

**CITY OF WATERVILLE,
MAINE**

FINANCIAL REPORT

June 30, 2021

TABLE OF CONTENTS

Independent Auditor's Report	1
Management Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund	14
Statement of Fiduciary Net Position – Fiduciary Funds	15
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	16
Notes to Financial Statements	17
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios	46
Schedule of Employer Contributions	47
Schedule of Changes in the Health Plan OPEB Liability and Related Ratios	48
Schedule of Proportionate Share of the GTL Plan Net OPEB Liability	49
Independent Auditor's Report on Additional Information	50
Special Revenue Funds	
Combining Balance Sheet	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52
Capital Projects	
Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54
Permanent Funds	
Combining Balance Sheet	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	56
Combining Schedule of Changes in Fiduciary Net Position – Private-Purpose Trust Funds – School Funds	57



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, 2021, 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, 2021, 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 46, the schedule of employer contributions on page 47, the schedule of changes in the health plan OPEB liability and related ratios on page 48, and the schedule of proportionate share of the GTL plan net OPEB liability on page 49 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 March 25, 2022, 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.

Handwritten signature of Michael A. Madegan in black ink.

Waterville, Maine
March 25, 2022

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, 2021.

FINANCIAL HIGHLIGHTS

- Total net position for the year ended June 30, 2021 of \$37,001,631. A portion of that amount, \$27,661,777, is a net investment in capital assets while \$2,605,393 is unrestricted. Total net position for the year ended June 30, 2020, was \$32,765,318. A portion of that amount, \$25,684,518, was a net investment in capital assets while \$1,906,706 was unrestricted.
- Net position increased by \$4,236,313 for the year ended June 30, 2021. The net position increase for the year ended June 30, 2020, was \$1,261,693.
- The governmental funds reported combined fund balances of \$18,721,954, an increase of \$3,426,768 from the prior year. The increase in fund balance is attributed primarily to an increase in the Capital Projects fund balance of \$679,526 related to bond proceeds and grants received for construction projects received in the current year that were not fully spent during this year, as well as an increase in the General Fund fund balance of \$1,907,978.
- As of June 30, 2021, unassigned fund balance for the General Fund totaled \$8,988,128 of which \$1,010,520 was restricted to use by the School Department. The City's unassigned fund balance policy of 12% of total general fund expenditures totaled \$5,307,540 for 2021. As of June 30, 2021, the City portion of unassigned fund balance for the General Fund exceeds the 12% minimum fund balance requirement by \$2,670,068.
- Bonds payable increased to \$22,780,090 as compared to \$20,394,300 from the prior year as a result of new bond proceeds of \$4,665,000 offset by regularly scheduled principal repayments of \$2,279,210.

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 17-47 of this document.

THE CITY AS A WHOLE

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

	Governmental Activities		Library	
	2021	2020	2021	2020
Current and other assets	\$ 23,255,277	\$ 19,142,943	\$ 1,817,380	\$ 1,518,342
Capital assets, net	46,897,343	44,037,178		
Total assets	<u>\$ 70,152,620</u>	<u>\$ 63,180,121</u>	<u>\$ 1,817,380</u>	<u>\$ 1,518,342</u>
Long-term debt outstanding	\$ 31,280,169	\$ 27,828,659		
Other liabilities	1,870,820	2,586,144	\$ 61,581	\$ 72,355
Total liabilities	<u>33,150,989</u>	<u>30,414,803</u>	<u>61,581</u>	<u>72,355</u>
Net position:				
Invested in Capital assets	27,661,777	26,785,459		
Restricted	6,734,461	4,073,153		
Unrestricted	2,605,393	1,906,706	1,755,799	1,445,987
Total net position	<u>\$ 37,001,631</u>	<u>\$ 32,765,318</u>	<u>\$ 1,755,799</u>	<u>\$ 1,445,987</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 increased in 2021 as investment in capital assets in various City departments and various road repair and other projects exceeded depreciation expense. Revenues raised were greater than budget, while expenditures were only slightly above 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 bonds issued in the current year totaling \$4,665,000. 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	
	2021	2020	2021	2020
Program Revenues:				
Charges for services	\$ 3,049,662	\$ 2,866,667	\$ 4,617	\$ 16,336
Operating grants and contributions	26,959,300	21,318,915	777,865	740,681
Capital grants and contributions	4,695,652	1,248,023		
	<u>34,704,614</u>	<u>25,433,605</u>	<u>782,482</u>	<u>757,017</u>
General Revenues:				
Property and other taxes	21,434,287	20,065,306		
Licenses, permits and fees	413,790	454,417		
Grants and contributions not restricted to specific programs	4,294,842	3,218,872		
Investment earnings	691,487	284,350	289,490	58,816
Unclassified	412,971	262,408		
	<u>27,247,377</u>	<u>24,285,353</u>	<u>289,490</u>	<u>58,816</u>
Total Revenues	<u>61,951,991</u>	<u>49,718,958</u>	<u>1,071,972</u>	<u>815,833</u>
Program Expenses:				
General government	3,963,381	3,793,315		
Public works	3,937,787	3,901,577		
Public safety	7,309,661	6,863,948		
Parks, recreation and culture	776,666	766,545		
Health and welfare	461,143	267,378		
Airport	1,003,485	940,711		
Education	31,890,307	29,946,885		
Program expenses	38,124	33,146		
TIF projects	358,476	356,481		
Unclassified	855,160	776,145		
Capital outlay	6,619,442	351,156		
Interest on debt	502,046	459,978		
Library expenses			762,160	709,398
Total Expenses	<u>57,715,678</u>	<u>48,457,265</u>	<u>762,160</u>	<u>709,398</u>
Change in Net Position	4,236,313	1,261,693	309,812	106,435
Net Position, Beginning of Year	<u>32,765,318</u>	<u>31,503,625</u>	<u>1,445,987</u>	<u>1,339,552</u>
Net Position, End of Year	<u>\$ 37,001,631</u>	<u>\$ 32,765,318</u>	<u>\$ 1,755,799</u>	<u>\$ 1,445,987</u>

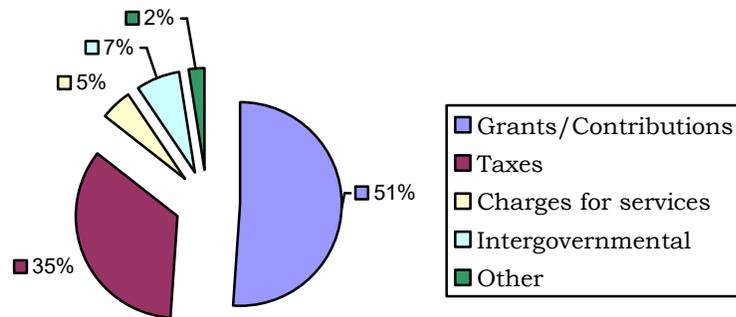
The cost of all governmental activities this year was \$57,715,678, which represents an increase of \$9,258,413 from prior year. Of this amount, Waterville taxpayers financed \$21,434,287 through property, personal and excise taxes. Municipal and educational departments have continued to aggressively 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

**2021 Statement of Activities Revenues
All Funds**

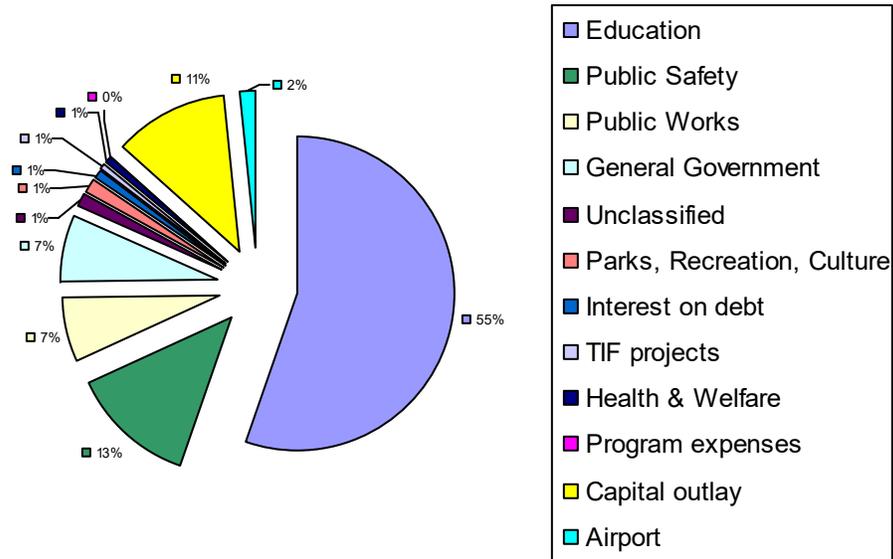


Grants/Contributions	Includes operating and capital grants and contributions
Taxes	Includes real property, personal property and excise taxes
Charges for service	Includes revenue from the various departments for services
Intergovernmental	Includes State revenue sharing and homestead and BETE reimbursement
Other	Includes 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

**2021 Statement of Activities Expenditures
All Funds**



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

GENERAL FUND BUDGETARY HIGHLIGHTS

Total budgeted revenues were \$44,116,741, and actual revenues were \$45,923,011, resulting in a positive variance of \$1,806,270. Total budgeted expenditures were \$44,810,850 and actual expenditures were \$44,015,033, resulting in a positive variance of \$795,817. For the year, the General Fund had an increase in fund balance of \$1,907,978.

