

**CITY OF WATERVILLE,
MAINE**

FINANCIAL REPORT

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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 (GAAP); and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the schedule of proportionate share of the net pension liability and related ratios on page 47, the schedule of employer contributions on page 48, the schedule of changes in the health plan OPEB liability and related ratios on page 49, and the schedule of proportionate share of the GTL plan net OPEB liability on page 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

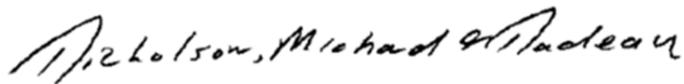
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterville, Maine's basic financial statements. 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.

Other Reporting Required Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, March 31, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Waterville, Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Waterville, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Michael A. Nolan". The signature is written in a cursive, flowing style.

Waterville, Maine
March 31, 2023

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, 2022.

FINANCIAL HIGHLIGHTS

- Total net position for the year ended June 30, 2022 of \$50,882,678. A portion of that amount, \$36,408,953, is a net investment in capital assets while \$6,748,798 is unrestricted. Total net position for the year ended June 30, 2021, was \$41,879,069. A portion of that amount, \$31,934,505, was a net investment in capital assets while \$2,588,389 was unrestricted.
- Net position increased by \$9,003,609 for the year ended June 30, 2022. The net position increase for the year ended June 30, 2021, was \$8,604,940.
- The governmental funds reported combined fund balances of \$24,382,847, an increase of \$5,056,183 from the prior year. The increase in fund balance is attributed primarily to an increase in the Capital Projects fund balance of \$2,965,454 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 \$1,689,072.
- As of June 30, 2022, unassigned fund balance for the General Fund totaled \$9,017,802 of which \$1,363,673 was restricted to use by the School Department. The City's unassigned fund balance policy of 12% of total general fund expenditures totaled \$5,593,493 for 2022. As of June 30, 2022, the City portion of unassigned fund balance for the General Fund exceeds the 12% minimum fund balance requirement by \$2,060,636.
- Bonds payable increased to \$25,346,052 as compared to \$22,780,090 from the prior year as a result of new bond proceeds of \$4,993,400 offset by regularly scheduled principal repayments of \$2,427,438.

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.
- *Capital Projects Fund* – This fund accounts for the acquisition of capital assets or construction of major capital projects.
- *Other Governmental Funds* – This is the remaining special revenue 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. 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 18-46 of this document.

THE CITY AS A WHOLE

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

	Governmental Activities		Library	
	2022	2021	2022	2021
Current and other assets	\$ 33,630,649	\$23,859,987	\$ 1,670,370	\$ 1,817,380
Capital assets, net	57,420,257	51,170,071		
TOTAL ASSETS	91,050,906	75,030,058	1,670,370	1,817,380
DEFERRED OUTFLOWS OF RESOURCES	3,023,114	2,268,601		
Long-term debt outstanding	31,506,865	31,280,169		
Other Liabilities	8,573,304	3,814,313	72,079	61,581
TOTAL LIABILITIES	40,080,169	35,094,482	72,079	61,581
DEFERRED INFLOWS OF RESOURCES	3,111,173	325,108		
NET POSITION				
Invested in capital assets, net of related debt	36,408,953	31,934,505		
Restricted	7,724,927	7,356,175		
Unrestricted	6,748,798	2,588,389	1,598,291	1,755,799
TOTAL NET POSITION	\$ 50,882,678	\$41,879,069	\$ 1,598,291	\$ 1,755,799

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 2022 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, and expenditures incurred were less than 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 \$4,993,400. 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	
	2022	2021	2022	2021
Program Revenues:				
Charges for services	\$ 4,158,578	\$ 3,443,734	\$ 6,924	\$ 4,617
Operating grants and contributions	26,293,378	27,182,395	816,807	777,865
Capital grants and contributions	7,327,216	4,695,652		
	37,779,172	35,321,781	823,731	782,482
General Revenues:				
Property and other taxes	21,070,250	21,434,287		
Licenses, permits and fees	528,840	413,790		
Grants and contributions not restricted to specific programs	5,602,714	4,294,842		
Investment earnings	(324,111)	691,487	(170,378)	289,490
Unclassified	206,951	431,926		
	27,084,644	27,266,332	(170,378)	289,490
Total Revenues	64,863,816	62,588,113	653,353	1,071,972
Program Expenses				
General government	5,155,229	3,963,381		
Public works	4,140,429	3,937,787		
Public safety	7,748,323	7,309,661		
Parks, recreation and culture	1,090,253	776,666		
Health and welfare	247,627	461,143		
Airport	1,316,787	1,003,485		
Education	33,415,583	32,430,530		
Program expenses	36,907	38,124		
TIF projects	329,017	358,476		
Unclassified	874,443	855,160		
Capital outlay	980,133	2,346,714		
Interest on debt	525,476	502,046		
Library expenses			810,861	762,160
Total Expenses	55,860,207	53,983,173	810,861	762,160
Change in Net Position	9,003,609	8,604,940	(157,508)	309,812
Net Position, Beginning of Year	41,879,069	33,274,129	1,755,799	1,445,987
Net Position, End of Year	\$ 50,882,678	\$ 41,879,069	\$ 1,598,291	\$ 1,755,799

