Waterville, Maine
February 15, 2019

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Waterville, Maine (the City), we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- Total net position for the year ended June 30, 2018 of \$30,718,684. A portion of that amount, \$23,970,418, is a net investment in capital assets while the next largest portion, \$3,581,147 is unrestricted. Total net position for the year ended June 30, 2017, was \$30,260,413. A portion of that amount, \$23,923,549, was a net investment in capital assets while the next largest portion, \$3,047,774 was unrestricted.
- Net position increased by \$458,271 for the year ended June 30, 2018. The net position decrease for the year ended June 30, 2017, was \$789,768.
- The governmental funds reported combined fund balances of \$9,320,361, an increase of \$294,183 from the prior year. The increase in fund balance is attributed primarily to an increase in the General Fund fund balance of \$224,572 and an increase in the Capital Projects fund balance of \$114,904, related primarily to current year activity and also remaining bond proceeds for construction projects received in prior years that were spent in the current year.
- As of June 30, 2018, unassigned fund balance for the General Fund (City and School) was \$5,287,786 or approximately 13.7% of the total general fund expenditures. The City's policy establishes a goal to maintain an unassigned fund balance of at least 12%.
- Bonds payable decreased to \$19,252,874 as compared to \$21,505,635 from the prior year as a result of regularly scheduled principal repayments of \$2,252,761.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The City's Basic Financial Report has three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. All of the funds of the City are reported using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting is similar to the accounting method used by non-public businesses, in that revenues and expenditures are recorded in the current year regardless of when the revenue is collected or paid out.

Government-Wide Financial Statements

- Government-wide financial statements report information on all of the non-fiduciary activities of the City's Governmental activities which are normally supported by taxes and intergovernmental revenues.
- The City's financial statements are comprised of a series of statements such as the statement of net position and the statement of activities. These statements provide an overview of the activities of the government as a whole.
- The statement of net position provides a picture of the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources (including infrastructure). This 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 City is improving or deteriorating. Other factors such as changes in the City's property tax base and the condition of the roads also need to be considered to assess the overall health of the City.

Fund Financial Statements

- The fund financial statements provide details of the City’s most significant funds – not the City as a whole. 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. Examples of funds within the City’s financial statements follow.
- *General Fund* – This is the primary operating fund for the City. Most of the City’s basic services are reported in the general fund. The governmental fund statements provide a detailed *short-term* view of the City’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.
- *Other Governmental Funds* – This is the remaining special revenue funds, capital projects funds and permanent funds that do not meet the criteria for reporting as a major fund.
- *Fiduciary Funds* – These funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City is the trustee, or *fiduciary*, for Trust Funds that are set up primarily as scholarships or funds for people in need. These assets, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City’s fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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 17-43 of this document.

THE CITY AS A WHOLE

The following information is a condensed version of the statement of net position.

| | Governmental Activities | | Library | |
|----------------------------|-----------------------------|----------------------|----------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 12,550,877 | \$ 12,583,598 | \$ 1,401,192 | \$ 1,412,651 |
| Capital assets, net | 43,438,265 | 45,500,132 | 1,401,192 | 1,412,651 |
| Total assets | <u>\$ 55,989,142</u> | <u>\$ 58,083,730</u> | <u>\$ 1,401,192</u> | <u>\$ 1,412,651</u> |
| Long-term debt outstanding | \$ 23,334,987 | \$ 26,376,916 | | |
| Other liabilities | 1,935,471 | 1,446,401 | \$ 50,814 | \$ 16,597 |
| Total liabilities | <u>25,270,458</u> | <u>27,823,317</u> | <u>50,814</u> | <u>16,597</u> |
| Net position: | | | | |
| Invested in: | | | | |
| Capital assets | 23,970,418 | 23,923,549 | | |
| Restricted | 3,167,119 | 3,289,090 | | |
| Unrestricted | 3,581,147 | 3,047,774 | 1,350,378 | 1,429,248 |
| Total net position | <u>\$ 30,718,684</u> | <u>\$ 30,260,413</u> | <u>\$ 1,350,378</u> | <u>\$ 1,429,248</u> |

City of Waterville, Maine

Current and other assets are substantially all comprised of cash and investments. Capital assets, which include property, plant, equipment, and infrastructure, are generally defined by the City as assets with an initial, individual cost of greater than or equal to \$5,000 (five thousand dollars) and an estimated useful life in excess of one year. Capital assets decreased in 2018 as depreciation expense exceeded investment in capital assets in various City departments and various road repair projects. Revenues raised were greater than budget, while expenditures were kept below anticipated budget amounts which contributed to the overall increase in the governmental activities net position in the current year. By far the largest portion of the City's net position reflects its investment in capital assets less any related debt to acquire those assets still outstanding. There were no new bonds issued in the current year. The City reduced its long-term debt outstanding by approximately 10.5%. Detail of the activity of capital assets and long-term debt can be found in the notes to the financial statements.

The following schedule, the statement of activities, focuses on changes in net position of the City's governmental activities.

| | Governmental Activities | | Library | |
|--|-------------------------|----------------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Program Revenues: | | | | |
| Charges for services | \$ 4,025,205 | \$ 3,859,202 | \$ 33,759 | \$ 30,647 |
| Operating grants and contributions | 17,405,394 | 16,855,128 | 548,764 | 554,671 |
| Capital grants and contributions | 517,830 | 383,131 | | |
| | <u>21,948,429</u> | <u>21,097,461</u> | <u>582,523</u> | <u>585,318</u> |
| General Revenues: | | | | |
| Property and other taxes | 18,566,584 | 18,397,787 | | |
| PERC reimbursement | 910,000 | | | |
| Licenses, permits and fees | 636,700 | 300,878 | | |
| Grants and contributions not restricted to specific programs | 2,170,089 | 1,833,173 | | |
| Investment earnings | 221,174 | 274,792 | 73,141 | 109,462 |
| Unclassified | 223,005 | 524,956 | | |
| | <u>22,727,552</u> | <u>21,331,586</u> | <u>73,141</u> | <u>109,462</u> |
| Total Revenues | <u>44,675,981</u> | <u>42,429,047</u> | <u>655,664</u> | <u>694,780</u> |
| Program Expenses: | | | | |
| General government | 3,304,022 | 3,371,277 | | |
| Public works | 4,033,259 | 4,104,731 | | |
| Public safety | 7,527,413 | 7,544,896 | | |
| Parks, recreation and culture | 607,905 | 585,459 | | |
| Health and welfare | 251,737 | 248,676 | | |
| Education | 26,088,030 | 25,371,606 | | |
| Program expenses | 82,476 | 45,429 | | |
| TIF projects | 207,689 | 678,139 | | |
| Unclassified | 758,210 | 774,461 | | |
| Capital outlay | 972,178 | 83,705 | | |
| Interest on debt | 384,791 | 410,436 | | |
| Library expenses | | | 734,534 | 639,739 |
| Total Expenses | <u>44,217,710</u> | <u>43,218,815</u> | <u>734,534</u> | <u>639,739</u> |
| Change in Net Position | 458,271 | (789,768) | (78,870) | 55,041 |
| Net Position, Beginning of Year | 30,260,413 | 31,050,181 | 1,429,248 | 1,374,207 |
| Net Position, End of Year | \$ 30,718,684 | \$ 30,260,413 | \$ 1,350,378 | \$ 1,429,248 |

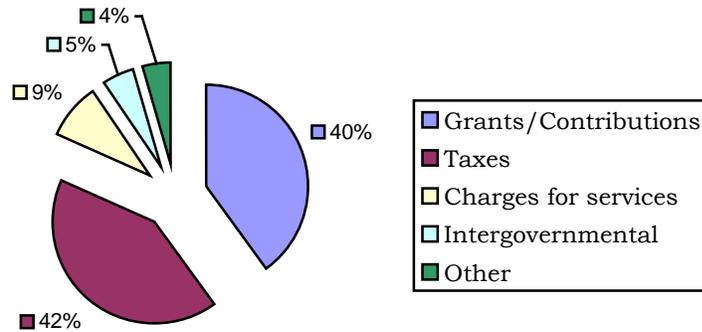
The cost of all governmental activities this year was \$44,217,710, which represents an increase of \$1,023,820 from prior year. Of this amount, Waterville taxpayers financed \$18,566,584 through property, personal and excise taxes. Municipal and educational departments have continued to aggressively pursue grant revenue to cover programs and services and to help reduce the tax burden to Waterville residents.

Special revenue fund program expenses are expenditures from City and School funds such as the City recreation and airport funds and school programs such as the lunch program and other specifically grant-funded programs. These programs are found in the “All Other Governmental Funds” section of this report.

Capital outlay represents the net amount paid for items that are capital in nature and major repairs. Interest on debt indicates the debt service amounts paid from the City and School general fund and the TIF fund.

Governmental Activities

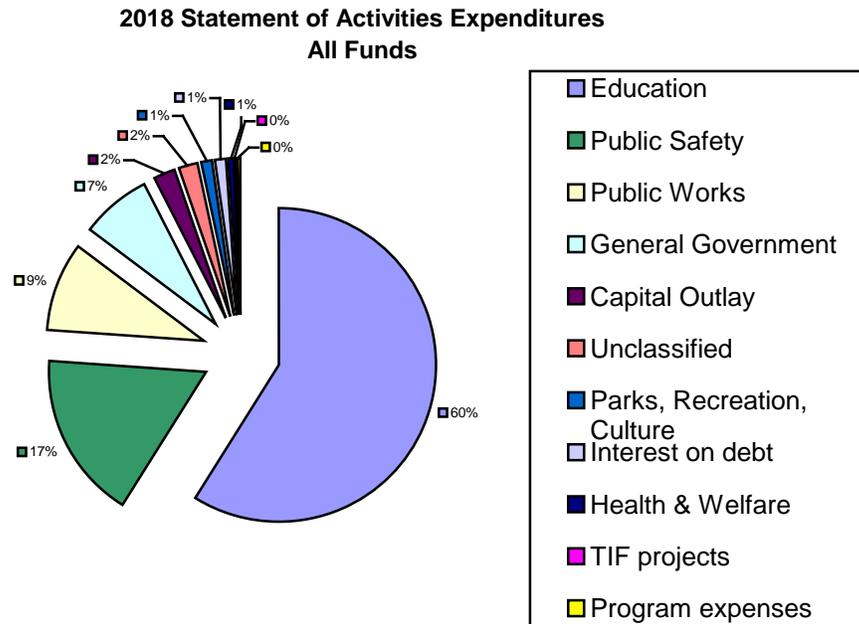
**2018 Statement of Activities Revenues
All Funds**



| | |
|----------------------|---|
| Grants/Contributions | Includes operating and capital grants and contributions |
| Taxes | Includes real property, personal property and excise taxes |
| Charges for service | Includes revenue from the various departments for services |
| Intergovernmental | Includes State revenue sharing, homestead, veterans and welfare reimbursement, State road grant |
| Other | Includes perc reimbursement, license and permit revenue, franchise fees and fines, miscellaneous revenue, and investment earnings from general fund investments |

As the revenue chart shows, the major sources of revenue for the City of Waterville are operating and capital grants and contributions, taxes, charges for services and intergovernmental revenue.

Governmental Activities – Continued



As the above chart indicates, education is the department with the largest expenditure, with public safety and public works following, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total budgeted revenues were \$38,721,935, and actual revenues were \$39,304,035, resulting in a positive variance of \$582,100. Total budgeted expenditures were \$39,561,935 and actual expenditures were \$39,079,463, resulting in a positive variance of \$482,472. For the year, the General Fund had an increase in fund balance of \$224,572.

The City continues to meet its responsibilities for sound financial management. This year the City meets the fund balance percentage range set by the council of 12%. Carefully monitoring expenditures, finding non-tax sources of revenue, and monitoring its debt repayment ceiling have all helped in establishing a favorable fund balance. Having the fund balance at an appropriate level is important when the City goes to bond. The residents of the City can be proud of its municipal and school personnel, who have worked together to meet its responsibilities for sound financial management.

ECONOMIC FACTORS AND THE CITY'S BUDGET

The valuation for the City increased by approximately \$3 million or 0.26% in fiscal year ended June 30, 2018. Real estate valuation increased by approximately \$2 million or 0.15% while Personal Property decreased approximately \$1 million or 2.22%.