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 \$13.7 million or 1.86% in fiscal year ended June 30, 2021. The primary reason for this increase was due to increases in real estate valuation. Personal property values remained relatively flat.

The unemployment rate for the City at fiscal year-end was an estimated 6.3% which was up from 5.2% from the prior year. The rate is slightly higher than the estimated State average of 5.1% and consistent with the estimated National rate of 6.1%. These figures are from the Maine Center for Workforce Research and Information website.

The 2021/2022 budget adopted by the City Council resulted in a decrease in the mill rate to 25.50 mills from the 2020/2021 rate of 25.76 mills. For the 2020/2021 budget year, which is the year this audit covers, the mill rate was 25.76 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, 2021

	Primary Government Governmental Activities	Component Unit Library
ASSETS		
Cash and cash equivalents	\$ 838,480	\$ 127,996
Investments	18,733,533	1,689,384
Receivables:		
Taxes receivable	811,779	
Tax liens	292,834	
Other receivables	157,103	
Intergovernmental	1,758,438	
Other assets	445,000	
Inventory	218,110	
Capital assets, net of accumulated depreciation	46,897,343	
Total Assets	<u>70,152,620</u>	<u>1,817,380</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions/OPEB	2,268,601	
Total Deferred Outflows of Resources Related to Pensions	<u>2,268,601</u>	
LIABILITIES		
Accounts payable	862,028	61,581
Accrued wages and benefits payable	2,315,082	
Accrued compensated absences	321,755	
Unearned revenue	15,707	
Deposits	320,590	
Taxes received in advance	13,798	
Due to agency fund	131,155	
Accrued interest	155,953	
Noncurrent liabilities:		
Due within one year	2,542,003	
Due in more than one year	20,797,387	
Net pension liability	2,699,961	
Other post employment benefits liability	4,700,126	
Accrued compensated absences	218,937	
Total Liabilities	<u>35,094,482</u>	<u>61,581</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions/OPEB	325,108	
Total Deferred Inflows of Resources Related to Pensions	<u>325,108</u>	
NET POSITION		
Net investment in capital assets	27,661,777	
Restricted for:		
Nonexpendable for inventory	62,633	
Nonexpendable trust principal	1,310,897	
Expendable for trust designated uses	1,941,671	
Special revenue funds	1,229,640	
Work in Process Capital Projects	2,189,620	
Unrestricted	2,605,393	1,755,799
Total Net Position	<u>\$ 37,001,631</u>	<u>\$ 1,755,799</u>

See independent auditor's report.

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

Statement of Activities

Year Ended June 30, 2021

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:						
Administration/council/mayor	\$ 975,227				\$ (975,227)	
Human resources	457,239				(457,239)	
Library	725,565				(725,565)	
Assessor	253,464				(253,464)	
Information technology	419,772	\$ 65,712			(354,060)	
Finance department	386,795	56,870			(329,925)	
City clerk	303,689	26,721			(276,968)	
Economic development	419,475		\$ 205,548		(213,927)	
Public works	3,937,787	552,124			(3,385,663)	
Parks and recreation	723,621	241,586		56,960	(425,075)	
Cemetery	53,045				(53,045)	
Police/communication center	4,290,174	415,635		169,510	(3,705,029)	
Fire department	2,858,993	68,113			(2,790,880)	
Code enforcement & planning	160,494				(160,494)	
Health and welfare	461,143			259,739	(201,404)	
Airport	1,003,485	398,580			(604,905)	
COVID	22,155				(22,155)	
Outside agencies	6,100				(6,100)	
Unclassified	849,060			213,247	(635,813)	
Program expenses	38,124				(38,124)	
TIF projects	358,476				(358,476)	
Education	31,890,307	1,224,321		26,054,296	(4,611,690)	
Capital outlay recaptured	6,619,442				(1,923,790)	
Interest on debt	502,046				(502,046)	
Total Governmental Activities	<u>\$ 57,715,678</u>	<u>\$ 3,049,662</u>	<u>\$ 26,959,300</u>	<u>\$ 4,695,652</u>	<u>(23,011,064)</u>	
Component Unit:						
Library	<u>\$ 762,160</u>	<u>\$ 4,617</u>	<u>\$ 777,865</u>			<u>\$ 20,322</u>
General revenues:						
Property taxes					19,205,342	
Excise taxes					2,228,945	
Licenses and permits					201,817	
Franchise fees					200,888	
Fees and fines					11,085	
Grants and contributions not restricted to specific programs:						
State revenue sharing					2,824,221	
Homestead exemption					1,133,269	
BETE reimbursement					337,352	
Investment earnings					691,487	289,490
Unclassified					412,971	
Total general revenues					<u>27,247,377</u>	<u>289,490</u>
Change in net position					4,236,313	309,812
Net position - beginning of year					<u>32,765,318</u>	<u>1,445,987</u>
Net position - end of year					<u>\$ 37,001,631</u>	<u>\$ 1,755,799</u>

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

Balance Sheet - Governmental Funds**June 30, 2021**

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 292,845		\$ 545,635	\$ 838,480
Investments	16,023,758		2,709,775	18,733,533
Receivables:				
Taxes receivable	811,779			811,779
Tax liens	292,834			292,834
Other receivables	137,952		19,151	157,103
Intergovernmental	14,541	\$ 928,155	815,742	1,758,438
Other assets	445,000			445,000
Interfund loans receivable	1,028,794	4,495,939	637,751	6,162,484
Inventory	155,477		62,633	218,110
Total Assets	<u>\$ 19,202,980</u>	<u>\$ 5,424,094</u>	<u>\$ 4,790,687</u>	<u>\$ 29,417,761</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 160,122	\$ 694,685	\$ 7,221	\$ 862,028
Accrued wages and benefits payable	2,312,557		2,525	2,315,082
Accrued compensated absences	315,679		6,076	321,755
Unearned revenue	-	15,707		15,707
Deposits	320,590			320,590
Taxes received in advance	13,798			13,798
Due to agency fund	131,155			131,155
Interfund loans payable	5,526,664	-	635,820	6,162,484
Total Liabilities	<u>8,780,565</u>	<u>710,392</u>	<u>651,642</u>	<u>10,142,599</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	553,208			553,208
Fund Balances (Deficits):				
Nonspendable for inventory	155,477		62,633	218,110
Nonspendable for trusts			1,310,897	1,310,897
Restricted for trusts			1,941,671	1,941,671
Restricted for special revenue funds			1,229,640	1,229,640
Restricted for capital projects		5,996,292		5,996,292
General Fund - assigned for subsequent year budget	425,602			425,602
General Fund - unassigned	7,977,608			7,977,608
General Fund - assigned for subsequent year school budget	300,000			300,000
General Fund - restricted for education	1,010,520			1,010,520
Special Revenues - unassigned			(405,796)	(405,796)
Capital Projects - committed		667,052		667,052
Capital Projects - unassigned		(1,949,642)		(1,949,642)
Total Fund Balances	<u>9,869,207</u>	<u>4,713,702</u>	<u>4,139,045</u>	<u>18,721,954</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 19,202,980</u>	<u>\$ 5,424,094</u>	<u>\$ 4,790,687</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.				46,897,343
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				553,208
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.				
Accrued compensated absences				(218,937)
Accrued interest				(155,953)
Capital leases payable				(262,148)
Other post employment benefits liability				(4,700,126)
Deferred outflows and inflows of resources related to pensions/OPEB				1,943,493
Net pension liability				(2,699,961)
Bonds payable				(23,077,242)
Net Position of Governmental Activities				<u>\$ 37,001,631</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, 2021