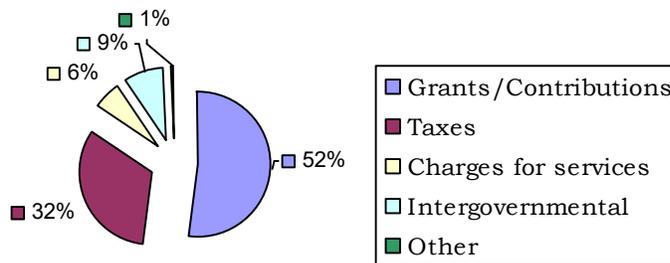
The cost of all governmental activities this year was \$55,860,207, which represents an increase of \$1,877,034 from prior year. Of this amount, Waterville taxpayers financed \$21,070,250 through property, personal and excise taxes. Municipal and educational departments have continued to aggressively 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

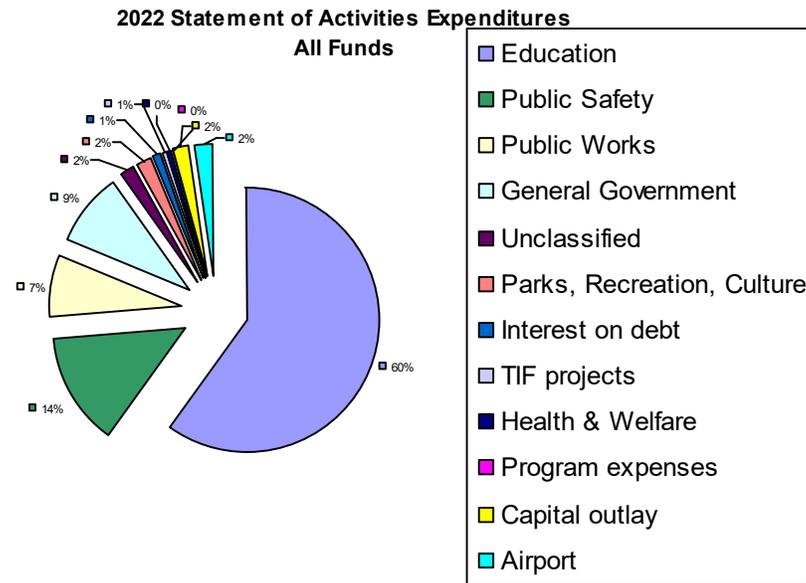
**2022 Statement of Activities Revenues
All Funds**



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



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 \$47,030,053, and actual revenues were \$48,432,922, resulting in a positive variance of \$1,402,869. Total budgeted expenditures were \$47,755,655 and actual expenditures were \$46,743,850, resulting in a positive variance of \$1,011,805. For the year, the General Fund had an increase in fund balance of \$1,689,072.

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 \$15.5 million or 2.10% in fiscal year ended June 30, 2022. 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 3.5% which was down from 6.3% from the prior year. The rate is slightly higher than the estimated State average of 2.7% and consistent with the estimated National rate of 3.8%. These figures are from the Maine Center for Workforce Research and Information website.

The 2022/2023 budget adopted by the City Council resulted in an increase in the mill rate to 25.85 mills from the 2021/2022 rate of 25.50 mills. For the 2021/2022 budget year, which is the year this audit covers, the mill rate was 25.50 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, 2022

	Primary Government Governmental Activities	Component Unit Library
ASSETS		
Cash and cash equivalents	\$ 1,613,983	\$ 151,364
Investments	25,771,175	1,519,006
Receivables:		
Taxes receivable	790,232	
Tax liens	270,972	
Other receivables	100,676	
Intergovernmental	4,867,030	
Other assets		
Inventory	216,581	
Capital assets, net of accumulated depreciation	57,420,257	
Total Assets	<u>91,050,906</u>	<u>1,670,370</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions/OPEB	3,023,114	
Total Deferred Outflows of Resources Related to Pensions	<u>3,023,114</u>	
LIABILITIES		
Accounts payable	4,123,693	72,079
Accrued wages and benefits payable	2,508,404	
Accrued compensated absences	341,385	
Unearned revenue	1,521,500	
Deposits	219,005	
Taxes received in advance	18,348	
Accrued interest	182,354	
Noncurrent liabilities:		
Due within one year	2,480,379	
Due in more than one year	23,310,408	
Net pension liability	380,488	
Other post employment benefits liability	4,789,262	
Accrued compensated absences	204,943	
Total Liabilities	<u>40,080,169</u>	<u>72,079</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions/OPEB	3,111,173	
Total Deferred Inflows of Resources Related to Pensions	<u>3,111,173</u>	
NET POSITION		
Net investment in capital assets	36,408,953	
Restricted for:		
Nonexpendable for inventory	61,104	
Nonexpendable trust principal	1,307,097	
Expendable for trust designated uses	1,580,680	
Special revenue funds	2,585,828	
Work in Process Capital Projects	2,190,218	
Unrestricted	6,748,798	1,598,291
Total Net Position	<u>\$ 50,882,678</u>	<u>\$ 1,598,291</u>

See independent auditor's report.