The unemployment rate for the City at fiscal year-end was an estimated 3.5 % which was down from 4.3% from the prior year. The rate is above the estimated State average of 3.0% and below the estimated National rate of 4.1%. These figures are from the Maine Center for Workforce Research and Information website.

The 2018/2019 budget adopted by the City Council resulted in a 1.94 mill increase in the mill rate from the 2017/2018 rate of 23.33 mills (25.27 mills). For the 2017/2018 budget year, which is the year this audit covers, the mill rate was 23.33 mills.

LD 1, adopted in 2005, imposes a property tax levy limit which is based on a combination of the State's average personal income growth factor and the property growth factor of each individual municipality. The budget adopted by the City Council was within the limits established by the law.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City's *Finance Director, 1 Common Street, Waterville, ME 04901.*

Statement of Net Position

June 30, 2018

| | Primary Government Governmental Activities | Component Unit Library |
|---|---|---------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,437,272 | \$ 53,390 |
| Investments | 6,416,659 | 1,347,802 |
| Receivables: | | |
| Taxes receivable | 814,605 | |
| Tax liens | 286,514 | |
| Other receivables | 878,136 | |
| Intergovernmental | 511,499 | |
| Inventory | 206,192 | |
| Capital assets, net of accumulated depreciation | 43,438,265 | |
| Total Assets | <u>55,989,142</u> | <u>1,401,192</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows of resources related to pensions/OPEB | 1,840,654 | |
| Total Deferred Outflows of Resources Related to Pensions | <u>1,840,654</u> | |
| LIABILITIES | | |
| Accounts payable | 424,761 | 50,814 |
| Accrued wages and benefits payable | 1,645,029 | |
| Accrued compensated absences | 213,898 | |
| Unearned revenue | 62,055 | |
| Deposits | 248,234 | |
| Taxes received in advance | 29,812 | |
| Due to agency fund | 36,838 | |
| Accrued interest | 158,847 | |
| Noncurrent liabilities: | | |
| Due within one year | 2,337,436 | |
| Due in more than one year | 19,897,682 | |
| Other post employment benefits liability | 668,758 | |
| Accrued compensated absences | 217,213 | |
| Total Liabilities | <u>25,940,563</u> | <u>50,814</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows of resources related to pensions/OPEB | 1,170,549 | |
| Total Deferred Inflows of Resources Related to Pensions | <u>1,170,549</u> | |
| NET POSITION | | |
| Net investment in capital assets | 23,970,418 | |
| Restricted for: | | |
| Nonexpendable for inventory | 79,448 | |
| Nonexpendable trust principal | 1,310,897 | |
| Expendable for trust designated uses | 1,269,512 | |
| Special revenue funds | 478,968 | |
| Work in Process Capital Projects | 28,294 | |
| Unrestricted | 3,581,147 | 1,350,378 |
| Total Net Position | <u>\$ 30,718,684</u> | <u>\$ 1,350,378</u> |

See independent auditor's report.

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

Statement of Activities

Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | Component Unit Library |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| Mayor | \$ 20,400 | | | | \$ (20,400) | |
| Administration | 1,286,347 | | | | (1,286,347) | |
| Library | 452,320 | | | | (452,320) | |
| Assessor | 235,938 | | | | (235,938) | |
| Information services | 350,237 | \$ 52,676 | | | (297,561) | |
| Finance department | 377,676 | 34,085 | | | (343,591) | |
| City clerk | 219,963 | 32,606 | | | (187,357) | |
| Planning department | 49,872 | 10,450 | | | (39,422) | |
| Economic development | 311,269 | | \$ 97,791 | | (213,478) | |
| Public works | 4,033,259 | 589,505 | | | (3,443,754) | |
| Parks, recreation and culture | 607,905 | 199,301 | 48,246 | | (360,358) | |
| Police | 3,636,700 | 167,708 | 73,359 | | (3,395,633) | |
| Communication center | 570,238 | 136,158 | | | (434,080) | |
| Fire | 2,288,692 | 46,352 | | | (2,242,340) | |
| Code enforcement | 132,790 | | | | (132,790) | |
| Health and welfare | 251,737 | | 49,396 | | (202,341) | |
| Airport | 898,993 | 371,455 | | | (527,538) | |
| Unclassified | 758,210 | | 216,850 | | (541,360) | |
| Program expenses | 82,476 | | | | (82,476) | |
| TIF projects | 207,689 | | | | (207,689) | |
| Education | 26,088,030 | 2,384,909 | 16,919,752 | | (6,783,369) | |
| Capital outlay recaptured | 972,178 | | | \$ 517,830 | (454,348) | |
| Interest on debt | 384,791 | | | | (384,791) | |
| Total Governmental Activities | <u>\$ 44,217,710</u> | <u>\$ 4,025,205</u> | <u>\$ 17,405,394</u> | <u>\$ 517,830</u> | <u>(22,269,281)</u> | |
| Component Unit: | | | | | | |
| Library | <u>\$ 734,534</u> | <u>\$ 33,759</u> | <u>\$ 548,764</u> | | | <u>\$ (152,011)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | | 16,683,092 | |
| Excise taxes | | | | | 1,883,492 | |
| PERC reimbursement | | | | | 910,000 | |
| Licenses and permits | | | | | 445,671 | |
| Franchise fees | | | | | 182,985 | |
| Fees and fines | | | | | 8,044 | |
| Grants and contributions not restricted to specific programs: | | | | | | |
| State revenue sharing | | | | | 1,187,407 | |
| Homestead exemption | | | | | 548,413 | |
| BETE reimbursement | | | | | 434,269 | |
| Investment earnings | | | | | 221,174 | 73,141 |
| Unclassified | | | | | 223,005 | |
| Total general revenues | | | | | <u>22,727,552</u> | <u>73,141</u> |
| Change in net position | | | | | 458,271 | (78,870) |
| Net position - beginning of year | | | | | <u>30,260,413</u> | <u>1,429,248</u> |
| Net position - end of year | | | | | <u>\$ 30,718,684</u> | <u>\$ 1,350,378</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

Balance Sheet - Governmental Funds

June 30, 2018

| | General | Capital Projects | Other Governmental Funds | Total |
|--|----------------------|---------------------|--------------------------------|----------------------|
| ASSETS | | | | |
| Cash | \$ 2,924,133 | | \$ 513,139 | \$ 3,437,272 |
| Investments | 4,288,259 | | 2,128,400 | 6,416,659 |
| Receivables: | | | | |
| Taxes receivable | 814,605 | | | 814,605 |
| Tax liens | 286,514 | | | 286,514 |
| Other receivables | 864,704 | | 13,432 | 878,136 |
| Intergovernmental | 91,710 | \$ 8,267 | 411,522 | 511,499 |
| Interfund loans receivable | 1,121,456 | 1,176,250 | 617,625 | 2,915,331 |
| Inventory | 126,744 | | 79,448 | 206,192 |
| Total Assets | <u>\$ 10,518,125</u> | <u>\$ 1,184,517</u> | <u>\$ 3,763,566</u> | <u>\$ 15,466,208</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 265,988 | | \$ 158,773 | \$ 424,761 |
| Accrued wages and benefits payable | 1,642,504 | | 2,525 | 1,645,029 |
| Accrued compensated absences | 211,853 | | 2,045 | 213,898 |
| Unearned revenue | 49,640 | \$ 10,457 | 1,958 | 62,055 |
| Deposits | 248,234 | | | 248,234 |
| Taxes received in advance | 29,812 | | | 29,812 |
| Due to agency fund | 36,838 | | | 36,838 |
| Interfund loans payable | 1,788,837 | 569,096 | 557,398 | 2,915,331 |
| Total Liabilities | <u>4,273,706</u> | <u>579,553</u> | <u>722,699</u> | <u>5,575,958</u> |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 569,889 | | | 569,889 |
| Fund Balances (Deficits): | | | | |
| Nonspendable for inventory | 126,744 | | 79,448 | 206,192 |
| Nonspendable for trusts | | | 1,310,897 | 1,310,897 |
| Restricted for trusts | | | 1,269,512 | 1,269,512 |
| Restricted for special revenue funds | | | 478,968 | 478,968 |
| Restricted for capital projects | | 28,294 | | 28,294 |
| General Fund - assigned for subsequent year budget | 100,000 | | | 100,000 |
| General Fund - unassigned | 5,013,240 | | | 5,013,240 |
| General Fund - assigned for subsequent year school budget | 160,000 | | | 160,000 |
| General Fund - restricted for education | 274,546 | | | 274,546 |
| Special Revenues - unassigned | | | (97,958) | (97,958) |
| Capital Projects - committed | | 1,038,402 | | 1,038,402 |
| Capital Projects - unassigned | | (461,732) | | (461,732) |
| Total Fund Balances | <u>5,674,530</u> | <u>604,964</u> | <u>3,040,867</u> | <u>9,320,361</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 10,518,125</u> | <u>\$ 1,184,517</u> | <u>\$ 3,763,566</u> | |
| Reconciliation of Fund Balances to Net Position: | | | | |
| 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. | | | | 43,438,265 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | | | 569,889 |
| Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds. | | | | |
| Accrued compensated absences | | | | (217,213) |
| Accrued interest | | | | (158,847) |
| Capital leases payable | | | | (214,973) |
| Other post employment benefits liability | | | | (668,758) |
| Net pension liability, including related deferred outflows and inflows of resources | | | | (1,889,310) |
| Bonds payable | | | | (19,460,730) |
| Net Position of Governmental Activities | | | | <u>\$ 30,718,684</u> |

See independent auditor's report.

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2018

| | General | Capital Projects | Other Governmental Funds | Total |
|---|---------------------|---------------------|--------------------------------|---------------------|
| Revenues: | | | | |
| Taxes | \$ 18,663,247 | | | \$ 18,663,247 |
| Licenses and permits | 445,671 | | | 445,671 |
| Intergovernmental | 16,031,755 | \$ 154,697 | \$ 3,152,343 | 19,338,795 |
| Tuition and other charges - Education | 2,204,577 | | 180,332 | 2,384,909 |
| Charges for services - City | 1,271,416 | | 371,455 | 1,642,871 |
| Fees and fines | 8,044 | | | 8,044 |
| Unclassified | 1,365,303 | 363,133 | 253,723 | 1,982,159 |
| Investment earnings | 37,022 | | 184,152 | 221,174 |
| Total Revenues | <u>40,027,035</u> | <u>517,830</u> | <u>4,142,005</u> | <u>44,686,870</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Mayor | 20,400 | | | 20,400 |
| Administration | 1,115,912 | | | 1,115,912 |
| Library | 452,320 | | | 452,320 |
| Assessor | 173,857 | | | 173,857 |
| Information services | 349,266 | | | 349,266 |
| Finance department | 377,676 | | | 377,676 |
| City clerk | 210,538 | | | 210,538 |
| Planning department | 49,872 | | | 49,872 |
| Economic development | 214,085 | | | 214,085 |
| Public works | 3,514,942 | | | 3,514,942 |
| Parks, recreation and culture | 569,601 | | | 569,601 |
| Police | 3,186,706 | | 93,822 | 3,280,528 |
| Communication center | 570,238 | | | 570,238 |
| Fire | 2,117,827 | | | 2,117,827 |
| Code enforcement | 132,790 | | | 132,790 |
| Health and welfare | 251,737 | | | 251,737 |
| Airport | | | 408,357 | 408,357 |
| Education | 22,684,552 | | 3,623,821 | 26,308,373 |
| County tax | 744,546 | | | 744,546 |
| Unclassified | 13,664 | | 179,660 | 193,324 |
| TIF projects | | | 207,689 | 207,689 |
| Capital outlay | | 1,490,359 | | 1,490,359 |
| Debt service (excluding education portion) | 1,724,224 | | | 1,724,224 |
| Total Expenditures | <u>38,474,753</u> | <u>1,490,359</u> | <u>4,513,349</u> | <u>44,478,461</u> |
| Deficiency of Revenues Over Expenditures | <u>1,552,282</u> | <u>(972,529)</u> | <u>(371,344)</u> | <u>208,409</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 305,000 | 1,087,433 | 971,051 | 2,363,484 |
| Transfers out | (1,632,710) | | (645,000) | (2,277,710) |
| Total Other Financing Sources (Uses) | <u>(1,327,710)</u> | <u>1,087,433</u> | <u>326,051</u> | <u>85,774</u> |
| Net Change in Fund Balances | 224,572 | 114,904 | (45,293) | 294,183 |
| Fund Balances, Beginning of Year | <u>5,449,958</u> | <u>490,060</u> | <u>3,086,160</u> | <u>9,026,178</u> |
| Fund Balances, End of Year | <u>\$ 5,674,530</u> | <u>\$ 604,964</u> | <u>\$ 3,040,867</u> | <u>\$ 9,320,361</u> |