	General	Capital Projects	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 21,127,615			\$ 21,127,615
Licenses and permits	201,817			201,817
Intergovernmental	22,343,413	\$ 1,689,672	\$ 8,756,801	32,789,886
Tuition and other charges - Education	1,193,507		30,814	1,224,321
Charges for services - City	1,431,643		398,580	1,830,223
Fees and fines	11,085			11,085
Unclassified	664,297	3,005,980	98,608	3,768,885
Investment earnings	44,725		646,762	691,487
Total Revenues	<u>47,018,102</u>	<u>4,695,652</u>	<u>9,931,565</u>	<u>61,645,319</u>
Expenditures:				
Current:				
Administration/council/mayor	773,970			773,970
Human resources	457,239			457,239
Library	725,565			725,565
Assessor	191,383			191,383
Information technology	419,772			419,772
Finance department	386,795			386,795
City clerk	292,921			292,921
Economic development	215,331			215,331
Public works	3,238,714			3,238,714
Parks and recreation	584,321			584,321
Cemetery	53,045			53,045
Police/communication center	4,071,233		155,991	4,227,224
Fire department	2,499,786			2,499,786
Code enforcement & planning	160,494			160,494
Health and welfare	461,143			461,143
Airport			521,369	521,369
Education	26,947,221		8,248,504	35,195,725
County tax	832,786			832,786
COVID	22,155			22,155
Outside agencies	6,100			6,100
Unclassified	16,274		242,268	258,542
TIF projects			358,476	358,476
Capital outlay		9,127,444		9,127,444
Debt service (excluding education portion)	1,873,251			1,873,251
Total Expenditures	<u>44,229,499</u>	<u>9,127,444</u>	<u>9,526,608</u>	<u>62,883,551</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,788,603</u>	<u>(4,431,792)</u>	<u>404,957</u>	<u>(1,238,232)</u>
Other Financing Sources (Uses):				
Bond proceeds		4,665,000		4,665,000
Transfers in	407,909	446,318	1,264,716	2,118,943
Transfers out	(1,288,534)	-	(830,409)	(2,118,943)
Total Other Financing Sources (Uses)	<u>(880,625)</u>	<u>5,111,318</u>	<u>434,307</u>	<u>4,665,000</u>
Net Change in Fund Balances	<u>1,907,978</u>	<u>679,526</u>	<u>839,264</u>	<u>3,426,768</u>
Fund Balances, Beginning of Year	<u>7,961,229</u>	<u>4,034,176</u>	<u>3,299,781</u>	<u>15,295,186</u>
Fund Balances, End of Year	<u>\$ 9,869,207</u>	<u>\$ 4,713,702</u>	<u>\$ 4,139,045</u>	<u>\$ 18,721,954</u>

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

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

Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 3,426,768
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 the cost of assets (\$6,240,117) exceeded depreciation expense (\$3,379,952) in the current period.	
	2,860,165
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 (\$7,178), the decrease in OPEB liability including deferred outflows and inflows (\$180,124), the increase in accrued interest (\$1,360) and net increase in net pension liability including deferred outflows and inflows (\$95,187).	
	75,859
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position (\$96,844). 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 (\$115,918).	
	19,074
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.	
	306,672
Bond proceeds provide current financial resources to governmental funds, but issuing debt and unamortized premium on bonds increases long-term liabilities in the statement of net position (\$4,745,279). Repayment of bond principal is an expenditure in the governmental funds, but the repayment and amortization of premium on bonds reduces long-term liabilities in the statement of net position (\$2,293,054).	
	<u>(2,452,225)</u>
Change in Net Position of Governmental Activities	<u>\$ 4,236,313</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, 2021

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 20,566,128	\$ 20,566,128	\$ 21,127,615	\$ 561,487
Licenses and permits	282,600	282,600	201,817	(80,783)
Intergovernmental	19,454,496	19,454,496	20,840,413	1,385,917
Tuition and other charges for services - Education	1,258,684	1,258,684	1,193,507	(65,177)
Charges for services - City	1,318,708	1,318,708	1,431,643	112,935
Fees and fines	15,000	15,000	11,085	(3,915)
Unclassified	441,300	441,300	664,297	222,997
Investment earnings	75,000	75,000	44,725	(30,275)
Transfers in	704,825	704,825	407,909	(296,916)
Total Revenues	<u>44,116,741</u>	<u>44,116,741</u>	<u>45,923,011</u>	<u>1,806,270</u>
Expenditures				
Administration/council/mayor	774,803	774,803	773,970	833
Assessor	190,794	190,794	191,383	(589)
Cemetery	69,550	69,550	53,045	16,505
City clerk	296,845	296,845	292,921	3,924
Code enforcement & planning	159,199	159,199	160,494	(1,295)
Economic development	216,764	216,764	215,331	1,433
Education	25,712,675	25,712,675	25,444,221	268,454
Finance department	402,849	402,849	386,795	16,054
Fire department	2,393,163	2,393,163	2,499,786	(106,623)
Health and welfare	232,273	232,273	461,143	(228,870)
Human resources	546,180	546,180	457,239	88,941
Information technology	445,823	445,823	419,772	26,051
Library	725,565	725,565	725,565	-
Parks and recreation	580,597	580,597	584,321	(3,724)
Police/communication center	4,326,937	4,326,937	4,071,233	255,704
Public works	3,448,197	3,448,197	3,238,714	209,483
Debt service (excluding education portion)	1,966,785	1,966,785	1,873,251	93,534
Outside agencies	6,100	6,100	6,100	-
COVID	-	-	22,155	(22,155)
County tax	832,786	832,786	832,786	-
Unclassified	-	-	16,274	(16,274)
Transfers out	1,482,965	1,482,965	1,288,534	194,431
Total Expenditures	<u>44,810,850</u>	<u>44,810,850</u>	<u>44,015,033</u>	<u>795,817</u>
Excess (Deficiency) of Revenues Over Expenditures	(694,109)	(694,109)	1,907,978	<u>\$ 2,602,087</u>
Beginning Fund Balance Utilized	<u>694,109</u>	<u>694,109</u>		
Fund Balance, Beginning of Year			<u>7,961,229</u>	
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,869,207</u>	

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, 2021

	Private- Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents		\$ 378,057
Investments	\$ 556,309	95,498
Due from other funds		<u>131,155</u>
Total Assets	<u><u>\$ 556,309</u></u>	<u><u>\$ 604,710</u></u>
 LIABILITIES AND NET POSITION		
Liabilities:		
Due to student groups		\$ 468,481
Amount held for others		<u>136,229</u>
Total Liabilities		<u><u>\$ 604,710</u></u>
 Net Position		
Held in trust	<u><u>\$ 556,309</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, 2021

	Private- Purpose Trust Funds
Investment Income and Donations	\$ 123,145
Scholarships and Related Expenses	<u>3,880</u>
Change in Net Position	119,265
Net Position, Beginning of Year	<u>437,044</u>
Net Position, End of Year	<u><u>\$ 556,309</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, 2021

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 Robert H. Lafleur Airport is not considered to be separate legal entity from the City. The financial activity related to this organization has been included in the appropriate fund 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 entities follows:

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 \$725,000 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.

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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

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 2021, the City contributed \$67,090. 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.

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.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2021

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.

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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

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.

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.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2021

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.

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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

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.

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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

For the year ended June 30, 2021, 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, 2021 for the City using:

	Fair Value	Level 1	Level 2	Level 3
Repurchase Agreements	\$16,023,758		\$16,023,758	
Common Stock	2,223,976	\$2,223,976		
Mutual Bond Funds	<u>1,137,606</u>		<u>1,137,606</u>	
Total Investments	<u>\$19,385,340</u>	<u>\$2,223,976</u>	<u>\$17,161,364</u>	

Fair values of assets measured on a recurring basis are as follows at June 30, 2021 for the Waterville Public Library (component unit) using:

	Fair Value	Level 1	Level 2	Level 3
Common Stock	\$40,145	\$40,145		
Mutual Funds	1,595,052		\$1,595,052	
Money Market	<u>54,187</u>	<u>54,187</u>		
Total Investments	<u>\$1,689,384</u>	<u>\$94,332</u>	<u>\$1,595,052</u>	

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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

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.

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, 2021 are as follows:

Airport Fund	\$393,643
Police Grants	5,444

The individual capital projects funds carrying fund deficits as of June 30, 2021 are as follows:

Airport Improvement Projects	\$6,337
Airport Equipment/Pavement Maintenance	12,187
Pavement Rehab	732,453
Pool Maintenance – Harold Alfond	759,548
Pool Maintenance	11,200
Concourse Redesign	386
Fire Department Equipment - Grant Funded	23,814
Parks and Recreation (Alfond Pool) – 2020 bond	263,666
Waterfront Projects	160
Library – Historic Wood Restoration – 2019 bond	64,979
Library – Copper Roof Tourette – 2019 bond	74,912

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, 2021, \$210,014 of the City’s bank balances of \$2,517,741 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, 2021, \$19,834 of the Public Schools’ bank balances of \$699,545 was exposed to custodial credit risk. The remaining bank balance is covered by FDIC insurance or is collateralized.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2021

Component Unit – Waterville Public Library

The Library does not have a policy for custodial credit risk. As of June 30, 2021, none of the Library’s bank balance of \$122,698 was exposed to custodial credit risk.