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

Statement of Activities

Year Ended June 30, 2022

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	\$ 1,120,051				\$ (1,120,051)	
Human resources	542,214				(542,214)	
Library	769,394				(769,394)	
Assessor	191,231				(191,231)	
Information technology	471,546	\$ 73,022			(398,524)	
Finance department	478,869	51,842			(427,027)	
City clerk	298,479	27,953			(270,526)	
Economic development	747,713		\$ 447,692		(300,021)	
Public works	4,140,429	555,934			(3,584,495)	
Parks and recreation	1,090,253	299,472	59,145		(731,636)	
Cemetery	57,525	16,738			(40,787)	
Police/communication center	4,639,274	414,928	163,078		(4,061,268)	
Fire department	3,109,049	367,984			(2,741,065)	
Code enforcement & planning	295,314				(295,314)	
Health and welfare	247,627		82,971		(164,656)	
Airport	1,316,787	826,112			(490,675)	
COVID	41,509				(41,509)	
Outside agencies	141,384				(141,384)	
Unclassified	874,443		377,201		(497,242)	
Program expenses	36,907				(36,907)	
TIF projects	329,017				(329,017)	
Education	33,415,583	1,524,593	25,163,291		(6,727,699)	
Capital outlay recaptured	980,133			\$ 7,327,216	6,347,083	
Interest on debt	525,476				(525,476)	
Total Governmental Activities	\$ 55,860,207	\$ 4,158,578	\$ 26,293,378	\$ 7,327,216	(18,081,035)	
Component Unit:						
Library	\$ 810,861	\$ 6,924	\$ 816,807			\$ 12,870
General revenues:						
Property taxes					18,973,401	
Excise taxes					2,096,849	
Licenses and permits					315,998	
Franchise fees					191,412	
Fees and fines					21,430	
Grants and contributions not restricted to specific programs:						
State revenue sharing					4,231,501	
Homestead exemption					1,033,302	
BETE reimbursement					337,911	
Investment earnings					(324,111)	(170,378)
Unclassified					206,951	
Total general revenues					27,084,644	(170,378)
Change in net position					9,003,609	(157,508)
Net position - beginning of year					41,879,069	1,755,799
Net position - end of year					\$ 50,882,678	\$ 1,598,291

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

Balance Sheet - Governmental Funds

June 30, 2022

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 545,267		\$ 1,068,716	\$ 1,613,983
Investments	20,065,842	\$ 1,845,999	3,859,334	25,771,175
Receivables:				
Taxes receivable	790,232			790,232
Tax liens	270,972			270,972
Other receivables	85,150		15,526	100,676
Intergovernmental	21,061	3,438,000	1,407,969	4,867,030
Other assets				
Interfund loans receivable	5,703,229	6,429,851	1,350,928	13,484,008
Inventory	155,477		61,104	216,581
Total Assets	<u>\$ 27,637,230</u>	<u>\$ 11,713,850</u>	<u>\$ 7,763,577</u>	<u>\$ 47,114,657</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 88,619	\$ 3,407,365	\$ 627,709	\$ 4,123,693
Accrued wages and benefits payable	2,505,879		2,525	2,508,404
Accrued compensated absences	335,309		6,076	341,385
Unearned revenue		14,690	1,506,810	1,521,500
Deposits	219,005			219,005
Taxes received in advance	18,348			18,348
Interfund loans payable	12,396,324	612,639	475,045	13,484,008
Total Liabilities	<u>15,563,484</u>	<u>4,034,694</u>	<u>2,618,165</u>	<u>22,216,343</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	515,467			515,467
Fund Balances (Deficits):				
Nonspendable for inventory	155,477		61,104	216,581
Nonspendable for trusts			1,307,097	1,307,097
Restricted for trusts			1,580,680	1,580,680
Restricted for special revenue funds			2,061,707	2,061,707
Restricted for capital projects		6,969,701		6,969,701
General Fund - assigned for subsequent year budget	2,085,000			2,085,000
General Fund - unassigned	7,654,129			7,654,129
General Fund - assigned for subsequent year school budget	300,000			300,000
General Fund - restricted for education	1,363,673			1,363,673
Special Revenues - committed			524,121	524,121
Special Revenues - unassigned			(389,297)	(389,297)
Capital Projects - committed		806,959		806,959
Capital Projects - unassigned		(97,504)		(97,504)
Total Fund Balances	<u>11,558,279</u>	<u>7,679,156</u>	<u>5,145,412</u>	<u>24,382,847</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 27,637,230</u>	<u>\$ 11,713,850</u>	<u>\$ 7,763,577</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.				57,420,257
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				515,467
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.				
Accrued compensated absences				(204,943)
Accrued interest				(182,354)
Finance leases payable				(165,442)
Other post employment benefits liability				(4,789,262)
Deferred outflows and inflows of resources related to pensions/OPEB				(88,059)
Net pension liability				(380,488)
Bonds payable and premium				(25,625,345)
Net Position of Governmental Activities				<u>\$ 50,882,678</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, 2022