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

Year Ended June 30, 2018

| | |
|--|--------------------------|
| Net change in fund balances - total governmental funds | \$ 294,183 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$2,887,726) exceeded the cost of assets (\$825,860) in the current period. | |
| | (2,061,866) |
| 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. This represents the increase in accrued compensated absences (\$23,384), the increase in OPEB liability including deferred outflows and inflows (\$46,238), the decrease in accrued interest (\$14,885) and net decrease in net pension liability including deferred outflows and inflows (\$117,922). | |
| | 63,185 |
| Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position (\$88,963). Repayment of capital lease principal is an expenditure in the the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (\$84,089). | |
| | (4,874) |
| Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes) differ between the two statements. This amount represents the net change in unavailable revenue. | |
| | (96,663) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | |
| | <u>2,264,306</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 458,271</u></u> |

See accompanying independent auditor's report.
The accompanying notes are an integral part of these financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Budgetary Basis) and Actual - General Fund**

Year Ended June 30, 2018

| | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|---|-------------------|-------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 18,403,757 | \$ 18,403,757 | \$ 18,663,247 | \$ 259,490 |
| Licenses and permits | 306,000 | 306,000 | 445,671 | 139,671 |
| Intergovernmental | 14,857,585 | 14,857,585 | 15,003,755 | 146,170 |
| Tuition and other charges for services - Education | 1,908,693 | 1,908,693 | 2,204,577 | 295,884 |
| Charges for services - City | 1,192,850 | 1,192,850 | 1,271,416 | 78,566 |
| Fees and fines | 5,000 | 5,000 | 8,044 | 3,044 |
| Unclassified | 1,289,450 | 1,289,450 | 1,365,303 | 75,853 |
| Investment earnings | 60,000 | 60,000 | 37,022 | (22,978) |
| Transfers in | 698,600 | 698,600 | 305,000 | (393,600) |
| Total Revenues | 38,721,935 | 38,721,935 | 39,304,035 | 582,100 |
| Expenditures | | | | |
| Mayor | 23,985 | 23,985 | 20,400 | 3,585 |
| Administration | 1,115,037 | 1,115,037 | 1,115,912 | (875) |
| Library | 452,320 | 452,320 | 452,320 | - |
| Assessor | 177,995 | 177,995 | 173,857 | 4,138 |
| Information services | 377,216 | 377,216 | 349,266 | 27,950 |
| Finance department | 382,875 | 382,875 | 377,676 | 5,199 |
| City clerk | 202,465 | 202,465 | 210,538 | (8,073) |
| Planning department | 46,504 | 46,504 | 49,872 | (3,368) |
| Economic development | 212,155 | 212,155 | 214,085 | (1,930) |
| Public works | 3,633,957 | 3,633,957 | 3,514,942 | 119,015 |
| Parks, culture and recreation | 662,060 | 662,060 | 569,601 | 92,459 |
| Police | 3,240,526 | 3,240,526 | 3,186,706 | 53,820 |
| Communication center | 589,316 | 589,316 | 570,238 | 19,078 |
| Fire | 2,127,033 | 2,127,033 | 2,117,827 | 9,206 |
| Code enforcement | 125,978 | 125,978 | 132,790 | (6,812) |
| Health and welfare | 277,254 | 277,254 | 251,737 | 25,517 |
| Education | 21,656,933 | 21,656,933 | 21,656,552 | 381 |
| County tax | 744,546 | 744,546 | 744,546 | - |
| Unclassified | 31,100 | 31,100 | 13,664 | 17,436 |
| Debt service (excluding education portion) | 1,723,500 | 1,723,500 | 1,724,224 | (724) |
| Transfers out | 1,759,180 | 1,759,180 | 1,632,710 | 126,470 |
| Total Expenditures | 39,561,935 | 39,561,935 | 39,079,463 | 482,472 |
| Deficiency of Revenues Over Expenditures | (840,000) | (840,000) | 224,572 | \$ 1,064,572 |
| Beginning Fund Balance Utilized | 840,000 | 840,000 | | |
| Fund Balance, Beginning of Year | | | 5,449,958 | |
| Fund Balance, End of Year | \$ - | \$ - | \$ 5,674,530 | |

See independent auditor's report.

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

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2018

| | Private- Purpose Trust Funds | Agency Funds |
|---|---|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | | \$ 343,402 |
| Investments | \$ 337,109 | 103,720 |
| Due from other funds | | <u>36,838</u> |
| Total Assets | <u><u>\$ 337,109</u></u> | <u><u>\$ 483,960</u></u> |
| LIABILITIES AND NET POSITION | | |
| Liabilities: | | |
| Due to student groups | | \$ 446,284 |
| Amount held for others | | <u>37,676</u> |
| Total Liabilities | | <u><u>\$ 483,960</u></u> |
| Net Position | | |
| Held in trust | <u><u>\$ 337,109</u></u> | |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position - Fiduciary Funds

Year Ended June 30, 2018

| | Private- Purpose Trust Funds |
|--|---|
| Investment Income and Donations | \$ 42,929 |
| Scholarships and Related Expenses | <u>11,298</u> |
| Change in Net Position | 31,631 |
| Net Position, Beginning of Year | <u>305,478</u> |
| Net Position, End of Year | <u><u>\$ 337,109</u></u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waterville, Maine (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (standards and interpretations), constitute GAAP for governmental units. GAAP also includes guidance from the American Institute of Certified Public Accountants in a publication entitled State and Local Governments. The more significant of the City's accounting policies are described below.

Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may be financially accountable and, as such, should be included within the City's financial statements. In accordance with GASB Statement No. 14 as amended by GASB Statements No. 61 and No. 80, the City is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Included within the reporting entity:

The following three entities have been included in the reporting entity. The Waterville/Winslow Solid Waste Disposal Corporation and the Robert H. Lafleur Airport are not considered to be separate legal entities from the City. The financial activity related to these organizations has been included in the appropriate funds of these financial statements. The Waterville Public Library is a separate legal entity but has met the criteria of a component unit due to the City's financial accountability. A brief description of these three entities follows:

The Waterville/Winslow Solid Waste Disposal Corporation

The Waterville/Winslow Solid Waste Disposal Corporation has its own Board of Directors. The appointment of the majority of the members of the Board is controlled by the City. Decisions made by the Disposal Corporation Board are subject to the approval of the City. The Disposal Corporation Board functions solely as a steering committee and does not control any financial resources of the landfill or transfer facility. All the financial activity of the landfill and transfer facility are reported in Public Works in the general fund of the City and is controlled by the Waterville City Council.

Robert H. Lafleur Airport

The airport is not a legally separate entity from the City and, therefore, all of the airport's financial activity has been reported in these financial statements in the special revenue and capital project funds.

Waterville Public Library

Waterville Public Library has a separate Board appointed by the City. The City funds approximately \$450,000 of the Library's annual expenditures. In addition to general operation, the Library Board controls a substantial amount of trust funds held for the benefit of the Library. The Library is considered a component unit and is discretely presented in the government-wide financial statements.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Joint Venture – The city has entered into a joint venture with another entity. This joint venture is considered to be a separate reporting entity and has not been included within the financial statements of the City. The joint venture is as follows:

Kennebec Regional Development Authority (FirstPark) was formed in 1998 through an act of the Maine State Legislature. Its primary purposes, according to the Act, were to strengthen the financial condition of local governments within the geographic territory of the Authority, while combining resources and sharing costs for meeting regional economic development needs and challenges; to promote and develop infrastructure and programs for employment and economic development opportunities and other conditions to positively affect regional development. The intent was that the members would fund the start-up costs and then all benefit from the tax revenues later on. There are currently 24 governments who are members of the Authority, including the City.

The Authority derives the bulk of its revenue from the participants, but also receives some grant revenue from the State of Maine. During fiscal year 2018, the City contributed \$70,018. Complete financial statements may be obtained from Kennebec Regional Development Authority at P.O. Box 246, Oakland, ME 04963.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been eliminated from these statements. Governmental activities are primarily supported by taxes and intergovernmental revenues.

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Basis of Presentation – Continued

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 City 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 the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental fund:

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

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds include the following fund types:

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

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The funds are used to account for assets that the City holds for others in an agency capacity.

Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months or less. State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, commercial paper, repurchase agreements and certain corporate stocks and bonds. Cash equivalents include certificates of deposits with a longer maturity.

Investments are stated at fair value. Investment income and realized and unrealized gains and losses are reported in the statement of revenues, expenditures and changes in fund balances – governmental funds and in the statement of activities in the government wide financial statements.

Interfund Receivables/Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed.

Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are generally recorded as expenditures when consumed rather than when purchased. Some items in the special revenue fund have been recorded as assets and the related fund balances are reserved for these amounts because these "inventories" do not constitute expendable available financial resources.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost when historical cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized.

For City roads and other infrastructure, maintenance is defined as repairs that are regularly scheduled and are normal for that type of road surface. These costs are generally expensed, even though the cost may exceed the capitalization threshold. However, if the road is "improved" or "rebuilt" by straightening curves, upgrading the surface type, replacing low water crossings, digging up old pavement down to the road base or any other major change, it must be capitalized and depreciated if it exceeds the threshold of \$50,000 and adds to the life or capacity of the road or infrastructure.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 40 years.

For all capital assets – buildings, vehicles, equipment – the City elects to use the Depreciation Approach defined by Statement No. 34 for reporting.

This process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market process at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

Deferred Outflows of Resources

In addition to assets, the statement of net 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) until that time. The deferred outflows of resources reported in the governmental activities column in the government-wide financial statements relate to the net pension liability and net OPEB liabilities, which include the City and School's pension plan contributions made subsequent to the measurement date, which are recognized as a reduction of the net pension and net OPEB liabilities in the subsequent year. They also include differences between expected and actual experience, differences between projected and actual investment earnings on pension and OPEB plan investments, changes in assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. See Notes 10 and 11 for additional disclosures related to pension plans and OPEB.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. No current expenditure is reported for these amounts in the fund financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 City's governmental funds have one type of item that arises under a modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from property taxes. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The deferred inflows of resources reported in the governmental activities column in the government-wide financial statements relate to the net pension and net OPEB liabilities and include differences between expected and actual experience, differences between projected and actual investment earnings on pension and OPEB plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. See Notes 10 and 11 for additional disclosures related to pension plans and OPEB.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs if material to the 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.

In the fund financial statement, 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.

Fund Balances

In the governmental fund financial statements fund balance is reported in five classifications.

Nonspendable - nonspendable represents fund balance amounts that are not in spendable form, such as inventories or resources that must be maintained intact pursuant to legal or contractual requirements.

Restricted - restricted fund balance represents resources with constraints placed on the use of resources which are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. An example of restricted funds would be TIF Fund commitments.

Committed - committed is the portion of fund balance which is subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner. An example of committed funds would be amounts for City initiated only projects of activities in the Recreation and Capital Funds.

Assigned - assigned is the portion of fund balance that is constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Special revenue balances that do not meet the above categories are considered assigned.

Unassigned - fund balance that has not been reported in any other classification. Note that in all governmental funds other than the general fund, amounts expended in excess of resources that do not meet the above categories are classified here - i.e., residual deficits.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balances – Continued

The City's fund balance policy established that an amount equal to at least 12% of the City's most recent approved operating budget shall be established as a minimum undesignated fund balance. Annually, following completion of the City's audit, the City Manager shall review the undesignated fund balance and propose to utilize, through the annual budget process, surplus funds above the 12% minimum, if any. Use of those undesignated fund balance funds should be dedicated to projects in the capital improvement program or other unanticipated one-time expenses. The Council may vote to establish certain reserve accounts from the undesignated fund balance for the purpose of funding specific capital improvements needs in the future and may, by a two-thirds (2/3) vote, decide to expend or to reserve amounts greater than that listed above based on the immediate or long-term needs of the City.