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, 2021, 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	\$16,023,758	\$16,023,758			
Common Stock	2,223,976				\$2,223,976
Mutual Bond Funds	1,137,606				1,137,606
Total Investments	\$19,385,340	\$16,023,758			\$3,361,582

Investments are categorized by fund as follows:

	Public Schools	City	Total
General Fund		\$16,023,758	\$16,023,758
Fiduciary Funds:			
Private-Purpose Trust Funds	\$556,309		556,309
Agency Funds	95,498		95,498
Permanent Fund		2,709,775	2,709,775
Total Investments	\$651,807	\$18,733,533	\$19,385,340

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, 2021

- 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, 2021 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 \$650,807 invested in open-end mutual funds, which are sufficiently diversified; therefore, as of June 30, 2021 none of the Public Schools' investments were exposed to concentration of credit risk.

Component Unit – Waterville Public Library

As of June 30, 2021, Waterville Public Library had the following investments and maturities:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 – 5	6 – 10	No Maturity
Common Stock	\$40,145				\$40,145
Mutual Funds	1,595,052				1,595,052
Money Market	54,187	\$54,187			
Total Investments	\$1,689,384	\$54,187	-	-	\$1,635,197

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, 2021 the Library's investments in corporate bonds were rated between Baa3 and Aa3 by Moody's.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

Concentration of Credit Risk – The Library limits investments to no more than 5% in any one issuer. As of June 30, 2021 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, 2019, 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 \$43,218 for the year ended June 30, 2021.

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, 2021:

Assessed value	\$725,426,584
Tax rate (per \$1,000)	<u>25.76</u>
Commitment	<u>18,686,989</u>
Less:	
Abatements	22,009
Collections	<u>17,867,455</u>
	<u>17,889,464</u>
Current year taxes receivable at end of year	\$797,525
Due date(s) – current year	¼ October 9, 2020 ¼ December 11, 2020 ¼ March 12, 2021 ¼ June 11, 2021
Interest rate on delinquent taxes	8.00%
Collection rate	95.61%
Taxes receivable – current year	\$797,525
Taxes receivable – prior year	<u>14,254</u>
Total taxes receivable	<u>\$811,779</u>

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

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, 2021.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$2,330,503			\$2,330,503
Work in process	497,054		\$497,054	
Total capital assets not being depreciated	<u>2,827,557</u>		<u>497,054</u>	<u>2,330,503</u>
Capital assets being depreciated:				
Buildings	44,025,323	\$1,902,972		45,928,295
Improvements	14,038,763	252,078		14,290,841
Vehicles	7,491,931	3,137,990	886,296	9,743,625
Equipment	7,436,250	1,475,608	67,287	8,844,571
Infrastructure	26,117,350			26,117,350
Total capital assets being depreciated	<u>99,109,617</u>	<u>6,768,648</u>	<u>953,583</u>	<u>104,924,682</u>
Less accumulated depreciation for:				
Buildings	25,572,383	1,369,009		26,941,392
Improvements	5,229,076	220,008		5,449,084
Vehicles	5,376,520	507,555	854,819	5,029,256
Equipment	5,201,814	579,813	67,287	5,714,340
Infrastructure	16,520,203	703,567		17,223,770
Total accumulated depreciation	<u>57,899,996</u>	<u>3,379,952</u>	<u>922,106</u>	<u>60,357,842</u>
Total capital assets being depreciated, net	<u>41,209,621</u>	<u>3,388,696</u>	<u>31,477</u>	<u>44,566,840</u>
Governmental Activities Capital				
Assets, Net	<u>\$44,037,178</u>	<u>\$3,388,696</u>	<u>\$528,531</u>	<u>\$46,897,343</u>

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

Governmental activities:	
Administration	\$138,431
Assessor	62,081
City Clerk	10,768
Public works (includes infrastructure)	724,406
Parks, recreation and culture	139,300
Police	139,910
Fire	347,848
Airport	482,116
Education	1,335,092
Total depreciation expense – governmental activities	<u>\$3,379,952</u>

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities for governmental activities for the year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds and notes payable	\$20,394,300	\$4,665,000	\$2,279,210	\$22,780,090	\$2,427,438
Premium on bonds	230,717	80,280	13,845	297,152	17,859
Capital leases	281,222	96,844	115,918	262,148	96,706
Accrued compensated absences	447,420	93,272		540,692	321,755
Other post-employment benefits liability	4,278,266	421,860		4,700,126	
Net pension liability	<u>2,196,734</u>	<u>503,227</u>		<u>2,699,961</u>	
Long-term liabilities	<u>\$27,828,659</u>	<u>\$5,860,483</u>	<u>\$2,408,973</u>	<u>\$31,280,169</u>	<u>\$2,863,758</u>

NOTE 7 – CAPITAL LEASES

The Department of Public Schools is engaged in eight capital leases, and the City is engaged in two capital leases as of June 30, 2021. The original cost of assets capitalized under these leases total \$533,625. Future minimum capital lease payments are as follows:

Principal	
2022	\$96,706
2023	79,633
2024	62,555
2025	21,134
2026	<u>2,120</u>
	<u>\$267,148</u>
Interest	
2022	\$9,835
2023	6,080
2024	3,013
2025	646
2026	<u>10</u>
	<u>\$19,584</u>
Total payments	\$286,732
Less interest	<u>19,584</u>
Net present value	<u>\$267,148</u>

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 – LONG-TERM DEBT

Bonds payable at June 30, 2021 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%	\$140,931
2008 QZAB Bond	7/16/08	516,279	2023	1.84%	114,850
2009 QZAB Bond	11/18/09	4,333,368	2025	1.40%	1,155,566
2011 QSCB Bond	5/26/11	5,000,000	2025	5.692%	1,564,000
2011 General Obligation Bond	5/3/11	3,150,000	2031	2.00-4.00%	1,440,000
2012 QSCB Bond	7/15/11	943,859	2027	5.366%	469,743
2013 General Obligation Bond	11/1/12	3,300,000	2033	1.00-2.75%	1,740,000
2013 General Obligation Bond	4/1/13	5,831,120	2038	2.00-3.50%	3,580,000
2015 General Obligation Bond	5/1/15	5,250,000	2036	2.00-4.00%	2,575,000
2019 General Obligation Bond	9/27/19	5,360,000	2040	2.00-2.50%	5,335,000
2020 General Obligation Bond	8/28/20	4,665,000	2041	1.50-1.75%	<u>4,665,000</u>
Total bonds payable					<u>\$22,780,090</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, 2021 are as follows:

Year Ending	Principal	Interest	Total
2022	\$2,427,438	\$574,715	\$3,002,153
2023	2,382,887	482,208	2,865,094
2024	2,221,580	439,730	2,661,310
2025	2,181,772	390,646	2,572,418
2026	1,692,281	309,928	2,002,210
2027-2031	5,624,132	1,106,781	6,730,913
2032-2036	4,255,000	484,554	4,739,554
2037-2041	<u>1,995,000</u>	<u>95,532</u>	<u>2,090,532</u>
	<u>\$22,780,090</u>	<u>\$3,884,094</u>	<u>\$26,664,184</u>

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

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 \$22,780,090 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, 2021, the balances of interfund loan receivable/payable were as follows:

	Interfund Loans Receivable	Interfund Loans Payable	Due to Agency Funds
General fund	\$1,028,794	\$5,526,664	\$131,155
Other governmental funds	5,133,690	635,820	
Agency funds	131,155		
	<hr/>	<hr/>	<hr/>
Total	<u>\$6,293,639</u>	<u>\$6,162,484</u>	<u>\$131,155</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.maineipers.org.

Funding Policy (City) – Plan members are required to contribute 9.0% and 9.5% of their annual covered salary (per respective Plan) and the City is required to contribute an actuarially determined rate. The current rate is 8.6% and 12.9% of annual covered payroll (per respective Plan). The contribution rates of plan members and the City are established and may be amended by the Maine State Legislature. During 2021, contributions to the PLD Plan by the City were \$298,448.