	General	Capital Projects	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 21,107,991			\$ 21,107,991
Licenses and permits	315,998			315,998
Intergovernmental	24,162,686	\$ 5,878,049	\$ 7,121,760	37,162,495
Tuition and other charges - Education	1,082,370		442,223	1,524,593
Charges for services - City	1,807,873		785,415	2,593,288
Fees and fines	21,430			21,430
Unclassified	437,969	1,449,167	612,737	2,499,873
Investment earnings	10,115		(334,226)	(324,111)
Total Revenues	<u>48,946,432</u>	<u>7,327,216</u>	<u>8,627,909</u>	<u>64,901,557</u>
Expenditures:				
Current:				
Administration/council/mayor	921,442			921,442
Human resources	542,214			542,214
Library	769,394			769,394
Assessor	191,231			191,231
Information technology	471,546			471,546
Finance department	478,869			478,869
City clerk	285,832			285,832
Economic development	297,863			297,863
Public works	3,392,881			3,392,881
Parks and recreation	588,351			588,351
Cemetery	57,525			57,525
Police/communication center	4,529,578		148,614	4,678,192
Fire department	2,824,185			2,824,185
Code enforcement & planning	295,314			295,314
Health and welfare	247,627			247,627
Airport			822,694	822,694
Education	27,524,318		6,920,219	34,444,537
County tax	858,341			858,341
COVID	41,509			41,509
Outside agencies	141,384			141,384
Unclassified	16,102		486,757	502,859
TIF projects			329,017	329,017
Capital outlay		9,519,033		9,519,033
Debt service (excluding education portion)	2,136,934			2,136,934
Total Expenditures	<u>46,612,440</u>	<u>9,519,033</u>	<u>8,707,301</u>	<u>64,838,774</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,333,992</u>	<u>(2,191,817)</u>	<u>(79,392)</u>	<u>62,783</u>
Other Financing Sources (Uses):				
Bond proceeds		4,993,400		4,993,400
Transfers in	1,062,490	163,871	1,631,182	2,857,543
Transfers out	(1,707,410)		(1,150,133)	(2,857,543)
Total Other Financing Sources (Uses)	<u>(644,920)</u>	<u>5,157,271</u>	<u>481,049</u>	<u>4,993,400</u>
Net Change in Fund Balances	1,689,072	2,965,454	401,657	5,056,183
Fund Balances, Beginning of Year	<u>9,869,207</u>	<u>4,713,702</u>	<u>4,743,755</u>	<u>19,326,664</u>
Fund Balances, End of Year	<u>\$ 11,558,279</u>	<u>\$ 7,679,156</u>	<u>\$ 5,145,412</u>	<u>\$ 24,382,847</u>

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

Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ 5,056,183
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the cost of assets (\$10,140,917) exceeded depreciation expense (\$3,890,731) in the current period.	
	6,250,186
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 decrease in accrued compensated absences (\$13,994), the increase in OPEB liability including deferred outflows and inflows (\$268,769), the increase in accrued interest (\$26,401) and net decrease in net pension liability including deferred outflows and inflows (\$467,554).	
	186,378
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 (\$96,706).	
	96,706
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.	
	(37,741)
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 (\$4,993,400). 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 (\$2,445,297).	
	<u>(2,548,103)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 9,003,609</u></u>

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

Year Ended June 30, 2022

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 20,679,128	\$ 20,679,128	\$ 21,107,991	\$ 428,863
Licenses and permits	215,120	215,120	315,998	100,878
Intergovernmental	21,628,947	21,628,947	22,586,686	957,739
Tuition and other charges for services - Education	1,078,079	1,078,079	1,082,370	4,291
Charges for services - City	1,645,143	1,645,143	1,807,873	162,730
Fees and fines	15,000	15,000	21,430	6,430
Unclassified	519,235	519,235	437,969	(81,266)
Investment earnings	75,000	75,000	10,115	(64,885)
Transfers in	1,174,401	1,174,401	1,062,490	(111,911)
Total Revenues	<u>47,030,053</u>	<u>47,030,053</u>	<u>48,432,922</u>	<u>1,402,869</u>
Expenditures				
Administration/council/mayor	971,756	971,756	921,442	50,314
Assessor	199,601	199,601	191,231	8,370
Cemetery	69,550	69,550	57,525	12,025
City clerk	292,530	292,530	285,832	6,698
Code enforcement & planning	335,853	335,853	295,314	40,539
City engineering	307,326	307,326	297,863	9,463
Education	26,518,180	26,518,180	25,948,318	569,862
Finance department	483,122	483,122	478,869	4,253
Fire department	2,813,685	2,813,685	2,824,185	(10,500)
Health and welfare	394,322	394,322	247,627	146,695
Human resources	610,625	610,625	542,214	68,411
Information technology	490,885	490,885	471,546	19,339
Library	769,394	769,394	769,394	-
Parks and recreation	819,754	819,754	588,351	231,403
Police/communication center	4,526,008	4,526,008	4,529,578	(3,570)
Public works	3,611,844	3,611,844	3,392,881	218,963
Debt service (excluding education portion)	2,181,960	2,181,960	2,136,934	45,026
Outside agencies	100,000	100,000	141,384	(41,384)
COVID	-	-	41,509	(41,509)
County tax	858,341	858,341	858,341	-
Unclassified	-	-	16,102	(16,102)
Transfers out	1,400,919	1,400,919	1,707,410	(306,491)
Total Expenditures	<u>47,755,655</u>	<u>47,755,655</u>	<u>46,743,850</u>	<u>1,011,805</u>
Excess (Deficiency) of Revenues Over Expenditures	(725,602)	(725,602)	1,689,072	<u>\$ 2,414,674</u>
Beginning Fund Balance Utilized	<u>725,602</u>	<u>725,602</u>		
Fund Balance, Beginning of Year			<u>9,869,207</u>	
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,558,279</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, 2022