The City has no formal revenue spending policy for programs with multiple revenue sources. The Finance Director uses resources in the following hierarchy unless otherwise directed by Statute or the City Council: bond proceeds, federal funds and State funds, local non-City funds, City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Pensions and OPEB

For purposes of measuring the net pension liability and the net OPEB liability, deferred outflows and inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, and information about the fiduciary net position of the City's pension and OPEB plans, any additions to/deductions from the pension and OPEB plans' fiduciary net position have been determined on the same basis as they are reported by the pension and OPEB plans. See Notes 10 and 11 for additional disclosures related to pension and OPEB plans.

Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported 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.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the City uses various methods including market, income and cost approaches. Based on these approaches, the City often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

The City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuation for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques. Level 3 valuations incorporate the entity’s own assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the City performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the year ended June 30, 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of fixed income and publicly traded equity securities is based on quoted market prices, when available, or market prices provided by recognized broker dealers. The fair value of shares in mutual funds is based on share values reported by the funds as of the last business day of the fiscal year. If listed prices are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. The fair value of securities sold under agreements to repurchase is determined based on the underlying securities provided that back the repurchase agreements.

Fair values of assets measured on a recurring basis are as follows at June 30, 2018 for the City using:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|-----------------------|--------------------|--------------------|--------------------|---------|
| Repurchase Agreements | \$4,288,259 | | \$4,288,259 | |
| Common Stock | 1,788,051 | \$1,788,051 | | |
| Mutual Bond Funds | 781,179 | | 781,179 | |
| Total Investments | <u>\$6,857,489</u> | <u>\$1,788,051</u> | <u>\$5,069,438</u> | |

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

Fair values of assets measured on a recurring basis are as follows at June 30, 2018 for the Waterville Public Library (component unit) using:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|-------------------|--------------------|------------------|--------------------|---------|
| Bonds | \$79,977 | | \$79,977 | |
| Common Stock | 92,456 | \$92,456 | | |
| Mutual Funds | 1,145,963 | | 1,145,963 | |
| Money Market | 29,406 | 29,406 | | |
| Total Investments | <u>\$1,347,802</u> | <u>\$121,862</u> | <u>\$1,225,940</u> | |

Recently Adopted Accounting Pronouncements

During the year ended June 30, 2018, the City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB). This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for OPEB. Note disclosure and required supplementary requirements about defined benefit OPEB were also addressed.

See Note 11 for additional disclosures related to OPEB.

During the year ended June 30, 2018, the City adopted the provisions of GASB Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to fair value measurement and application and postemployment benefits, including pensions and other postemployment benefits (OPEB). The adoption of this statement did not have a significant effect on the City’s financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Each year the City Manager submits to the City Council a budget for the ensuing fiscal year and an accompanying message. The City Manager’s message explains the budget both in fiscal terms and in terms of the work programs. It outlines the proposed financial policies of the City for the upcoming fiscal year; describes the important features of the budgets; indicates any major changes from the current year in financial policies, expenditures, and revenues, together with the reasons for such changes; summarizes the City’s debt position; and includes such other material as the City Manager deems desirable. It also describes the tax impact of the proposed budget. The City charter requires that the budget be submitted to the City Council no later than 90 days prior to the beginning of the new fiscal year.

Hearings are held to obtain public comments. The budget is legally enacted by an appropriation order. The order enacts the total City and the total School appropriation. In addition, separate orders are adopted for individual budgeted special revenue funds. Any revisions to the budget that alter total expenditures must be approved by the Council.

All unexpended appropriations lapse at year-end unless specific approval is granted to carry forward such amounts. Department level total expenditures should not exceed appropriations.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds. For reporting under GAAP, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

On-behalf payments, which represent a contribution to the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) made by the State of Maine on-behalf of the School Department, are recorded as revenue and expense under GAAP and have been excluded from both revenue and expenditures on the budgetary basis of accounting.

Deficit Fund Balances

The individual special revenue funds carrying fund deficits as of June 30, 2018 are as follows:

| | |
|--------------|----------|
| Airport Fund | \$67,359 |
|--------------|----------|

The individual capital projects funds carrying fund deficits as of June 30, 2018 are as follows:

| | |
|-------------------------------------|---------|
| Parks and recreation equipment | \$1,007 |
| Fire department equipment | 19,073 |
| Improve First Rangeway Intersection | 220,194 |
| Waterfront Projects | 83,106 |
| Airport Runway Design | 781 |
| Airport land easements | 77,728 |
| City Hall Roof Repair | 3,647 |
| Bonded Paving Projects | 255,002 |
| Mayflower Hill | 747 |
| Property Valuation Equilization | 5,405 |
| School Improvement | 209,965 |

Deficits in special revenue funds and capital projects funds will be funded by future bond proceeds, grants, and donations from third-parties, and/or future transfers from general fund.

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is that in event of a bank failure, the government’s deposits may not be returned to it.

Primary Government – City of Waterville, Maine

The City has a policy whereby all deposits are to be insured by FDIC insurance or when the amount of deposit balances exceeds FDIC insurance the balance in excess of FDIC insurance must be collateralized. As of June 30, 2018, \$167,346 of the City’s bank balances of \$3,280,663 was exposed to custodial credit risk. The remaining bank balance is covered by FDIC insurance or is collateralized.

The Public Schools do not have a deposit policy for custodial credit risk. As of June 30, 2018, \$87,635 of the Public Schools’ bank balances of \$759,615 was exposed to custodial credit risk. The remaining bank balance is covered by FDIC insurance or is collateralized.

Component Unit – Waterville Public Library

The Library does not have a policy for custodial credit risk. As of June 30, 2018, none of the Library’s bank balance of \$52,990 was exposed to custodial credit risk.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

Investments

Primary Government – City of Waterville, Maine

Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, commercial paper, repurchase agreements, and certain corporate stocks and bonds.

As of June 30, 2018, the City had the following investments and maturities:

| | Fair Value | Investment Maturities (in Years) | | | |
|--------------------------|--------------------|----------------------------------|-------|--------|--------------------|
| | | Less Than 1 | 1 – 5 | 6 – 10 | No Maturity |
| Repurchase Agreements | \$4,288,259 | \$4,288,259 | | | |
| Common Stock | 1,788,051 | | | | \$1,788,051 |
| Mutual Bond Funds | 781,179 | | | | 781,179 |
| Total Investments | \$6,857,489 | \$4,288,259 | | | \$2,569,230 |

Investments are categorized by fund as follows:

| | Public Schools | City | Total |
|-----------------------------|------------------|--------------------|--------------------|
| General Fund | | \$4,288,259 | \$4,288,259 |
| Fiduciary Funds: | | | |
| Private-Purpose Trust Funds | \$337,110 | | 337,110 |
| Agency Funds | 103,720 | | 103,720 |
| Permanent Fund | | 2,128,400 | 2,128,400 |
| Total Investments | \$440,830 | \$6,416,659 | \$6,857,489 |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City's policy for managing interest rate risk is, to the extent possible, to attempt to match investments with anticipated cash requirements. Maturities will be two years or less for operating fund investments and five years or less for other long-term funds. This does not apply to trust funds held by the City. The City may collateralize its repurchase agreements using longer term investments through a Letter of Credit with banks of such standing and quality as the Federal Home Loan Bank of Boston or the Federal Reserve Bank.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Funds of the City may be invested in the following types of securities:

- Obligations of the U.S. government, its agencies and instrumentalities, i.e., Treasury bills, Treasury notes or bonds maturing within one year.
- Insured or fully collateralized certificates of deposit of banks and savings and loan associations.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

Credit Risk – Continued

- Repurchase agreements collateralized by letters of credit from such institutions such as Federal Home Loan Bank or the Federal Reserve Bank; or by U.S. Government backed obligations of U.S. Government agencies and corporations. Pledged collateral must be at least 102% of the market value of the principal and accrued interest and marked-to-market daily. A master repurchase agreement must be signed with the bank or dealer and kept on file by the Finance Director.
- Money market mutual funds whose portfolios consist entirely of U.S. Government securities.
- Permanent fund investments may consist of common stock and mutual funds in accordance with any investment guidelines as established by the respective trust agreements.

Funds may be invested in longer maturities, prime bankers' acceptances and secured commercial paper with AAA rating according to the Standard & Poor's rating scale upon adoption of a motion of authorization by the majority of the governing body at a regular or special public meeting.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investments with material exposure to custodial credit risk at this time.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer.

City of Waterville, Maine

With the exception of U.S. Treasury securities of Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit, no more than seventy percent of the City's total investment portfolio may be invested in a single security type or with a single financial institution. As of June 30, 2018 the City's investments were sufficiently diversified according to their policy.

Waterville Public Schools

The Public Schools' investment policies are governed by Maine Statutes, generally 30-A M.R.S.A. 5706-5715. The Public Schools' investments consist of \$403,751 invested in open-end mutual funds, which are sufficiently diversified; therefore as of June 30, 2018 none of the Public Schools' investments were exposed to concentration of credit risk.

Component Unit – Waterville Public Library

As of June 30, 2018, Waterville Public Library had the following investments and maturities:

| | Fair Value | Investment Maturities (in Years) | | | |
|--------------------------|--------------------|----------------------------------|-----------------|-----------------|--------------------|
| | | Less Than 1 | 1 – 5 | 6 – 10 | No Maturity |
| Bonds | \$79,977 | | \$10,347 | \$69,630 | |
| Common Stock | 92,456 | | | | \$92,456 |
| Mutual Funds | 1,145,963 | | | | 1,145,963 |
| Money Market | 29,406 | \$29,406 | | | |
| Total Investments | \$1,347,802 | \$29,406 | \$10,347 | \$69,630 | \$1,238,419 |

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

Interest Rate Risk – The Library has no investment policy that addresses interest rate risk.

Credit Risk – The Library’s investment policy allows investments to be comprised of stocks, mutual funds and investment grade bonds. As of June 30, 2018 the Library’s investments in corporate bonds were rated between Baa3 and Aa3 by Moody’s.

Concentration of Credit Risk – The Library limits investments to no more than 5% in any one issuer. As of June 30, 2018 none of the Library’s individual holdings exceeded 5% of total investments.

NOTE 4 – PROPERTY TAX

Property taxes for the current year were committed on August 15, 2017, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City’s Assessor at 100% of assumed market value.

The City 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 \$62,953 for the year ended June 30, 2018.

Tax liens are placed on real property within 12 months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property 18 months after the filing of the lien if the tax liens and associated costs remain unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first 60 days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded in the City’s governmental funds as a deferred inflow of resources, unavailable revenue – property taxes.