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.maineipers.org.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

Funding Policy – Plan members are required to contribute 7.65% of their compensation to the retirement system. For non-grant funded teachers, the School’s contractually required contribution rate for the year ended June 30, 2021 was 18.49%, of which 4.16% was required from the School and 14.33% was required from the State of Maine. For grant funded teachers, the School’s contractually required contribution rate for the year ended June 30, 2021 was 19.12%, all of which was required from the School. Contributions to the pension plan from the School and the State of Maine were approximately \$593,000 and \$1,503,000 during the year ended June 30, 2021, 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.

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, 2021, 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	\$1,567,896
School’s proportionate share of net pension liability	<u>1,132,065</u>
Total net pension liability	<u><u>\$2,699,961</u></u>

As discussed above, the State of Maine participates in the SET Plan as a non-employer contributing entity. At June 30, 2021, the portion of the State of Maine’s net pension liability associated with the School was \$13,526,067. This amount is not required to be recognized in the City’s financial statements.

The net pension liability was measured as of June 30, 2020 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, 2020, the City’s proportion was 0.394624% and the School’s proportion was 0.069356%.

For the year ended June 30, 2021, the City recognized pension expense of \$991,622.

At June 30, 2021, 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	\$130,297
Difference between projected and actual investment earnings	148,958
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,633
Total contributions subsequent to the measurement date	<u>896,435</u>
Total	<u><u>\$1,225,323</u></u>

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

Contributions made during the reporting period were \$896,435. 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, 2021, 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	\$41,224
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>6,318</u>
Total	<u>\$47,542</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:

2022	\$(41,555)
2023	66,489
2024	128,327
2025	128,082

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods in the measurement:

Inflation	2.75%
Salary increases	2.75% plus merit component based on each employee's years of service
Investment return	6.75% per annum, compounded annually
COLA increase (PLD Plan)	1.91% per annum
COLA increases (SET Plan)	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. For all recipients of disability benefits, the RP2014 Total Dataset Disabled 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, 2020 are summarized in the following table:

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equities	30.0%	6.0%
US Government	7.5	2.3
Private Equity	15.0	7.6
Real Assets:		
Real Estate	10.0	5.2
Infrastructure	10.0	5.3
Natural Resources	5.0	5.0
Traditional Credit	7.5	3.0
Alternative Credit	5.0	7.2
Diversifiers	10.0	5.9

The discount used to measure the collective total pension liability was 6.75% 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 and School's proportionate share of net pension liability as of June 30, 2020 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 6.75% for the SET Plan and the PLD Plan.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$3,295,085	\$1,567,896	\$154,066
School's proportionate share of the net pension liability	1,963,333	1,132,065	439,221

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2020 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors are 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 2020, this was three years for the SET Plan and the PLD Consolidated Plan. For 2019, this was three years for the SET Plan and four years for the PLD Consolidated Plan. For 2018 and 2017, this was three years for both plans; prior to 2017, this was four years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings are 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, 2021

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 are 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 School Department 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 and School Department sponsor post-retirement benefit plans providing health insurance to retiring employees and teachers (Health Plans). The plans are single-employer defined benefit OPEB plans administered by the Maine Municipal Employees Health Trust (MMEHT) and the Maine Education Association Benefits Trust (MEABT). The City Council and School Board have 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.

Under the Health Plan for retiring City employees, 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.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2021

At June 30, 2021, the following employees were covered by the MMEHT Health Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1	
Inactive employees entitled to but not yet receiving benefits	-	
Active employees	101	
Total	102	

Under the Health Plan for retiring teachers, MEABT provides healthcare and life insurance benefits for retirees and their dependents. The employee must have participated in the MEABT health plan for the 12 months prior to retirement, and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits. The retiree pays 55% of the blended premium rate for coverage selected. Spouses must contribute 100% of the blended premium amounts. For those retirees 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, 2021, the following employees were covered by the MEABT Health Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	100	
Inactive employees entitled to but not yet receiving benefits	-	
Active employees	300	
Total	400	

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 School Department were \$43,545 for the year ended June 30, 2021. 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

GTL Plan – At June 30, 2021, 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 School Department was \$387,811 at June 30, 2021. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School Department’s proportion of the net OPEB liability was based on a projection of the School Department’s long-term share of contributions to the GTL Plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the School Department’s proportion was 0.00%.

For the year ended June 30, 2021, the City did not recognize OPEB expense for the GTL Plan of \$43,545 and also revenues of \$43,545 for support provided by the State of Maine as management deemed the amounts immaterial to the basic financial statements as a whole. At June 30, 2021, the City reported no deferred outflows or inflows of resources related to the GTL Plan.

MMEHT Health Plan – The total MMEHT Health Plan OPEB liability of \$863,474 was measured as of January 1, 2021, and was determined by an actuarial valuation as of January 1, 2020.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2021

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

Balance at June 30, 2020	\$746,249
Changes for the year:	
Service cost	41,908
Interest	21,530
Changes in assumptions	58,623
Benefit payments	<u>(4,836)</u>
Net changes	<u>117,225</u>
Balance at June 30, 2021	<u>\$863,474</u>

Change in assumptions reflects to the change in the discount rate in combination with updated trend arrays.

For the year ended June 30, 2021, the City recognized OPEB expense of \$65,172 related to the MMEHT Health Plan.

At June 30, 2021, the City reported deferred outflows of resources related to the MMEHT Health Plan in the government-wide financial statements from change in assumptions totaling \$259,012.

At June 30, 2021, the City reported deferred inflows of resources related to the MMEHT Health Plan in the government-wide financial statements totaling \$195,301, comprised of differences between expected and actual experience totaling \$140,591 and changes in assumptions totaling \$54,710.

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

2022	\$6,570
2023	6,570
2024	6,570
2025	6,570
2026	6,570
Thereafter	30,861

MEABT Health Plan – The total MEABT Health Plan OPEB liability of \$3,836,652 was measured as of June 30, 2020, 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, 2020	\$3,532,017
Changes for the year:	
Service cost	31,881
Interest	123,262
Changes of benefits	(443,075)
Differences between expected and actual experience	186,282
Changes in assumptions	491,289
Benefit payments	<u>(85,004)</u>
Net changes	<u>304,635</u>
Balance at June 30, 2021	<u>\$3,836,652</u>

Changes of benefits relate to the implement of the Medicare Advantage plan. Differences between expected and actual experience include updates in the valuation related to demographics from the last full valuation two years ago. Change in assumptions primarily relate to the reduction in the discount rate and other updates.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

For the year ended June 30, 2021, the City recognized OPEB expense (benefit) of \$(245,296) related to the MEABT Health Plan.

At June 30, 2021, the City reported deferred outflows of resources related to the MEABT Health Plan in the government-wide financial statements totaling \$784,268, comprised of differences between expected and actual experience of \$159,670, changes in assumptions totaling \$562,509 and contributions made subsequent to the measurement date totaling \$62,089.

At June 30, 2021, the City reported deferred inflows of resources related to the MEABT Health Plan in the government-wide financial statements from changes in assumptions totaling \$82,265.

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

2022	\$104,725
2023	104,725
2024	104,726
2025	132,147
2026	96,796
Thereafter	96,795

Actuarial Methods and Assumptions

GTL Plan – The total OPEB liability for the GTL Plan in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise noted:

Inflation	2.75%
Salary increases	2.80% to 13.03% per year
Investment return	6.50% per annum, compounded annually

Mortality rates were based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The long-term expected rate of return on the GTL Plans' 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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equities	70.0%	6.0%
Real estate	5.0	5.2
Traditional credit	15.0	3.0
US Government securities	10.0	2.3

The discount rate used to measure the total OPEB liability for the GTL Plan was 6.50%. 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 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 Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

MMEHT Health Plan – The total OPEB liability for the MMEHT Health Plan in the January 1, 2020 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

Inflation	2.00% per year
Salary increases	2.75% per year
	2.12 per year for year end 2021 reporting,
Discount rate	2.74% per year for year end 2020 reporting
Healthcare costs trend rates	7.62% for 2021, decreasing to 3.28% for 2040
Retirees’ share of the benefit related costs	100% of projected health insurance premiums

Mortality rates were based on 104% and 120% of the RP2014 Total Dataset Health Annuity Mortality Table, respectively, for males and females.

The actuarial assumptions are the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016 and are based on the results of an experience study conducted for the period June 30, 2012 to June 30, 2015.

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. Using the Bond Buyer 20-Bond GO Index, the discount rate as of June 30, 2020 is based upon an earlier measurement date, as of December 26, 2019, and is 2.74% per annum. The discount rate as of June 30, 2021 is based upon an earlier measurement date, as of December 31, 2020, and is 2.12% per annum. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

The following table shows how the net OPEB liability related to the MMEHT Health Plan as of June 30, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate of 2.12%.