	Private- Purpose Trust Funds
ASSETS	
Cash and cash equivalents	
Investments	\$ 479,853
Due from other funds	
	<hr/>
Total Assets	\$ 479,853
	<hr/> <hr/>
LIABILITIES AND NET POSITION	
Net Position	
Restricted	\$ 479,853
	<hr/> <hr/>

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, 2022

	Private- Purpose Trust Funds
Investment losses	\$ (87,896)
Other local revenues	
Donations	19,300
Scholarships and Related Expenses	<u>(7,860)</u>
Change in Net Position	(76,456)
Net Position, Beginning of Year	<u>556,309</u>
Net Position, End of Year	<u><u>\$ 479,853</u></u>

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2022

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 \$769,000 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, 2022

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 2022, the City contributed \$44,661. 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 funds:

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.

The capital projects fund accounts for the acquisition of capital assets or construction of major capital projects.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2022

Additionally, the City reports the following fund types:

Fiduciary funds account for assets held by the City in a trustee capacity. 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.

Permanent funds account for resources where principal is legally restricted by a formal trust agreement and only earnings may be used for purposes that benefit the City or its citizenry.

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, 2022

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 projected 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, 2022

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.

Leases

The Department of Public Schools is a lessee for six noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position.

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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2022

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.

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.

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2022

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.

For the year ended June 30, 2022, 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, 2022 for the City using:

	Fair Value	Level 1	Level 2	Level 3
Repurchase Agreements	\$23,413,378		\$23,413,378	
Common Stock	1,820,219	\$1,820,219		
Mutual Bond Funds	1,017,431		1,017,431	
Total Investments	<u>\$26,251,028</u>	<u>\$1,820,219</u>	<u>\$24,430,809</u>	

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2022

Fair values of assets measured on a recurring basis are as follows at June 30, 2022 for the Waterville Public Library (component unit) using:

	Fair Value	Level 1	Level 2	Level 3
Common Stock	\$9,480	\$9,480		
Mutual Funds	1,455,109		\$1,455,109	
Money Market	54,417	54,417		
Total Investments	<u>\$1,519,006</u>	<u>\$63,897</u>	<u>\$1,455,109</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.

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 fund carrying a fund deficit as of June 30, 2022 is as follows:

Airport Fund	\$360,140
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The individual capital projects fund carrying a fund deficit as of June 30, 2022 is as follows:

Airport Improvement Projects	\$97,504
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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.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2022

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, 2022, \$211,350 of the City’s bank balances of \$2,399,481 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, 2022, \$30,881 of the Public Schools’ bank balances of \$1,023,641 was exposed to custodial credit risk. The remaining bank balance is covered by FDIC insurance or is collateralized.

Component Unit – Waterville Public Library

The Library does not have a policy for custodial credit risk. As of June 30, 2022, none of the Library’s bank balance of \$156,181 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, 2022, 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	\$23,413,378	\$23,413,378			
Common Stock	1,820,219				\$1,820,219
Mutual Bond Funds	1,017,431				1,017,431
Total Investments	\$26,251,028	\$23,413,378			\$2,837,650

Investments are categorized by fund as follows:

	Public Schools	City	Total
General Fund		\$20,065,842	\$20,065,842
Capital projects fund		1,845,999	1,845,999
Fiduciary Funds:			
Private-Purpose Trust Funds	\$479,853		479,853
Special revenue fund	78,217	1,501,537	1,579,754
Permanent Fund		2,279,580	2,279,580
Total Investments	\$558,070	\$25,692,958	\$26,251,028

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.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2022

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.
- 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, 2022 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 \$558,070 invested in open-end mutual funds, which are sufficiently diversified; therefore, as of June 30, 2022 none of the Public Schools' investments were exposed to concentration of credit risk.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2022

Component Unit – Waterville Public Library

As of June 30, 2022, 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	\$9,480				\$9,480
Mutual Funds	1,455,109				1,455,109
Money Market	54,417	\$54,417			
Total Investments	\$1,519,006	\$54,417	-	-	\$1,464,589

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, 2022 the Library’s investments in corporate bonds were rated between Baa3 and Aa3 by Moody’s.

Concentration of Credit Risk – The Library limits investments to no more than 5% in any one issuer. As of June 30, 2022 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 13, 2021, 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 \$162,776 for the year ended June 30, 2022.

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, 2022:

Assessed value	\$740,974,580
Tax rate (per \$1,000)	<u>25.50</u>
Commitment	<u>18,894,852</u>
Less:	
Abatements	14,403
Collections	<u>18,087,472</u>
	<u>18,101,875</u>
Current year taxes receivable at end of year	\$792,976

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2022

Due date(s) – current year	¼ October 8, 2021
	¼ December 10, 2021
	¼ March 11, 2022
	¼ June 10, 2022
Interest rate on delinquent taxes	6.00%
Collection rate	95.73%
Taxes receivable – current year	\$792,976
Taxes receivable – prior year	<u>(2,744)</u>
Total taxes receivable	<u>\$790,232</u>