The following summarizes the levy as of and for the year ended June 30, 2018:

| | |
|--|---|
| Assessed value | \$715,713,616 |
| Tax rate (per \$1,000) | <u>23.33</u> |
| Commitment | <u>16,697,599</u> |
| Less: | |
| Abatements | 14,233 |
| Collections | <u>15,879,460</u> |
| | <u>15,893,693</u> |
| Current year taxes receivable at end of year | <u>\$803,906</u> |
| Due date(s) – current year | ¼ October 13, 2017 ¼ December 8, 2017 ¼ March 9, 2018 ¼ June 8, 2018 |
| Interest rate on delinquent taxes | 7.00% |
| Collection rate | 95.10% |
| Taxes receivable – current year | \$803,906 |
| Taxes receivable – prior year | <u>10,699</u> |
| Total taxes receivable | <u>\$814,605</u> |

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets in the government-wide statement of net position. All capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense has been recorded. The table below presents summary information on capital assets for the year ended June 30, 2018.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------------|----------------|---------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$2,330,503 | | | \$2,330,503 |
| Construction in progress | | | | |
| Total capital assets not being depreciated | <u>2,330,503</u> | | | <u>2,330,503</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 43,971,250 | \$54,073 | | 44,025,323 |
| Improvements | 11,821,788 | 12,250 | | 11,834,038 |
| Vehicles | 6,219,783 | 523,958 | \$153,994 | 6,589,747 |
| Equipment | 5,638,433 | 235,578 | | 5,874,011 |
| Infrastructure | 24,791,963 | | | 24,791,963 |
| Total capital assets being depreciated | <u>92,443,217</u> | <u>825,859</u> | <u>153,994</u> | <u>93,115,082</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 21,388,224 | 1,443,833 | | 22,832,057 |
| Improvements | 4,629,459 | 139,759 | | 4,769,218 |
| Vehicles | 4,665,950 | 344,912 | \$153,994 | 4,856,868 |
| Equipment | 4,021,915 | 330,806 | | 4,352,721 |
| Infrastructure | 14,568,040 | 628,416 | | 15,196,456 |
| Total accumulated depreciation | <u>49,273,588</u> | <u>2,887,726</u> | <u>153,994</u> | <u>52,007,320</u> |
| Total capital assets being depreciated, net | <u>43,169,629</u> | <u>(2,061,867)</u> | | <u>41,107,762</u> |
| Governmental Activities Capital Assets, Net | <u>\$45,500,132</u> | <u>\$(2,061,867)</u> | | <u>\$43,438,265</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|--------------------|
| Governmental activities: | |
| Administration | \$ 134,702 |
| Assessor | 62,081 |
| Information services | 971 |
| City Clerk | 9,425 |
| Public works (includes infrastructure) | 524,100 |
| Parks, recreation and culture | 44,054 |
| Police | 149,655 |
| Fire | 187,944 |
| Airport | 490,636 |
| Education | 1,284,158 |
| Total depreciation expense – governmental activities | <u>\$2,887,726</u> |

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities for governmental activities for the year ended June 30, 2018:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--|----------------------|------------------|--------------------|---------------------|------------------------|
| Bonds and notes payable | \$21,505,635 | | \$2,252,761 | \$19,252,874 | \$2,242,380 |
| Premium on bonds | 219,404 | | 11,548 | 207,856 | 11,548 |
| Capital leases | 210,099 | \$88,963 | 84,089 | 214,973 | 83,508 |
| Accrued compensated absences | 412,506 | 18,605 | | 431,111 | 213,898 |
| Other post-employment benefits liability | 611,143 | 57,615 | | 668,758 | |
| Net pension liability | <u>3,393,204</u> | | <u>833,789</u> | <u>2,559,415</u> | |
| Long-term liabilities | <u>\$26,351,991</u> | <u>\$165,183</u> | <u>\$3,182,187</u> | <u>\$23,334,987</u> | <u>\$2,551,334</u> |

NOTE 7 – CAPITAL LEASES

The Department of Public Schools is engaged in four capital leases, and the City is engaged in two capital leases as of June 30, 2018. The original cost of assets capitalized under these leases total \$224,216. Future minimum capital lease payments are as follows:

| | |
|-------------------|------------------|
| Principal | |
| 2019 | \$83,508 |
| 2020 | 67,703 |
| 2021 | 43,740 |
| 2022 | <u>20,022</u> |
| | <u>\$214,973</u> |
| Interest | |
| 2019 | 7,426 |
| 2020 | 4,450 |
| 2021 | 2,286 |
| 2022 | <u>806</u> |
| | <u>14,968</u> |
| Total payments | 229,941 |
| Less interest | <u>14,968</u> |
| Net present value | <u>\$214,973</u> |

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 – LONG-TERM DEBT

Bonds payable at June 30, 2018 are comprised of the following:

| | Date of Issue | Original Amount Issued | Date of Maturity | Interest Rate | Ending Balance |
|------------------------------|---------------|------------------------|------------------|---------------|---------------------|
| 2007 QZAB Bond | 10/9/07 | \$965,000 | 2022 | 1.4407% | \$344,915 |
| 2008 QZAB Bond | 7/16/08 | 516,279 | 2023 | 1.84% | 223,585 |
| 2009 QZAB Bond | 11/18/09 | 4,333,368 | 2025 | 1.40% | 2,022,239 |
| 2011 QSCB Bond | 5/26/11 | 5,000,000 | 2025 | 5.692% | 2,502,403 |
| 2011 General Obligation Bond | 5/3/11 | 3,150,000 | 2031 | 2.00-4.00% | 2,010,000 |
| 2011 General Obligation Bond | 5/3/11 | 3,096,000 | 2020 | 1.70-2.85% | 871,000 |
| 2012 QSCB Bond | 7/15/11 | 943,859 | 2027 | 5.366% | 653,732 |
| 2013 General Obligation Bond | 11/1/12 | 3,300,000 | 2033 | 1.00-2.75% | 2,325,000 |
| 2013 General Obligation Bond | 4/1/13 | 5,831,120 | 2038 | 2.00-3.50% | 4,405,000 |
| 2015 General Obligation Bond | 5/1/15 | 5,250,000 | 2036 | 2.00-4.00% | <u>3,895,000</u> |
| Total bonds payable | | | | | <u>\$19,252,874</u> |

The 2015 General Obligation Bond is subject to mandatory redemption in part prior to maturity on June 1 in each of the years 2026-2036 from mandatory sinking fund installments which will be required to be made by the City in amounts sufficient to redeem the principal amount of such bonds. All other bonds may be prepaid or redeemed prior to their respective scheduled due dates as per provisions in the bond agreements.

Arbitrage rebate – Pursuant to the Tax Reform Act of 1986, governments issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. Since August 15, 1986, the effective date of these rules, the City has not been subject to any arbitrage refunds as they have met the exceptions to the arbitrage requirements.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2018 are as follows:

| Year Ending | Principal | Interest | Total |
|-------------|---------------------|--------------------|---------------------|
| 2019 | \$2,242,380 | \$482,366 | \$2,724,746 |
| 2020 | 2,252,164 | 440,228 | 2,692,392 |
| 2021 | 1,978,210 | 346,815 | 2,325,025 |
| 2022 | 1,862,438 | 396,473 | 2,258,911 |
| 2023 | 1,851,901 | 314,695 | 2,166,596 |
| 2024-2028 | 5,570,781 | 958,022 | 6,528,803 |
| 2029-2033 | 2,575,000 | 403,878 | 2,978,878 |
| 2034-2038 | 920,000 | 100,095 | 1,020,095 |
| | <u>\$19,252,874</u> | <u>\$3,442,572</u> | <u>\$22,695,446</u> |

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 – LONG-TERM DEBT – CONTINUED

The City is subject to a statutory limitation by the State of Maine of its general long-term debt equal to 15% of the State’s valuation of the City. The City’s outstanding long-term debt of \$19,252,874 was within the statutory limit.

The State of Maine currently reimburses the City for a portion of the financing costs of certain school buildings. Continuation of such reimbursements is dependent upon continued appropriation by the State Legislature.

NOTE 9 – INTERFUND BALANCES

As of June 30, 2018, the balances of interfund loan receivable/payable were as follows:

| | Interfund Loans Receivable | Interfund Loans Payable | Due to Agency Funds |
|--------------------------|----------------------------------|-------------------------------|---------------------------|
| General fund | \$1,121,456 | \$1,788,837 | \$36,838 |
| Other governmental funds | 1,793,875 | 1,126,494 | |
| Agency funds | <u>36,838</u> | | |
| Total | <u>\$2,952,169</u> | <u>\$2,915,331</u> | <u>\$36,838</u> |

NOTE 10 – MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MPERS)

PLD Consolidated Plan

Description of the Plan – The City and School Department (custodians, school lunch personnel and other non-teacher personnel) contribute to the Maine Public Employees Retirement System PLD Consolidated Plan (PLD Plan), a cost-sharing, multiple-employer retirement system established by the Maine State Legislature. The MPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Maine State Legislature establishes and amends benefit provisions. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained at www.maineopers.org.

Funding Policy (City) – Plan members are required to contribute 9.5% of their annual covered salary and the City is required to contribute an actuarially determined rate. The current rate is 7.5% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Legislature. During 2018, contributions to the PLD Plan by the City were \$210,980.

Funding Policy (School Department) – The contribution rates of plan members and Public Schools are established and may be amended by the MPERS Board of Trustees.

State Employee and Teacher Plan

Description of the Plan – All school teachers and other qualified educators participate in the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan). The SET Plan is a cost-sharing plan with a special funding situation, established by the Maine State Legislature. The MPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the MPERS Board of Trustees. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the teacher’s group. That report may be obtained at www.maineopers.org.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 – MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MPERS) – CONTINUED

State Employee and Teacher Plan – Continued

Funding Policy – Plan members are required to contribute 7.65% of their compensation to the retirement system. The School’s contractually required contribution rate for the year ended June 30, 2018 was 15.05%, of which 3.97% was required from the School and 11.08% was required from the State of Maine. Contributions to the pension plan from the School and the State of Maine were \$407,413 and \$1,137,060 during the year ended June 30, 2018, respectively. The amount contributed by the State of Maine (on-behalf payments) has been reported as an intergovernmental revenue and retirement expenditure in the financial statements within the education department. The School is also required to contribute for those positions that are federally funded. This contribution amounted to \$93,848 for the year ended June 30, 2018. The cost is chargeable to the applicable grant.

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

In accordance with GASB Statement No. 68 as amended by GASB Statements No. 71, No. 73 and No. 82, employers who participate in defined benefit pension plans are required to recognize a net pension liability on their financial statements. The net pension liability is defined as the total pension liability minus the pension plan’s fiduciary net position. Cost-sharing employers are required to report their proportionate share of the net pension liability for the plan as a whole.

At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The amount recognized by the City as its proportionate share of the net pension liability was as follows:

| | |
|---|--------------------|
| City’s proportionate share of net pension liability | \$1,623,836 |
| School’s proportionate share of net pension liability | <u>935,579</u> |
| Total net pension liability | <u>\$2,559,415</u> |

As discussed above, the State of Maine participates in the SET Plan as a non-employer contributing entity. At June 30, 2018, the portion of the State of Maine’s net pension liability associated with the School was \$11,384,410. This amount is not required to be recognized in the City’s financial statements.

The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportionate share of the net pension liability recognized in the financial statements was based on a projection of the City and School’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, as determined by an actuarial valuation. At June 30, 2017, the City’s proportion was 0.396601% and the School’s proportion was 0.064410%.

For the year ended June 30, 2018, the City recognized pension expense of \$594,318.

At June 30, 2018, the City reported deferred outflows of resources related to the pension plans in the government-wide financial statements from the following sources:

| | |
|---|--------------------|
| Difference between expected and actual experience | \$ 39,348 |
| Difference between projected and actual investment earnings on pension plan investments | 820,640 |
| Change of assumptions | 138,178 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 55,129 |
| Total contributions subsequent to the measurement date | <u>712,241</u> |
| Total | <u>\$1,765,536</u> |

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 – MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MPERS) – CONTINUED

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

Contributions made during the reporting period were \$712,241. GASB Statement No. 71 requires that if an employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, the government must recognize its contribution as a deferred outflow of resources.

At June 30, 2018, the City reported deferred inflows of resources related to the pension plans in the government-wide financial statements from the following sources:

| | |
|---|---------------------------|
| Difference between expected and actual experience | \$78,014 |
| Difference between projected and actual investment earnings on pension plan investments | 879,050 |
| Change of assumptions | 14,612 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>135,132</u> |
| Total | <u><u>\$1,106,808</u></u> |

Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows during the years ended June 30:

| | |
|------|-------------|
| 2019 | \$(115,355) |
| 2020 | 202,334 |
| 2021 | 17,148 |
| 2022 | (160,641) |

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods in the measurement:

| | |
|-----------------------------|---------------------------------------|
| Inflation | 2.75% |
| Salary increases (PLD Plan) | 2.75% to 9.0% per year |
| Salary increases (SET Plan) | 2.75% to 14.5% per year |
| Investment return | 6.875% per annum, compounded annually |
| COLA increases | 2.20% per annum |

Mortality rates – for active state employee members and non-disabled retirees of the SET and PLD Plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.