	1% Decrease	Current Discount Rate	1% Increase
OPEB liability – MMEHT Health Plan	\$1,035,722	\$863,474	\$726,116

The following table shows how the net OPEB liability related to the MMEHT Health Plan as of June 30, 2021 would change if the healthcare cost trend rates used were one percentage point lower or one percentage point higher than the current rate of 7.62%.

	1% Decrease	Current Discount Rate	1% Increase
OPEB liability – MMEHT Health Plan	\$705,320	\$863,474	\$1,073,737

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

MEABT Health Plan – The total OPEB liability for the MEABT Health Plan in the June 30, 2020 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

Inflation	2.00% per year
Salary increases	2.75% per year
	3.50% per year for year end 2019 reporting,
Discount rate	2.21% per year for year end 2020 reporting
Healthcare costs	
trend rates	6.30% for 2021, decreasing to 3.25% for 2040
Retirees’ share of the benefit related costs	55% of projected blended premium rate for coverage elected. Spouse contributes 100%.

Mortality rates were based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The demographic actuarial assumptions are the Teacher assumptions that were used by the Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation at June 30, 2021 and are based on the experience study covering the period from June 30, 2015 through June 30, 2020. The proposed assumptions were adopted by the Board of Trustees at their March 11, 2021.

The economic assumptions are based on GASB 75 paragraph 36. Since the Plan is not funded via a qualified trust, the discount rates are selected based on the 20-year tax-exempt bond buyer rates as of the measurement dates. The other economic assumptions, ie trend rates, were developed based on historical and future projections of long term health care rates.

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. Using the Bond Buyer 20-Bond GO Index, the discount rate as of June 30, 2019 is 3.50% per annum. The discount rate as of June 30, 2020 is 2.21% per annum. This rate is assumed to be an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

The following table shows how the net OPEB liability related to the MEABT Health Plan as of June 30, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate of 2.21%.

	1% Decrease	Current Discount Rate	1% Increase
OPEB liability – MEABT Health Plan	\$4,623,696	\$3,836,652	\$3,215,169

The following table shows how the net OPEB liability related to the MEABT Health Plan as of June 30, 2021 would change if the healthcare cost trend rates used were one percentage point lower or one percentage point higher than the current rate of 3.72%.

	1% Decrease	Current Discount Rate	1% Increase
OPEB liability – MEABT Health Plan	\$3,170,603	\$3,836,652	\$4,698,306

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.maineipers.org or by contacting the System at (207) 512-3100.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

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 nine tax increment financing districts under the terms of applicable State laws which were still in effect during the year ended June 30, 2021.

In July 2000, the City established **The Chinet 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 Chinet 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 Chinet Company Plant added approximately \$8,157,301 of new tax base to the City. Chinet will finance the improvements within the District. The City will not assume any financial liability within the District. Under the District Credit Enhancement Agreement (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 Chinet 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.

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 duration of the District will be 25 years, expiring on June 30, 2032 (FY 2032). Under the District CEA, reimbursements to the developer will be limited to incremental taxes from new actual value projected at \$15,942,369 total or 75% annually for years 1 through 10 and then 1% annual reduction starting at 74% to 60% for years 11 through 25. Developer reimbursements will be deposited and held in a dedicated developer Project TIF account and shall be used and applied exclusively to fund the City's payment obligations to the developer under the applicable CEA agreement. All TIF revenues generated by the District not allocated to the 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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

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.

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 October 2016, the City established the **Merici Woods Senior Affordable Housing Tax Increment Financing District**. The District is an approximately 5 acre parcel of land on which the developer intends to construct an affordable housing project consisting of 28 units of residential rental housing for seniors. Such municipal TIF projects will directly or indirectly help maintain a healthy tax base, improve the economic conditions in the City, provide for construction of new public infrastructure address a strong need for additional senior housing in the City. The duration of the District will be 30 years, commencing April 1, 2018 (FY 2017-18) and will expire on March 31, 2038 (FY 2037-38). Under the District CEA, 75% of the District TIF revenues (captured assessed value) will be used to pay operating costs of the project, including property management and administration, utilities, routine repairs and maintenance, insurance, real estate taxes and funding of the project's replacement reserve account. All remaining new tax revenues will be deposited into a City Project TIF account and used to fund other City TIF projects.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

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.

In August 2019, the City established the **155-165 Main Street 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 155-165 Main Street development area. 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. The duration of the District will be 30 years, commencing on July 1, 2020 (FY 2020-21) and will expire on June 30, 2050 (FY 2049-50). Under the District CEA, reimbursements to the developer will be limited to incremental taxes from new actual value projected at \$2,084,775 total or 75% annually for a 20-year term during the term of the District. Developer reimbursements will be deposited and held in a dedicated developer Project TIF account and shall be used and applied exclusively to fund the City's payment obligations to the developer 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. 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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

In September 2019, the City established the **Lockwood Mills Apartments Affordable Housing Development and Tax Increment Financing District**. The District is an approximately 1.556 acre parcel of land on which the developer intends to construct an affordable housing project consisting of residential rental housing for families containing 65 to 70 units. Such municipal TIF projects will directly or indirectly help attract and retain quality jobs and commercial development, create and maintain a healthy tax base, improve the economic conditions in the City, provide for construction of new public infrastructure and improvements to facilitate economic development and address a strong need for additional multifamily rental housing in the City. The duration of the District will be 30 years, commencing in September 2019 (FY 2019-20) and will expire on March 31, 2050 (FY 2049-50). Under the District CEA, reimbursements to the developer will be limited to incremental taxes from new actual value projected at \$3,113,726 total or 75% annually during the term of the District. Developer reimbursements will be deposited and held in a dedicated developer Project TIF account and shall be used and applied exclusively to fund the City's payment obligations to the developer under the applicable CEA agreement. All remaining new tax revenues will be deposited into a City Project TIF account and used to fund projected additional educational costs of Waterville Public Schools kindergarten through grade 12 as a means of mitigating the impact of the Affordable Housing District on the City's public schools.

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.

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, 2021.

NOTE 16 - NET POSITION

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, 2021:

Capital assets	\$107,255,185
Accumulated depreciation	(60,357,842)
Bonds payable and capital leases payable	(23,042,238)
Unspent bond proceeds	<u>3,806,672</u>
Total invested in capital assets, net of related debt	<u>\$27,661,777</u>

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2021

NOTE 17 – UNCERTAINTY

The City is currently evaluating the COVID-19 virus pandemic and while it is reasonably possible that the pandemic could have a negative effect on the City's operations, financial position and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

June 30, 2021 (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
6/30/2021	PLD Plan	0.394624%	\$1,567,896	\$ 2,715,037	57.75%	88.35%
	SET Plan	0.069356%	1,132,065	11,306,355	10.01%	81.03%
6/30/2020	PLD Plan	0.383068%	1,170,899	3,146,994	37.21%	90.62%
	SET Plan	0.069981%	1,025,835	11,636,749	8.82%	82.73%
6/30/2019	PLD Plan	0.380060%	1,040,141	3,004,234	34.62%	91.14%
	SET Plan	0.065760%	887,394	11,084,162	8.01%	82.90%
6/30/2018	PLD Plan	0.396601%	1,623,836	2,813,073	57.72%	86.43%
	SET Plan	0.064410%	935,579	10,262,282	9.12%	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	10,259,684	11.76%	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	10,181,636	9.46%	81.18%
6/30/2015	PLD Plan	0.438124%	674,190	2,619,833	25.73%	94.10%
	SET Plan	0.068868%	744,002	10,318,500	7.21%	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:

	2021	2020	2019	2018	2017	2016	2015
Discount rate - PLD Plan	6.750%	6.750%	6.750%	6.875%	6.875%	7.125%	7.250%
Discount rate - SET Plan	6.750%	6.750%	6.750%	6.875%	6.875%	7.125%	7.125%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%	3.5%	3.5%
Salary increases - PLD Plan	**	2.75% to 9.0%	2.75% to 9.0%	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%	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	1.91%	1.91%	1.91%	2.20%	2.20%	2.55%	3.12%
Cost of living increase - SET Plan	2.20%	2.20%	2.20%	2.20%	2.20%	2.55%	2.55%
Long-term expected real rate of return on assets:							
Public equities	6.0%	6.0%	6.0%	6.0%			
US government	2.3%	2.3%	2.3%	2.3%			
Private equity	7.6%	7.6%	7.6%	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%	5.2%	5.2%	5.2%	3.7%	3.7%
Infrastructure	5.3%	5.3%	5.3%	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%	5.0%	5.0%	5.0%			
Traditional credit	3.0%	3.0%	3.0%	3.0%			
Alternative credit	7.2%	4.2%	4.2%	4.2%			
Diversifiers	5.9%	5.9%	5.9%	5.9%			