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, 2022.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$2,330,503	6,400		\$2,336,903
Work in process	<u>4,272,728</u>	<u>7,435,643</u>	<u>2,628,790</u>	<u>9,079,581</u>
Total capital assets not being depreciated	<u>6,603,231</u>	<u>7,442,043</u>	<u>2,628,790</u>	<u>11,416,484</u>
Capital assets being depreciated:				
Buildings	45,928,295	\$734,450	107,502	46,555,243
Improvements	14,290,841	3,218,087		17,508,928
Vehicles	9,743,625	1,114,233	1,255,176	9,602,682
Equipment	8,844,571	586,500		9,431,071
Infrastructure	<u>26,117,350</u>	<u>38,032</u>		<u>26,155,382</u>
Total capital assets being depreciated	<u>104,924,682</u>	<u>5,691,302</u>	<u>1,362,678</u>	<u>109,253,306</u>
Less accumulated depreciation for:				
Buildings	26,941,392	1,388,255	107,502	28,222,145
Improvements	5,449,084	443,386		5,892,470
Vehicles	5,029,256	608,326	891,538	4,746,044
Equipment	5,714,340	789,577		6,503,917
Infrastructure	<u>17,223,770</u>	<u>661,187</u>		<u>17,884,957</u>
Total accumulated depreciation	<u>60,357,842</u>	<u>3,890,731</u>	<u>999,040</u>	<u>63,249,533</u>
Total capital assets being depreciated, net	<u>44,566,840</u>	<u>1,800,571</u>	<u>363,638</u>	<u>46,003,773</u>
Governmental Activities Capital Assets, Net	<u>\$51,170,071</u>	<u>\$9,242,614</u>	<u>\$2,992,428</u>	<u>\$57,420,257</u>

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2022

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

Governmental activities:	
Administration	\$137,731
City Clerk	12,647
Public works (includes infrastructure)	747,548
Parks, recreation and culture	501,902
Police	151,698
Fire	422,683
Airport	494,093
Education	<u>1,422,429</u>
Total depreciation expense – governmental activities	<u><u>\$3,890,731</u></u>

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities for governmental activities for the year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds and notes payable	\$22,780,090	\$4,993,400	\$2,427,438	\$25,346,052	\$2,382,887
Premium on bonds	297,152		17,859	279,293	17,859
Finance leases	262,148		96,706	165,442	79,633
Accrued compensated absences	540,692	5,636		546,328	341,385
Other post-employment benefits liability	4,700,126	89,136		4,789,262	
Net pension liability	<u>2,699,961</u>		<u>2,319,473</u>	<u>380,488</u>	
Long-term liabilities	<u><u>\$31,280,169</u></u>	<u><u>\$5,088,172</u></u>	<u><u>\$4,861,476</u></u>	<u><u>\$31,506,865</u></u>	<u><u>\$2,821,764</u></u>

NOTE 7 – FINANCE LEASES

As of June 30, 2022, the Department of Public Schools was engaged in six finance leases. The outstanding lease liability was \$165,442. The City is required to make monthly principal and interest payments on the various leases ranging from approximately \$300 to \$1,800. The leases have interest rates ranging from approximately 3% to 5%. The leased equipment has an estimated useful life of ten years for buses and five years for copiers. The value of the right-to-use assets as of the end of the current fiscal year was \$483,670 and had accumulated amortization of \$113,855. Future minimum lease payments are as follows:

Year Ending	Principal	Interest	Total
2023	\$79,633	\$6,080	\$85,713
2024	62,555	3,013	65,568
2025	21,134	646	21,780
2026	<u>2,120</u>	<u>10</u>	<u>2,130</u>
	<u><u>\$165,442</u></u>	<u><u>\$9,749</u></u>	<u><u>\$175,191</u></u>

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2022

NOTE 8 – LONG-TERM DEBT

Bonds payable at June 30, 2022 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%	\$70,969
2008 QZAB Bond	7/16/08	516,279	2023	1.84%	77,263
2009 QZAB Bond	11/18/09	4,333,368	2025	1.40%	866,675
2011 QSCB Bond	5/26/11	5,000,000	2025	5.692%	1,251,199
2011 General Obligation Bond	5/3/11	3,150,000	2031	2.00-4.00%	1,250,000
2012 QSCB Bond	7/15/11	943,859	2027	5.366%	401,546
2013 General Obligation Bond	11/1/12	3,300,000	2033	1.00-2.75%	1,545,000
2013 General Obligation Bond	4/1/13	5,831,120	2038	2.00-3.50%	3,310,000
2015 General Obligation Bond	5/1/15	5,250,000	2036	2.00-4.00%	2,145,000
2019 General Obligation Bond	9/27/19	5,360,000	2040	2.00-2.50%	5,035,000
2020 General Obligation Bond	8/28/20	4,665,000	2041	1.50-1.75%	4,400,000
2022 General Obligation Bond	4/26/22	4,993,400	2042	3.0-3.375%	<u>4,993,400</u>
Total bonds payable					<u>\$25,346,052</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, 2022 are as follows:

Year Ending	Principal	Interest	Total
2023	\$2,382,887	\$615,292	\$2,998,179
2024	2,559,980	591,737	3,151,717
2025	2,516,772	532,552	3,049,324
2026	2,017,281	441,935	2,459,216
2027	1,534,132	407,211	1,941,343
2028-2032	6,895,000	1,441,292	8,336,292
2033-2037	4,800,000	665,598	5,465,598
2038-2042	2,445,000	164,066	2,609,066
2043-2047	195,000	3,291	198,291
	<u>\$25,346,052</u>	<u>\$4,862,974</u>	<u>\$30,209,026</u>