The long-term expected rate of return on pension plan assets 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 class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target 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, 2017 are summarized in the following table:

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 – MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MPERS) – CONTINUED

Actuarial Methods and Assumptions – Continued

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------|----------------------|--|
| Public Equities | 30% | 6.0% |
| US Government | 7.5 | 2.3 |
| Private Equity | 15 | 7.6 |
| Real Assets: | | |
| Real Estate | 10 | 5.2 |
| Infrastructure | 10 | 5.3 |
| Natural Resources | 5 | 5 |
| Traditional Credit | 7.5 | 3 |
| Alternative Credit | 5 | 4.2 |
| Diversifiers | 10 | 5.9 |

The discount used to measure the collective total pension liability was 6.875% for 2017 for the SET Plan and the PLD Plan. 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 nonemployer entity contributions will be made at 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 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 net pension liability.

The following table shows how the City’s proportionate share of net pension liability as of June 30, 2017 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 6.875% for the SET Plan and the PLD Plan.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|----------------|-----------------------------|----------------|
| City’s proportionate share of the net pension liability | \$3,257,913 | \$1,623,836 | \$393,628 |
| School’s proportionate share of the net pension liability | 1,641,663 | 935,579 | 352,605 |

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors was 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 2017, this was 3 years for both the SET Plan and the PLD Plan. Prior to 2017, this was 4 years for the PLD Plan.

Differences between Projected and Actual Investment Earnings

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.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 – MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MPERS) – CONTINUED

Changes in Net Pension Liability – Continued

Changes in Assumptions

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 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 for the year ended June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the notes section of the required supplementary information – schedule of proportionate share of the net pension liability and related ratios on page 43 for information relating to changes of assumptions. 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.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions 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. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Additional Financial and Actuarial Information

Additional financial and actuarial information with respect to the Plans can be found in the MPERS' Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plans

The City sponsors a post-retirement benefit plan providing group term life insurance to retiring teachers (GTL Plan). The GTL plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS). The MPERS Board of Trustees has the authority to establish and amend the benefit terms and financing requirements. MPERS issues a publicly available financial report at www.maineopers.org.

The City also sponsors a post-retirement benefit plan providing health insurance to retiring employees (Health Plan). The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The City Council has the authority to establish and amend the benefit terms and financing requirements.

No assets are accumulated in a trust that meets the criteria for paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Plan Benefits

Under the GTL Plan, MPERS provides basic group life insurance benefits, during retirement, to retirees who participated in the plan prior to retirement for a minimum of 10 years. The level of coverage is initially set to an amount equal to the retirees average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Plan Benefits – Continued

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. City employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those City employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

At June 30, 2018, the following employees were covered by the Health Plan benefit terms:

| | | |
|--|-----|--|
| Inactive employees or beneficiaries currently receiving benefits | 2 | |
| Inactive employees entitled to but not yet receiving benefits | - | |
| Active employees | 99 | |
| Total | 101 | |

Contributions

Under the GTL Plan, premium rates are determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims. The State of Maine is required to remit the total dollar amount of each year’s annual required contribution. Contributions to the GTL Plan by the State of Maine on-behalf of the City were \$30,531 for the year ended June 30, 2018. Employers and employees are not required to contribute to the GTL Plan.

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

At June 30, 2018, the City reported no liability related to the GTL Plan. The State of Maine’s proportionate share of the net OPEB liability associated with the City was \$336,878 at June 30, 2018. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on a projection of the City’s long-term share of contributions to the GTL Plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City’s proportion was 0.00%.

For the year ended June 30, 2018, the City recognized OPEB expense for the GTL Plan of \$30,531 and also revenues of \$30,531 for support provided by the State of Maine. At June 30, 2018, the City reported no deferred outflows or inflows of resources related to the GTL Plan.

The City’s total Health Plan OPEB liability of \$668,758 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

The following table shows the changes in the total Health Plan OPEB liability:

| | | |
|--|-----------|-----------|
| Balance at June 30, 2017 | | \$611,143 |
| Changes for the year: | | |
| Service cost | 27,108 | |
| Interest | 24,011 | |
| Differences between expected and actual experience | (70,823) | |
| Changes in assumptions | 83,464 | |
| Benefit payments | (6,145) | |
| Net changes | 57,615 | |
| Balance at June 30, 2018 | \$668,758 | |

Change in assumptions reflects a change in the discount rate from 3.78% to 3.44% and also a change in valuation method from Projected Unit Credit funding to Entry Age Normal Funding method.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$52,383 related to the Health Plan.

At June 30, 2018, the City reported deferred outflows of resources related to the Health Plan in the government-wide financial statements from change in assumptions totaling \$75,118.

At June 30, 2018, the City reported deferred inflows of resources related to the Health Plan in the government-wide financial statements from differences between expected and actual experience totaling \$63,741.

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to the Health Plan will be recognized in OPEB expense as follows during the years ended June 30:

| | |
|------------|---------|
| 2019 | \$1,264 |
| 2020 | 1,264 |
| 2021 | 1,264 |
| 2022 | 1,264 |
| 2023 | 1,264 |
| Thereafter | 5,057 |

Actuarial Methods and Assumptions

GTL Plan – The total OPEB liability for the GTL Plan in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise noted:

| | |
|-------------------|---------------------------------------|
| Inflation | 2.75% |
| Salary increases | 2.75% to 14.50% per year |
| Investment return | 6.875% per annum, compounded annually |

Mortality rates were based on the RP2014 Total Dataset Health Annuity Mortality Table, for males and females, with adjustments ranging from 104% to 120% based on actuarially determined demographic differences.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study conducted for the period June 30, 2012 to June 30, 2015.

The long-term expected rate of return on the GTL Plan’s investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target 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, 2017 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|-------------------|--|
| Public Equities | 70% | 6.0% |
| Real estate | 5 | 5.2 |
| Traditional credit | 16 | 3 |
| US Government securities | 9 | 2.3 |

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Methods and Assumptions – Continued

The discount rate used to measure the total OPEB liability for the GTL Plan was 6.875%. 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 contractually required rates, actuarially determined. Based on these assumptions, the OPEB plans fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Health Plan – The total OPEB liability for the Health Plan in the January 1, 2018 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

| | |
|--|--|
| Inflation | 3.00% per year |
| Salary increases | 2.75% per year |
| Discount rate | 3.44% per year |
| Healthcare costs trend rates | 8.27% for 2018, decreasing to 4.00% for 2032 |
| Retirees’ share of the benefit related costs | 100% of projected health insurance premiums |

Mortality rates were based on the RP2014 Total Dataset Health Annuity Mortality Table, for males and females.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study conducted for the period June 30, 2012 to June 30, 2015.

The long-term expected rate of return on the GTL Plan’s investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target 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, 2017 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|-------------------|--|
| Public Equities | 70% | 6.0% |
| Real estate | 5 | 5.2 |
| Traditional credit | 16 | 3 |
| US Government securities | 9 | 2.3 |

The discount rate used to measure the total OPEB liability for the Health Plan was 3.44%. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher, for pay as you go plans.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Methods and Assumptions – Continued

The following table shows how the City’s net OPEB liability related to the Health Plan as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate of 3.44%.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|------------------------------|----------------|-----------------------------|----------------|
| OPEB liability – Health Plan | 805,427 | 668,758 | 560,560 |

The following table shows how the City’s net OPEB liability related to the Health Plan as of June 30, 2018 would change if the healthcare cost trend rates used were one percentage point lower or one percentage point higher than the current rate of 8.27%.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|------------------------------|----------------|-----------------------------|----------------|
| OPEB liability – Health Plan | 551,736 | 668,758 | 822,664 |

Additional Financial and Actuarial Information

Additional financial and actuarial information with respect to the GTL Plan can be found in a separately issued MPERS financial report, available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 12 – DEFERRED COMPENSATION PLAN

The City offers all its employees not participating in the MPERS a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

NOTE 13 – TAX INCREMENT FINANCING (TIF) DISTRICT

The City has established seven tax increment financing districts under the terms of applicable State laws which were still in effect during the year ended June 30, 2018.

In July 2000, the City established **The Chinnet Company Tax Increment Financing District**. The purpose of the District is to secure the City’s industrial job base and to ensure the long-term economic stability and well-being of the Chinnet Company Plant. The project provides the City with additional tax revenues and a potential long-term increase in employment without an increase in demand for local service. The overhauling of machinery and equipment at the Chinnet Company Plant added approximately \$8,157,301 of new tax base to the City. Chinnet will finance the improvements within the District. The City will not assume any financial liability within the District. Under the District CEA, the appropriate percentages of new tax revenues will be reinvested into the District to support the cost of capital investment. The design is intended to capture the appropriate percentage of new investment above the current base value of \$2,320,230. For municipal assessed values in excess of this amount from investment made in the first five years of the TIF ending April 1, 2005, the resulting tax revenue will be distributed 75% to the Chinnet Company for the first 10 years following the year in which the investment is made and 50% in years 10 through 15 following the year in which investment is made through the CEA.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 13 – TAX INCREMENT FINANCING (TIF) DISTRICT – CONTINUED

In October 2002, the City established the **Airport Park Tax Increment Financing and Development District**. The District is designed to create and save jobs, and improve infrastructure (Century Drive and Airport Road). The City will retain 100% of the captured assessed value. This will be used to fund the Airport Park TIF District Development Program Sinking Fund. The Sinking Fund shall consist of the captured assessed value earnings less the monies necessary for repayment of debt incurred from the initial construction of Century Drive and the continuation of Airport Road and less the monies to fund the enhancement reimbursements as may be required. Credit enhancement reimbursements may not exceed 75% for years 1 through 5, and 50% for years 6 through 15 for the manufacturing sector. The non-manufacturing sector may receive credit enhancement reimbursements not exceeding 50% for years 1 through 10.

In December 2004, the City established the **Downtown Redevelopment Tax Increment Financing District**. The City is authorized to capture 100% of the increased assessed value of real and personal property in the District as set forth in the financial plan section of the application received initially by the State on February 3, 2005, and in final form May 24, 2005. The tax increment arising from this captured value is to be used expressly for the project costs described in the Development Program, i.e., potential CEA with developers and owners of site specific real estate projects; and other eligible project costs in the downtown, including capital costs, financing costs, professional services, and administrative expenses. In May 2016, the City approved the extension of this Tax Increment Financing District to a 30 year term.

In October 2006, the City established the **Lockwood Mills Tax Increment Financing District**. The purpose of the District is to generate substantial economic benefit for the City and its residents, including employment opportunities, broadened and improved tax base and economic stimulus. The City is authorized to capture 100% of the increased assessed value of real and personal property in the District as set forth in the financial plan. The tax increment arising from this captured value is to be used expressly for the project costs described in the Development Program, i.e., potential CEA with developers and owners of site specific real estate projects; and other eligible project costs, including capital costs, financing costs, professional services, and administrative expenses.

In November 2009, the City established the **Gilman Place Tax Increment Financing District**. The purpose of the District is to create 35 units of affordable rental housing and to preserve the former Waterville High School building, which is the centerpiece of the Gilman Street neighborhood and a very important landmark in the Waterville community. Resident services will be provided on-site. The tax increment revenues will be used to fund the project's operating costs.

In March 2015, the City established the **Natural Gas Municipal Development and Tax Increment Financing District**. The purpose of the District is to develop new and expanded employment opportunities in the City, encourage and promote economic development that will broaden the City's tax base, improve the general economy of the City, finance the acquisition, installation, design, and construction of public safety projects, expand natural gas infrastructure in the City and to assist businesses with converting to natural gas and/or receiving natural gas services and to fund the City's economic development program. The City has designated approximately 75.16 acres under this municipal development and tax increment financing district. The tax increment revenues generated by the captured value attributable to the taxable property with the district will be retained by the City and used to pay directly (or reimburse the City) for costs of the municipal TIF improvements. Although the City expects to expend all TIF revenues allocated to and retained by the City on the municipal TIF improvements, to the extent the City elects not to expend such TIF revenues on municipal TIF improvements, then such monies will be deposited into the City's general fund. The district and development program shall be in effect for thirty years, commencing with the City's 2015-16 fiscal year and continuing through the City's 2044-2045 fiscal year.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 13 – TAX INCREMENT FINANCING (TIF) DISTRICT – CONTINUED

In May 2016, the City established the **Seton Hospital Redevelopment Municipal Tax Increment Financing District**. The purpose of the District is to develop approximately 100,000 square feet of working space in the former hospital building to create 50 to 60 one and two bedroom apartments, Class A commercial space, and warehouse/storage space. The City will not assume any financial liability within the District. The design is intended to increase the assessed real property taxable value by approximately \$3,000,000. The duration of the District will be 20 years, commencing on July 1, 2017 (FY 2017-2018) and will expire on June 30, 2037 (FY 2036-2037). Under the District CEA, the appropriate percentages of new tax revenues will be reinvested into the District under the following reimbursement schedule: Years 1-3 – 100%, Year 4 – 75%, Years 5-8 – 5% per year decrease, Years 9-11 – 50%, Years 12-20 – 5% per year decrease. All remaining new tax revenues that are captured and not reinvested into the District will be deposited into a TIF Development Plan fund account and used on various municipal projects as outlined in the agreement.