** - 2.75% plus merit component based on each employee's years of service

Required Supplementary Information - Schedule of Employer Contributions

June 30, 2021 (Unaudited)

Year Ending	Plan	Statutorily Required Contributions	Actual Employer Contributions	Contribution Excess/(Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2021	PLD Plan	\$ 298,448	\$ 298,448	\$ -	\$ 2,715,037	10.99%
	SET Plan	436,215	436,215	-	11,306,355	3.86%
	SET Plan **	156,862	156,862	-	820,408	19.12%
6/30/2020	PLD Plan	254,906	254,906	-	3,146,994	8.10%
	SET Plan	447,464	447,464	-	10,756,335	4.16%
	SET Plan **	168,247	168,247	-	880,414	19.11%
6/30/2019	PLD Plan	234,330	234,330	-	3,004,234	7.80%
	SET Plan	405,250	405,250	-	10,207,814	3.97%
	SET Plan **	137,148	137,148	-	876,348	15.65%
6/30/2018	PLD Plan	210,980	210,980	-	2,813,073	7.50%
	SET Plan	375,514	375,514	-	9,458,790	3.97%
	SET Plan **	125,746	125,746	-	803,492	15.65%
6/30/2017	PLD Plan	203,275	203,275	-	2,746,966	7.40%
	SET Plan	318,339	318,339	-	9,474,370	3.36%
	SET Plan **	109,394	109,394	-	785,314	13.93%
6/30/2016	PLD Plan	193,147	193,147	-	2,759,249	7.00%
	SET Plan	315,075	315,075	-	9,377,226	3.36%
	SET Plan **	112,054	112,054	-	804,410	13.93%
6/30/2015	PLD Plan	159,810	159,810	-	2,619,833	6.10%
	SET Plan	251,000	251,000	-	9,471,694	2.65%
	SET Plan **	136,759	136,759	-	846,806	16.15%
6/30/2014	PLD Plan	118,277	118,277	-	2,628,368	4.50%
	SET Plan	250,243	250,243	-	9,443,116	2.65%
	SET Plan **	127,682	127,682	-	790,602	16.15%

Notes:

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

*** In addition to Normal costs for all teachers, the School is required to contribute UAL costs for those positions that are federally funded.*

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

June 30, 2021 (Unaudited)

City Employee Health Plan **

	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Service Cost	\$ 41,908	\$ 27,647	\$ 31,892	\$ 27,108
Interest	21,530	27,216	23,986	24,011
Changes of benefits		(13,776)		
Differences between expected and actual experience		(122,620)		(70,823)
Changes in assumptions	58,623	195,215	(78,158)	83,464
Benefit payments	(4,836)	(7,092)	(6,819)	(6,145)
Net change in Health Plan OPEB Liability	117,225	106,590	(29,099)	57,615
Total Health Plan OPEB Liability - beginning	746,249	639,659	668,758	611,143
Total Health Plan OPEB Liability - ending	\$ 863,474	\$ 746,249	\$ 639,659	\$ 668,758
Covered employee payroll	\$ 5,403,935	\$ 5,059,918	\$ 5,059,918	\$ 5,059,918
Total Health Plan OPEB liability as a % of covered employee payroll	15.98%	14.75%	12.64%	13.22%

School Teacher Health Plan **

	6/30/2021	6/30/2020	6/30/2019
Service Cost	\$ 31,881	\$ 26,159	\$ 28,599
Interest	123,262	124,956	118,658
Changes of benefits	(443,075)		
Differences between expected and actual experience	186,282		
Changes in assumptions	491,289	212,106	(164,531)
Benefit payments	(85,004)	(67,113)	(64,793)
Net change in Health Plan OPEB Liability	304,635	296,108	(82,067)
Total Health Plan OPEB Liability - beginning	3,532,017	3,235,909	3,317,976
Total Health Plan OPEB Liability - ending	\$ 3,836,652	\$ 3,532,017	\$ 3,235,909
Covered employee payroll	\$ 13,028,046	\$ 13,663,184	\$ 13,297,503
Total Health Plan OPEB liability as a % of covered employee payroll	29.45%	25.85%	24.33%

** Refer to Note 11 of the financial statements for additional information related to the OPEB Plans

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, 2021 (Unaudited)

	6/30/2021	6/30/2020	6/30/2019	6/30/2018
City's proportion of the GTL Plan net OPEB liability	0.00%	0.00%	0.00%	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	387,811	366,031	354,308	336,878
Total	<u>\$ 387,811</u>	<u>\$ 366,031</u>	<u>\$ 354,308</u>	<u>\$ 336,878</u>
Plan fiduciary net position as a % of the GTL Plan total OPEB liability	62.90%	49.22%	48.04%	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, 2021, and our report thereon dated March 25, 2022, 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 51 through 57 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, Michael & Nadeau

Waterville, Maine
March 25, 2022

**Combining Balance Sheet
Special Revenue Funds**

June 30, 2021

	TIF Projects Fund	Loan Fund	Commons Drive	Airport Fund	Police Grants	Fire Dept Grant Fund	Grant Fund	School Funds	Total
ASSETS									
Cash			\$ 13,039						\$ 13,039
Accounts receivable				\$ 19,151					19,151
Intergovernmental receivable								\$ 815,742	815,742
Inventory				29,157				33,476	62,633
Interfund loans receivable	\$ 427,148	\$ 11,382				\$ 2,500	\$ 17,004	169,465	627,499
Total Assets	<u>\$ 427,148</u>	<u>\$ 11,382</u>	<u>\$ 13,039</u>	<u>\$ 48,308</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 17,004</u>	<u>\$ 1,018,683</u>	<u>\$ 1,538,064</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 6,803			\$ 418					\$ 7,221
Accrued wages				2,470					2,470
Accrued compensated absences				6,076					6,076
Interfund loans payable				432,987	5,444			\$ 197,389	635,820
Total Liabilities	<u>6,803</u>			<u>441,951</u>	<u>5,444</u>			<u>197,389</u>	<u>651,587</u>
Fund Balances (Deficit):									
Nonspendable - inventory				29,157				33,476	62,633
Restricted fund balance	\$ 420,345	\$ 11,382	\$ 13,039		(5,444)	\$ 2,500		787,818	1,229,640
Unassigned fund balance				(422,800)			\$ 17,004		(405,796)
Total Fund Balances (Deficit)	<u>420,345</u>	<u>11,382</u>	<u>13,039</u>	<u>(393,643)</u>	<u>(5,444)</u>	<u>2,500</u>	<u>17,004</u>	<u>821,294</u>	<u>886,477</u>
Total Liabilities and Fund Balances	<u>\$ 427,148</u>	<u>\$ 11,382</u>	<u>\$ 13,039</u>	<u>\$ 48,308</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 17,004</u>	<u>\$ 1,018,683</u>	<u>\$ 1,538,064</u>

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

Year Ended June 30, 2021

	TIF Projects Fund	Loan Fund	Commons Drive	Airport Fund	Police Grants	Fire Dept Grant Fund	Grant Fund	School Funds	Total
Revenues:									
Federal programs					\$ 134,404		\$ 192,826	\$ 7,784,989	\$ 8,112,219
State programs					27,454		11,837	605,291	644,582
Local programs							885	88,431	89,316
Charges for services				\$ 398,580				30,814	429,394
Unclassified		\$ 365	\$ 3		7,652				8,020
Total Revenues		<u>365</u>	<u>3</u>	<u>398,580</u>	<u>169,510</u>		<u>205,548</u>	<u>8,509,525</u>	<u>9,283,531</u>
Expenditures:									
Education								6,880,797	6,880,797
Adult education								226,749	226,749
Food services								1,140,958	1,140,958
TIF projects	\$ 358,476								358,476
Cooperation with other entities							199,841		199,841
Unclassified			4,303	521,369	155,991				681,663
Total Expenditures	<u>358,476</u>	<u>-</u>	<u>4,303</u>	<u>521,369</u>	<u>155,991</u>		<u>199,841</u>	<u>8,248,504</u>	<u>9,488,484</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(358,476)</u>	<u>365</u>	<u>(4,300)</u>	<u>(122,789)</u>	<u>13,519</u>		<u>5,707</u>	<u>261,021</u>	<u>(204,953)</u>
Other Financing Sources:									
Transfers in	1,242,216			22,500					1,264,716
Transfers out	(830,409)				-			-	(830,409)
	<u>411,807</u>	<u>-</u>	<u>-</u>	<u>22,500</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>434,307</u>
Net Change in Fund Balances	<u>53,331</u>	<u>365</u>	<u>(4,300)</u>	<u>(100,289)</u>	<u>13,519</u>		<u>5,707</u>	<u>261,021</u>	<u>229,354</u>
Fund Balances (Deficit), Beginning of Year	<u>367,014</u>	<u>11,017</u>	<u>17,339</u>	<u>(293,354)</u>	<u>(18,963)</u>	<u>\$ 2,500</u>	<u>11,297</u>	<u>560,273</u>	<u>657,123</u>
Fund Balances (Deficit), End of Year	<u>\$ 420,345</u>	<u>\$ 11,382</u>	<u>\$ 13,039</u>	<u>\$ (393,643)</u>	<u>\$ (5,444)</u>	<u>\$ 2,500</u>	<u>\$ 17,004</u>	<u>\$ 821,294</u>	<u>\$ 886,477</u>