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2022

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 \$25,346,052 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, 2022, the balances of interfund loan receivable/payable were as follows:

	Interfund Loans Receivable	Interfund Loans Payable
General fund	\$5,703,229	\$12,396,324
Other governmental funds	<u>7,780,779</u>	<u>1,087,684</u>
Total	<u>\$13,484,008</u>	<u>\$13,484,008</u>

NOTE 10 – MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MPERS)

PLD Consolidated Plan

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

Funding Policy (City) – Plan members are required to contribute 8.5% and 9.7% of their annual covered salary (per respective Plan) and the City is required to contribute an actuarially determined rate. The current rate is 9.0% and 13.4% 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 2022, contributions to the PLD Plan by the City were \$405,639.

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

State Employee and Teacher Plan

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

City of Waterville, Maine

NOTES to FINANCIAL STATEMENTS

June 30, 2022

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, 2022 was 18.13%, of which 3.84% was required from the School and 14.29% was required from the State of Maine. For grant funded teachers, the School’s contractually required contribution rate for the year ended June 30, 2022 was 18.73%, all of which was required from the School. Contributions to the pension plan from the School and the State of Maine were approximately \$636,000 and \$1,576,000 during the year ended June 30, 2022, 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, 2022, 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	\$(144,178)
School’s proportionate share of net pension liability	<u>524,666</u>
Total net pension liability	<u><u>\$380,488</u></u>

As discussed above, the State of Maine participates in the SET Plan as a non-employer contributing entity. At June 30, 2022, the portion of the State of Maine’s net pension liability associated with the School was \$6,535,629. This amount is not required to be recognized in the City’s financial statements.

The net pension liability was measured as of June 30, 2021 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, 2021, the City’s proportion was 0.448648% and the School’s proportion was 0.062030%.

For the year ended June 30, 2022, the City recognized pension expense of \$553,015.

At June 30, 2022, 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	\$101,042
Change of assumptions	841,846
Changes in proportion and differences between employer contributions and proportionate share of contributions	141,744
Total contributions subsequent to the measurement date	<u>1,020,569</u>
Total	<u><u>\$2,105,201</u></u>

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2022

Contributions made during the reporting period were \$1,020,569. 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, 2022, 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	\$20,525
Difference between projected and actual investment	
Earnings on pension plan investments	2,680,101
Changes in proportion and differences between employer contributions and proportionate share of contributions	78,713
Total	\$2,779,339

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:

2023	\$(200,345)
2024	(139,260)
2025	(609,743)
2026	(745,359)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods in the measurement:

Inflation	2.75%
Salary increases (SET Plan)	2.80% - 13.03%
Salary increases (PLD Plan)	2.75% - 11.48%
Investment return	6.50% per annum, compounded annually
COLA increase (PLD Plan)	1.91% per annum
COLA increases (SET Plan)	2.20% per annum

Mortality rates – for teachers in the SET Plan, the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model is used. For the PLD Plan, the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model is used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major 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:

City of Waterville, Maine

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

The discount rate used to measure the collective total pension liability was 6.5% for 2021 for each 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 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the City and School’s proportionate share of net pension liability 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. 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	\$2,051,738	\$(144,178)	\$(1,960,490)
School’s proportionate share of the net pension liability	1,377,833	524,666	(185,862)

Changes in Net Pension Liability

Each employer’s share of the collective net pension (asset) liability is equal to the collective net pension (asset) liability multiplied by the employer’s proportionate share as of June 30, 2021 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension (asset) liability are recognized in pension expense for the year ended June 30, 2021 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors is 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 2021 and 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.

City of Waterville, Maine

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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.

Changes of Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs 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 actuarial assumptions used for the year ended June 30, 2021 valuation were based on the results of an actuarial experience study for the period of June 30, 2016 through June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

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*.

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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.

At June 30, 2022, the following employees were covered by the MMEHT Health Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	97
Total	<u>97</u>

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, 2022, 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	<u>400</u>

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 \$42,976 for the year ended June 30, 2022. Employers and employees are not required to contribute to the GTL Plan.

City of Waterville, Maine

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

GTL Plan – At June 30, 2022, 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 \$183,459 at June 30, 2022. The net OPEB liability was measured as of June 30, 2021 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, 2021, the School Department’s proportion was 0.00%.

For the year ended June 30, 2022, the City did not recognize OPEB expense for the GTL Plan of \$42,976 and also revenues of \$42,976 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, 2022, 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 \$815,719 was measured as of January 1, 2022, and was determined by an actuarial valuation as of January 1, 2022.

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

Balance at June 30, 2021	\$863,474
Changes for the year:	
Service cost	49,317
Interest	19,298
Difference between expected and actual experience	(118,745)
Changes in assumptions	7,404
Benefit payments	<u>(5,029)</u>
Net changes	<u>(47,755)</u>
Balance at June 30, 2022	<u><u>\$815,719</u></u>

For the year ended June 30, 2022, the City recognized OPEB expense of \$60,878 related to the MMEHT Health Plan.