In December 2017, the City established the **Colby College Apartment Complex Municipal Tax Increment Financing District**. The purpose of the District is to assist Colby College in developing a student apartment complex in downtown Waterville, Maine. The student apartment complex will help to further the continued revitalization of downtown Waterville, Maine. It will promote economic activity in the form of street level commercial and retail spaces and is expected to result in over 200 people residing downtown to support and patronize downtown businesses and participate in other downtown activities. The City will not assume any financial liability within the District. The duration of the District will be 30 years, commencing on July 1, 2018 (FY 2018-2019) and will expire on June 30, 2048 (FY 2047-48). The City shall retain the captured assessed value in the District. Under the District CEA, reimbursements to Colby College will be limited to incremental taxes from new actual value projected at \$3,864,000 total or 66.5% annually during the term of the District. Colby College reimbursements will be deposited and held in a dedicated Colby College Project TIF account and shall be used and applied exclusively to fund the City's payment obligations to Colby College under the applicable CEA agreement. All remaining new tax revenues will be deposited into a City Project TIF account and used to pay for costs of the City TIF projects.

In February 2018, the City established the **Trafton Road Development Municipal Tax Increment Financing District**. The purpose of the District is to finance some or all of the costs of various municipal TIF projects within the Trafton Road development area, including street and road improvements and water and sewer line extensions. Such municipal TIF projects will directly or indirectly provide or encourage either the growth of new employment opportunities or the retention of existing employment within the City, encourage and promote economic development that will broaden the City's tax base, or improve the general economy of the City. None of the costs of the Trafton Road development will be financed through issuance of any municipal indebtedness. The City may finance a portion of the municipal TIF projects with the issuance of City bonds. Debt service for these improvements will be an eligible use of the City's retained TIF revenues. The duration of the District will be 30 years, commencing on July 1, 2018 (FY 2018-2019) and will expire on June 30, 2048 (FY 2047-48). Company/developer payments are within sole City Council discretion and are limited to incremental taxes from new actual value and may include up to 75% reimbursement during the term of the District. All TIF revenues generated by the District not allocated to a developer will be retained by the City and used to pay directly or to finance the municipal TIF projects. Although the City expects to expend all TIF revenues allocated to and retained by the City on the municipal TIF projects, to the extent the City elects not to expend such TIF revenues on municipal TIF projects, then such monies will be deposited into the City's general fund.

NOTE 14 – CONTINGENT LIABILITIES

The City 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 City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2018

NOTE 15 - RISK MANAGEMENT - CITY

The City 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 City either carries commercial insurance, or participates in public entity risk pools or is effectively self-insured. Currently, the City participates in a public entity risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by this pool, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2018.

NOTE 16 - NET POSITION AND RESTATEMENT

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restriction imposed by creditors, grantors, or laws or regulation of other governments.

The City's net position invested in capital assets, net of related debt for governmental activities was calculated as follows at June 30, 2018:

| | |
|---|---------------------|
| Capital assets | \$95,445,585 |
| Accumulated depreciation | (52,007,320) |
| Bonds payable and capital leases payable | <u>(19,467,847)</u> |
| Total invested in capital assets, net of related debt | <u>\$23,970,418</u> |

For the year ended June 30, 2018, the City has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB). As a result of implementing GASB Statement No. 75, the City has restated beginning net position in the government-wide statement of net position to account for additional net OPEB liability related to the Health Plan of \$24,928 which effectively decreased the City's net position as of July 1, 2017 by \$24,928.

Required Supplementary Information - Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

June 30, 2018 (Unaudited)

| Year Ended | Plan | Proportion of the Net Pension Liability | Proportionate Share of the Net Pension Liability | Actual Covered Member Payroll | Net Pension Liability as a Percentage of Covered Payroll | Fiduciary Net Position as a Percentage of Total Pension Liability |
|------------------|-----------------|---|--|-------------------------------|--|---|
| 6/30/2018 | PLD Plan | 0.396601% | \$1,623,836 | \$ 2,813,073 | 57.72% | 86.43% |
| | SET Plan | 0.064410% | 935,579 | 11,065,774 | 8.45% | 80.78% |
| 6/30/2017 | PLD Plan | 0.411611% | 2,187,016 | 2,746,966 | 79.62% | 81.61% |
| | SET Plan | 0.068275% | 1,206,188 | 11,044,998 | 10.92% | 76.21% |
| 6/30/2016 | PLD Plan | 0.379470% | 1,210,687 | 2,759,249 | 43.88% | 88.27% |
| | SET Plan | 0.071311% | 962,783 | 10,986,046 | 8.76% | 81.18% |
| 6/30/2015 | PLD Plan | 0.438124% | 674,190 | 2,619,833 | 25.73% | 94.10% |
| | SET Plan | 0.068868% | 744,002 | 11,165,306 | 6.66% | 83.91% |

Notes:

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The data provided in the schedule is based as of the measurement date of the Maine Public Employees Retirement System PLD Consolidated Plan (PLD Plan) and the State Employee and Teacher Plan's (SET Plan) net pension liability, which is as of the beginning of the City's fiscal year.

The following are actuarial assumptions used in the most recent valuations:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|---------------|---------------|
| Discount rate - PLD Plan | 6.875% | 6.875% | 7.125% | 7.250% |
| Discount rate - SET Plan | 6.875% | 6.875% | 7.125% | 7.125% |
| Inflation rate | 2.75% | 2.75% | 3.5% | 3.5% |
| Salary increases - PLD Plan | 2.75% to 9.0% | 2.75% to 9.0% | 3.5% to 9.5% | 3.5% to 9.5% |
| Salary increases - SET Plan | 2.75% to 14.5% | 2.75% to 14.5% | 3.5% to 13.5% | 3.5% to 13.5% |
| Cost of living increase - PLD Plan | 2.20% | 2.20% | 2.55% | 3.12% |
| Cost of living increase - SET Plan | 2.20% | 2.20% | 2.55% | 2.55% |
| Long-term expected real rate of return on assets: | | | | |
| Public equities | 6.0% | | | |
| US government | 2.3% | | | |
| Private equity | 7.6% | | | |
| US equities | | 5.7% | 5.2% | 5.2% |
| Non-US equities | | 5.5% | 5.5% | 5.5% |
| Private equity | | 7.6% | 7.6% | 7.6% |
| Real estate | 5.2% | 5.2% | 3.7% | 3.7% |
| Infrastructure | 5.3% | 5.3% | 4.0% | 4.0% |
| Hard assets | | 5.0% | 4.8% | 4.8% |
| Fixed income | | 2.9% | 0.7% | 0.7% |
| Natural resources | 5.0% | | | |

Required Supplementary Information - Schedule of Employer Contributions

June 30, 2018 (Unaudited)

| Year Ending | Plan | Statutorily Required Contributions | Actual Employer Contributions | Contribution Excess/(Deficiency) | Actual Covered Member Payroll | Contributions as a Percentage of Covered Payroll |
|------------------|--------------------|------------------------------------|-------------------------------|----------------------------------|-------------------------------|--|
| 6/30/2018 | PLD Plan | \$ 210,980 | \$ 210,980 | \$ - | \$ 2,813,073 | 7.50% |
| | SET Plan | 407,413 | 407,413 | - | 10,262,282 | 3.97% |
| | SET Plan ** | 93,848 | 93,848 | - | 803,492 | 11.68% |
| 6/30/2017 | PLD Plan | 203,275 | 203,275 | \$ - | \$ 2,746,966 | 7.40% |
| | SET Plan | 344,725 | 344,725 | - | 10,259,684 | 3.36% |
| | SET Plan ** | 83,008 | 83,008 | - | 785,314 | 10.57% |
| 6/30/2016 | PLD Plan | 193,147 | 193,147 | - | 2,759,249 | 7.00% |
| | SET Plan | 342,103 | 342,103 | - | 10,181,636 | 3.36% |
| | SET Plan ** | 85,026 | 85,026 | - | 804,410 | 10.57% |
| 6/30/2015 | PLD Plan | 159,810 | 159,810 | - | 2,619,833 | 6.10% |
| | SET Plan | 273,440 | 273,440 | - | 10,318,500 | 2.65% |
| | SET Plan ** | 114,319 | 114,319 | - | 846,806 | 13.50% |
| 6/30/2014 | PLD Plan | 118,277 | 118,277 | - | 2,628,368 | 4.50% |
| | SET Plan | 271,194 | 271,194 | - | 10,233,718 | 2.65% |
| | SET Plan ** | 106,731 | 106,731 | - | 790,602 | 13.50% |

Notes:

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

*** The School is required to contribute for those positions that are federally funded.*

Required Supplementary Information - Schedule of Changes in the Health Plan OPEB Liability and Related Ratios

June 30, 2018 (Unaudited)

| | 2018 |
|---|--------------------------|
| Service Cost | \$ 27,108 |
| Interest | 24,011 |
| Differences between expected and actual experience | (70,823) |
| Changes in assumptions | 83,464 |
| Benefit payments | (6,145) |
| Net change in Health Plan OPEB Liability | <u>57,615</u> |
| Total Health Plan OPEB Liability - beginning | 611,143 |
| Total Health Plan OPEB Liability - ending | <u>\$ 668,758</u> |
| Covered employee payroll | \$ 5,059,918 |
| Total Health Plan OPEB liability as a % of covered employee payroll | 13.22% |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Required Supplementary Information - Schedule of Proportionate Share of the GTL Plan Net OPEB Liability

June 30, 2018 (Unaudited)

| | 2018 |
|--|--------------------------|
| City's proportion of the GTL Plan net OPEB liability | 0.00% |
| City's proportionate share of the GTL Plan net OPEB liability | \$ - |
| State of Maine proportionate share of the GTL Plan net OPEB liability associated with the City's School Unit | 336,878 |
| Total | <u>\$ 336,878</u> |
| Plan fiduciary net position as a % of the GTL Plan total OPEB liability | 47.29% |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.



INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the City Council
City of Waterville, Maine
Waterville, Maine

We have audited the financial statements of the City of Waterville, Maine as of and for the year ended June 30, 2018, and our report thereon dated February 15, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedules on pages 49 through 55 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Nicholson, Michaud & Company

Waterville, Maine
February 15, 2019

**Combining Balance Sheet
Special Revenue Funds**

June 30, 2018

| | TIF Projects Fund | Loan Fund | Airport Fund | Police Grants | Fire Dept Grant Fund | Grant/Library Fund | School Funds | Total |
|--|----------------------------------|----------------------|-------------------------|--------------------------|---------------------------------|-------------------------------|-------------------------|---------------------|
| ASSETS | | | | | | | | |
| Accounts receivable | | | \$ 13,432 | | | | | \$ 13,432 |
| Intergovernmental receivable | | | | | | | \$ 411,522 | 411,522 |
| Inventory | | | 43,749 | | | | 35,699 | 79,448 |
| Interfund loans receivable | \$ 436,672 | \$ 9,012 | 17,155 | \$ 48,422 | \$ 2,500 | \$ 13,150 | | 526,911 |
| Total Assets | <u>\$ 436,672</u> | <u>\$ 9,012</u> | <u>\$ 74,336</u> | <u>\$ 48,422</u> | <u>\$ 2,500</u> | <u>\$ 13,150</u> | <u>\$ 447,221</u> | <u>\$ 1,031,313</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Unearned revenues | | | | | | | \$ 1,958 | \$ 1,958 |
| Accounts payable | \$ 158,256 | | \$ 517 | | | | | 158,773 |
| Accrued wages | | | 2,470 | | | | | 2,470 |
| Accrued compensated absences | | | 2,045 | | | | | 2,045 |
| Interfund loans payable | | | 136,663 | | | | 268,946 | 405,609 |
| Total Liabilities | <u>158,256</u> | | <u>141,695</u> | | | | <u>270,904</u> | <u>570,855</u> |
| Fund Balances (Deficit): | | | | | | | | |
| Nonspendable - inventory | | | 43,749 | | | | 35,699 | 79,448 |
| Restricted fund balance | 278,416 | \$ 9,012 | | \$ 48,422 | \$ 2,500 | | 140,618 | 478,968 |
| Unassigned fund balance | | | (111,108) | | | \$ 13,150 | | (97,958) |
| Total Fund Balances (Deficit) | <u>278,416</u> | <u>9,012</u> | <u>(67,359)</u> | <u>48,422</u> | <u>2,500</u> | <u>13,150</u> | <u>176,317</u> | <u>460,458</u> |
| Total Liabilities and Fund Balances | <u>\$ 436,672</u> | <u>\$ 9,012</u> | <u>\$ 74,336</u> | <u>\$ 48,422</u> | <u>\$ 2,500</u> | <u>\$ 13,150</u> | <u>\$ 447,221</u> | <u>\$ 1,031,313</u> |

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds**

Year Ended June 30, 2018

| | TIF Projects Fund | Loan Fund | Airport Fund | Police Grants | Fire Dept Grant Fund | Grant/Library Fund | School Funds | Total |
|--|----------------------------------|----------------------|-------------------------|--------------------------|---------------------------------|-------------------------------|-------------------------|-------------------|
| Revenues: | | | | | | | | |
| Federal programs | | | | \$ 19,922 | | \$ 84,517 | \$ 2,610,433 | \$ 2,714,872 |
| State programs | | | | 33,804 | | | 403,667 | 437,471 |
| Local programs | | | | 1,058 | | 13,274 | 201,232 | 215,564 |
| Charges for services | | | \$ 371,455 | | | | 180,332 | 551,787 |
| Unclassified | | \$ 1,441 | 17,155 | 18,575 | | | | 37,171 |
| Total Revenues | | <u>1,441</u> | <u>388,610</u> | <u>73,359</u> | | <u>97,791</u> | <u>3,395,664</u> | <u>3,956,865</u> |
| Expenditures: | | | | | | | | |
| Education | | | | | | | 2,375,597 | 2,375,597 |
| Adult education | | | | | | | 119,331 | 119,331 |
| Food services | | | | | | | 1,128,893 | 1,128,893 |
| TIF projects | \$ 207,689 | | | | | | | 207,689 |
| Cooperation with other entities | | | | | | 97,184 | | 97,184 |
| Unclassified | | | 408,357 | 93,822 | | | | 502,179 |
| Total Expenditures | <u>207,689</u> | <u>-</u> | <u>408,357</u> | <u>93,822</u> | | <u>97,184</u> | <u>3,623,821</u> | <u>4,430,873</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(207,689)</u> | <u>1,441</u> | <u>(19,747)</u> | <u>(20,463)</u> | | <u>607</u> | <u>(228,157)</u> | <u>(474,008)</u> |
| Other Financing Sources: | | | | | | | | |
| Transfers in | 895,277 | | 25,000 | | | 50,774 | | 971,051 |
| Transfers out | (605,000) | | | | | | (40,000) | (645,000) |
| | <u>290,277</u> | <u>-</u> | <u>25,000</u> | <u>-</u> | | <u>50,774</u> | <u>(40,000)</u> | <u>326,051</u> |
| Net Change in Fund Balances | 82,588 | 1,441 | 5,253 | (20,463) | | 51,381 | (268,157) | (147,957) |
| Fund Balances (Deficit), Beginning of Year | <u>195,828</u> | <u>7,571</u> | <u>(72,612)</u> | <u>68,885</u> | <u>\$ 2,500</u> | <u>(38,231)</u> | <u>444,474</u> | <u>608,415</u> |
| Fund Balances (Deficit), End of Year | <u>\$ 278,416</u> | <u>\$ 9,012</u> | <u>\$ (67,359)</u> | <u>\$ 48,422</u> | <u>\$ 2,500</u> | <u>\$ 13,150</u> | <u>\$ 176,317</u> | <u>\$ 460,458</u> |

**Combining Balance Sheet
Capital Projects**

June 30, 2018

ASSETS

| | |
|------------------------------|------------------|
| Intergovernmental receivable | \$ 8,267 |
| Interfund loans receivable | <u>1,176,250</u> |

Total Assets \$ 1,184,517

LIABILITIES AND FUND BALANCES

Liabilities:

| | |
|-------------------------|----------------|
| Unearned revenue | \$ 10,457 |
| Interfund loans payable | <u>569,096</u> |

Total Liabilities 579,553

Fund Balances:

| | |
|------------|------------------|
| Restricted | 28,294 |
| Committed | 1,038,402 |
| Unassigned | <u>(461,732)</u> |

Total Fund Balances 604,964

Total Liabilities and Fund Balances \$ 1,184,517

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects**

Year Ended June 30, 2018

| | Beginning Fund Balance | Inter- Governmental and Miscellaneous Revenue | Bond Issue | Expenditures | Operating Transfer In (Out) | Ending Fund Balance |
|--|-----------------------------------|--|-----------------------|---------------------|--|--------------------------------|
| Municipal | | | | | | |
| Voting Machines/Storage Equipment | \$ 2,566 | | | | | \$ 2,566 |
| Cemetery Chapel Repairs | 2,025 | | | | | 2,025 |
| Parks and Recreation Equipment | - | | | \$ 1,007 | | (1,007) |
| Fire Dept Equipment | - | | | 54,073 | \$ 35,000 | (19,073) |
| Public Works Equipment | 100,007 | | | 562,812 | 800,000 | 337,195 |
| Improve First Rangeway Intersection | (220,194) | | | | | (220,194) |
| Maintenance/Mobile Facility/Washbay | 20,738 | | | | | 20,738 |
| Waterfront Projects | (9,722) | \$ 274,775 | | 348,159 | | (83,106) |
| Assigned Sources and Uses | 251,426 | 58,358 | | 44,855 | | 264,929 |
| Airport Runway Design | (781) | | | | | (781) |
| Airport Main Runway Construction | 66 | 9,678 | | 3,571 | | 6,173 |
| Airport Land Easements | (15,685) | | | 62,043 | | (77,728) |
| Airport Equipment/Pavement Maintenance | 287 | | | | | 287 |
| Quarry Road Projects | 68,885 | | | | 12,433 | 81,318 |
| Waterville Opera House Project | 5,497 | | | | | 5,497 |
| Downtown Sidewalk Repairs | 16,865 | | | | | 16,865 |
| City Hall | 14,766 | | | | | 14,766 |
| City Hall Roof Repair | (3,647) | | | | | (3,647) |
| Bonded Paving Projects | (110,310) | 145,019 | | 289,711 | | (255,002) |
| Mayflower Hill | (30,747) | 30,000 | | | | (747) |
| Spring/Water/Main/Front | 1,533 | | | | | 1,533 |
| Pavement Rehab | 467,892 | | | 124,128 | 200,000 | 543,764 |
| Property Valuation Equilization | (5,405) | | | | | (5,405) |
| Traffic Signal Airport Road | 16,315 | | | | | 16,315 |
| Pool Maintenance | 165,719 | | | | | 165,719 |
| Downtown Traffic Study | 1,929 | | | | | 1,929 |
| School Improvement | (249,965) | | | | 40,000 | (209,965) |
| Totals | \$ 490,060 | \$ 517,830 | \$ - | \$ 1,490,359 | \$ 1,087,433 | \$ 604,964 |

**Combining Balance Sheet
Permanent Funds**

June 30, 2018

ASSETS

| | |
|----------------------------|----------------------------|
| Cash | \$ 513,139 |
| Investments | 2,128,400 |
| Interfund loans receivable | 90,714 |
| Total Assets | <u><u>\$ 2,732,253</u></u> |

LIABILITIES AND FUND BALANCES

Liabilities:

| | |
|--------------------------|----------------|
| Accrued wages | \$ 55 |
| Interfund loans payable | 151,789 |
| Total Liabilities | <u>151,844</u> |

Fund Balances:

| | |
|--|------------------|
| Nonspendable principal | 1,310,897 |
| Restricted to charitable or community purposes | 1,269,512 |
| Total Fund Balances | <u>2,580,409</u> |

| | |
|--|----------------------------|
| Total Liabilities and Fund Balances | <u><u>\$ 2,732,253</u></u> |
|--|----------------------------|

**Combining Statement of Revenues, Expenses and Changes in Fund Balances
Permanent Funds**

Year Ended June 30, 2018

| | Fund Balances Beginning of Year | | Contributions and Other Income | Investment Income (Loss) | Expenditures | Fund Balances End of Year | |
|------------------------------|--|------------------------------|---|-------------------------------------|---------------------|--------------------------------------|------------------------------|
| | Nonspendable Principal | Restricted Income | | | | Nonspendable Principal | Restricted Income |
| City Funds: | | | | | | | |
| Haines Charity | \$ 100,000 | \$ 563,676 | | \$ 53,670 | \$ 31,952 | \$ 100,000 | \$ 585,394 |
| Frank Champlin Teachers Fund | 100,000 | 346,084 | | 21,767 | 4,535 | 100,000 | 363,316 |
| Mildred Pray Ware Fund | 5,000 | 42,462 | | 858 | 241 | 5,000 | 43,079 |
| Violet Smith Fund | | 1,251 | | 20 | 3 | | 1,268 |
| Marr Charity | | 6,610 | | 4,322 | 31 | | 10,901 |
| Pine Grove Cemetery | 1,082,097 | 197,900 | \$ 988 | 103,809 | 45,474 | 1,082,097 | 257,223 |
| Boothby Fountain | | 200 | | 3 | | | 203 |
| "470" Engine Fund (A) | 3,800 | (1,164) | | (805) | 164 | 3,800 | (2,133) |
| Mary Warren Fund | 10,000 | 2,377 | | 225 | 32 | 10,000 | 2,570 |
| George Mitchell Fund | 10,000 | 7,452 | | 283 | 44 | 10,000 | 7,691 |
| Total City Funds | \$ 1,310,897 | \$ 1,166,848 | \$ 988 | \$ 184,152 | \$ 82,476 | \$ 1,310,897 | \$ 1,269,512 |

**Combining Schedule of Changes in Fiduciary Net Position
Private-Purpose Trust Funds - School Funds**

Year Ended June 30, 2018

| | Balances Beginning of Year | Additions | Deductions | Balances End of Year |
|--|---|------------------|-------------------|-------------------------------------|
| Private Purpose Trust Funds: | | | | |
| Buford Grant Scholarship | \$ 29,435 | \$ 2,805 | \$ 500 | \$ 31,740 |
| W. A. Donovan Fund | 2,328 | 353 | | 2,681 |
| Wentworth Fund | 23,106 | 2,809 | 5,000 | 20,915 |
| Flora Harriman Small Fund | 103,714 | 8,734 | | 112,448 |
| Gladys Briggs Walker Fund | 13,063 | 854 | 500 | 13,417 |
| Tina Thompson Poulin Drama Fund | 10,296 | 1,090 | | 11,386 |
| Rene Plante Scholarship | 5,039 | 520 | 500 | 5,059 |
| Myra Stearns | 19,724 | 1,945 | 696 | 20,973 |
| Faculty Gowns Account | 2,844 | (37) | | 2,807 |
| Messalonskee Fish and Game | 16,065 | 1,636 | | 17,701 |
| Ron LaPlante Scholarship Fund | 15,333 | 3,589 | 1,000 | 17,922 |
| Janice H. & Cynthia V. Scholarship Fund | 2,501 | (34) | | 2,467 |
| Pre Vocational Program | 19,958 | 1,541 | | 21,499 |
| Carol Shapiro Scholarship | 13,715 | 4,795 | 1,000 | 17,510 |
| Bridge Years | 28,357 | 529 | | 28,886 |
| Track resurfacing | | 9,698 | | 9,698 |
| Total Private Purpose Trust Funds | <u>\$ 305,478</u> | <u>\$ 40,827</u> | <u>\$ 9,196</u> | <u>\$ 337,109</u> |