**Combining Balance Sheet
Capital Projects**

June 30, 2021

ASSETS

Intergovernmental receivable	\$ 928,155
Interfund loans receivable	<u>4,495,939</u>

Total Assets	<u><u>\$ 5,424,094</u></u>
---------------------	-----------------------------------

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 694,685
Unearned revenue	<u>15,707</u>

Total Liabilities	<u>710,392</u>
--------------------------	-----------------------

Fund Balances:

Restricted	5,996,292
Committed	667,052
Unassigned	<u>(1,949,642)</u>

Total Fund Balances	<u>4,713,702</u>
----------------------------	-------------------------

Total Liabilities and Fund Balances	<u><u>\$ 5,424,094</u></u>
--	-----------------------------------

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

Year Ended June 30, 2021

	Beginning Fund Balance	Inter- Governmental and Miscellaneous Revenue	Bond Issue	Expenditures	Operating Transfer In (Out)	Ending Fund Balance
Municipal						
Voting Machines/Storage Equipment	\$ 3,476			\$ 3,466		\$ 10
Public Works Equipment	233,198			100,007	\$ 50,000	183,191
Waterfront Projects	20,156			20,316		(160)
Riverwalk Project	129,527	33,567		28,329	100,000	234,765
Assigned Sources and Uses	223,055	244,592		8,016		459,631
Main Runway Construction	3,310					3,310
Airport Improvement Projects	(19,079)	634,350		621,608		(6,337)
Airport Equipment/Pavement Maintenance	(12,187)					(12,187)
Quarry Road Projects	51,552	26,306			46,318	124,176
Downtown Sidewalk Repairs	9,390					9,390
2013 Bonded Paving Projects	67,188					67,188
2015 Bonded Paving Projects	149,495			33,173		116,322
Pavement Rehab	(122,117)			860,336	250,000	(732,453)
Water Street Pavement Rehab	12,902					12,902
Aiport Road Traffic Signal	16,315			16,315		-
Pool Maintenance - Harold Alfond	(122,337)	1,150,102		1,787,313		(759,548)
Pool Maintenance	(11,200)					(11,200)
Downtown Traffic/Sidewalk Study	1,928					1,928
Concourse Redesign	(386)					(386)
Fire Department Equipment - Grant Funded	(23,814)					(23,814)
Build Grant		2,606,735		1,366,433	1,000,000	2,240,302
Public Works Equipment - 2019 bond	393,892			393,892		-
Public Works Equipment - 2020 bond			965,000	109,980		855,020
Public Works Road Reconstruction (Main Street) - 2019 bond	1,000,000			123,915		876,085
Public Works Road Reconstruction (Main Street) - 2020 bond			1,000,000		(1,000,000)	-
Public Works Road Reconstruction (Trafton) - 2020 bond			500,000			500,000
Public Works Street Lights - 2019 bond	12,767			12,767		-
Parks and Recreation Equipment - 2019 bond	234,904			195,326		39,578
Parks and Recreation (Alfond Pool) - 2020 bond			1,000,000	1,263,666		(263,666)
Fire Dept Tower Truck Replacement - 2019 bond	1,017,213			977,707		39,506
Fire Dept Central Station Repairs - 2019 bond	295					295
Fire Dept Fire Alarm System Replacement - 2020 bond			200,000	131,946		68,054
Fire Dept Fire Engine Refurbishment - 2020 bond			100,000			100,000
Fire Dept Building Repairs - 2020 bond			100,000	66,419		33,581
Airport Equipment & Vehicles - 2020 bond			450,000	393,299		56,701
Airport Taxiway & Paving - 2020 bond			100,000			100,000
Police Dept Firearms Training Range - 2019 bond	100,000			100,000		-
Police Dept Firearms Training Range - 2020 bond			250,000	69,963		180,037
Library - Colby Room Exterior Door - 2019 bond	10,000					10,000
Library - Replacement Floor - 2019 bond	250,000			70,925		179,075
Library - Furniture Replacement - 2019 bond	115,000			28,782		86,218
Library - Collections Security Gate - 2019 bond	20,000					20,000
Library - North Ramp Project - 2019 bond	60,000			18,421		41,579
Library - Copper Roof Tourette - 2019 bond	(10,022)			64,890		(74,912)
Library - Window Replacement - 2019 bond	155,000			130,500		24,500
Library - Historic Wood Restoration - 2019 bond	64,755			129,734		(64,979)
Totals	<u>\$ 4,034,176</u>	<u>\$ 4,695,652</u>	<u>\$ 4,665,000</u>	<u>\$ 9,127,444</u>	<u>\$ 446,318</u>	<u>\$ 4,713,702</u>

**Combining Balance Sheet
Permanent Funds**

June 30, 2021

ASSETS

Cash	\$ 532,596
Investments	2,709,775
Interfund loans receivable	10,252
Total Assets	<u><u>\$ 3,252,623</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accrued wages	\$ 55
Total Liabilities	<u>55</u>

Fund Balances:

Nonspendable principal	1,310,897
Restricted to charitable or community purposes	1,941,671
Total Fund Balances	<u>3,252,568</u>

Total Liabilities and Fund Balances	<u><u>\$ 3,252,623</u></u>
--	----------------------------

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

Year Ended June 30, 2021

	Fund Balances Beginning of Year		Contributions and Other Income	Investment Income	Expenditures	Transfers Out	Fund Balances End of Year	
	Nonspendable Principal	Restricted Income					Nonspendable Principal	Restricted Income
City Funds:								
Haines Charity	\$ 100,000	\$ 609,353		\$ 166,064	\$ 25,150		\$ 100,000	\$ 750,267
Frank Champlin Teachers Fund	100,000	370,294		64,637	4,060		100,000	430,871
Mildred Pray Ware Fund	5,000	44,536		88			5,000	44,624
Violet Smith Fund		1,308		2				1,310
Marr Charity		15,051		1,618				16,669
Pine Grove Cemetery	1,082,097	288,213	\$ 1,272	414,301	8,739		1,082,097	695,047
"470" Engine Fund (A)	3,800	(7,700)					3,800	(7,700)
Mary Warren Fund	10,000	2,454		22	175		10,000	2,301
George Mitchell Fund	10,000	8,252		30			10,000	8,282
Total City Funds	\$ 1,310,897	\$ 1,331,761	\$ 1,272	\$ 646,762	\$ 38,124	\$ -	\$ 1,310,897	\$ 1,941,671

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

Year Ended June 30, 2021

	Balances Beginning of Year	Additions	Deductions	Balances End of Year
Private Purpose Trust Funds:				
Buford Grant Scholarship	\$ 35,112	\$ 8,927	\$ 500	\$ 43,539
W. A. Donovan Fund	2,182	712	30	2,864
Wentworth Fund	23,839	7,830		31,669
Flora Harriman Small Fund	126,577	32,190	1,000	157,767
Gladys Briggs Walker Fund	14,321	3,055	30	17,346
Tina Thompson Poulin Drama Fund	12,736	3,637	230	16,143
Rene Plante Scholarship	4,348	1,472	30	5,790
Myra Stearns	23,575	6,398		29,973
Faculty Gowns Account	2,935	57	30	2,962
Messalonskee Fish and Game	20,303	5,365		25,668
Ron LaPlante Scholarship Fund	18,745	5,305		24,050
Janice H. & Cynthia V. Scholarship Fund	2,722	47	30	2,739
Pre Vocational Program	24,396	5,287		29,683
Carol Shapiro Scholarship	19,038	6,299	2,000	23,337
Bridge Years	33,012	7,006		40,018
Track resurfacing	20,686	13,748		34,434
Kevin Corbet Debate Team	22,697	13,650		36,347
Football Press Box	20,229	2		20,231
WPS Education Foundation	9,591	2,158		11,749
Total Private Purpose Trust Funds	\$ 437,044	\$ 123,145	\$ 3,880	\$ 556,309