At June 30, 2022, the City reported deferred outflows of resources related to the MMEHT Health Plan in the government-wide financial statements from change in assumptions totaling \$232,069.

At June 30, 2022, the City reported deferred inflows of resources related to the MMEHT Health Plan in the government-wide financial statements totaling \$276,991, comprised of differences between expected and actual experience totaling \$230,097 and changes in assumptions totaling \$46,894.

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:

2023	\$(2,708)
2024	(2,708)
2025	(2,708)
2026	(2,708)
2027	(2,707)
Thereafter	(31,383)

City of Waterville, Maine

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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, 2021	\$3,836,652
Changes for the year:	
Service cost	77,763
Interest	85,826
Changes in assumptions	35,391
Benefit payments	<u>(62,089)</u>
Net changes	<u>136,891</u>
Balance at June 30, 2022	<u>\$3,973,543</u>

For the year ended June 30, 2022, the City recognized OPEB expense of \$207,891 related to the MEABT Health Plan.

At June 30, 2022, the City reported deferred outflows of resources related to the MEABT Health Plan in the government-wide financial statements totaling \$685,846, comprised of differences between expected and actual experience of \$133,058, changes in assumptions totaling \$487,309 and contributions made subsequent to the measurement date totaling \$65,479.

At June 30, 2022, the City reported deferred inflows of resources related to the MEABT Health Plan in the government-wide financial statements from changes in assumptions totaling \$54,843.

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:

2023	\$109,781
2024	109,782
2025	137,203
2026	101,852
2027	101,851
Thereafter	5,055

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.

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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	Long-Term Expected Real Rate of Return
Public Equities	6.0%
Real estate	5.2
Traditional credit	3.0
US Government securities	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.

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	2.40% per year
Salary increases	2.75% per year
Discount rate	2.06 per year for year end 2022 reporting, 2.12% per year for year end 2021 reporting
Healthcare costs trend rates	8.60% for 2022, decreasing to 3.53% for 2042
Retirees’ share of the benefit related costs	100% of projected health insurance premiums

Mortality rates for healthy annuitant’s are based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model. For active employees, rates are based on 83.5% and 88.6% of the 2010 Public Plan General Benefits-Weighted Employee 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, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020.

In accordance with GASB No. 75, the discount rate determination is based upon high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer index. Using the Bond Buyer 20-Bond GO Index, 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. The discount rate as of June 30, 2022 is based upon an earlier measurement date, as of December 30, 2021, and is 2.06% per annum. Consistent with the lower discount rate environment, medical and prescription drug projected trends were updated reflecting the Society of Actuaries’ Getzen Model of Long-Run Medical Cost Trends.

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The following table shows how the net OPEB liability related to the MMEHT Health Plan as of June 30, 2022 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate of 2.06%.

	1% Decrease	Current Discount Rate	1% Increase
OPEB liability – MMEHT Health Plan	\$995,244	\$815,719	\$672,715

The following table shows how the net OPEB liability related to the MMEHT Health Plan as of June 30, 2022 would change if the healthcare cost trend rates used were one percentage point lower or one percentage point higher than the current rate of 8.60%.

	1% Decrease	Current Discount Rate	1% Increase
OPEB liability – MMEHT Health Plan	\$648,320	\$815,719	\$1,042,559

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
Discount rate	2.16% per year for year end 2021 reporting, 2.21% per year for year end 2020 reporting
Healthcare costs trend rates	6.30% for 2022, 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.

In accordance with GASB No. 75, the discount rate determination is based upon high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer index. Using the Bond Buyer 20-Bond GO Index, the discount rate as of June 30, 2020, is based upon June 25, 2020, and is 2.21% per annum. The discount rate as of June 30, 2021, is based upon June 24, 2021, and is 2.16% per annum.

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NOTES to FINANCIAL STATEMENTS

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The following table shows how the net OPEB liability related to the MEABT Health Plan as of June 30, 2022 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate of 2.16%.

	1% Decrease	Current Discount Rate	1% Increase
OPEB liability – MEABT Health Plan	\$4,776,825	\$3,973,543	\$3,338,432

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 6.30%.

	1% Decrease	Current Discount Rate	1% Increase
OPEB liability – MEABT Health Plan	\$3,263,092	\$3,973,543	\$4,896,855

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

NOTE 12 – DEFERRED COMPENSATION PLAN

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

NOTE 13 – TAX INCREMENT FINANCING (TIF) DISTRICT

The City has established nine tax increment financing districts under the terms of applicable State laws which were still in effect during the year ended June 30, 2022.

In July 2000, the City established **The Chinnet Company Tax Increment Financing District**. The purpose of the District is to secure the City’s industrial job base and to ensure the long-term economic stability and well-being of the Chinnet Company Plant. The project provides the City with additional tax revenues and a potential long-term increase in employment without an increase in demand for local service. The overhauling of machinery and equipment at the Chinnet Company Plant added approximately \$8,157,301 of new tax base to the City. Chinnet will finance the improvements within the District. The City will not assume any financial liability within the District. Under the District 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 Chinnet Company for the first 10 years following the year in which the investment is made and 50% in years 10 through 15 following the year in which investment is made through the CEA.

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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.

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.

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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.

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.

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June 30, 2022

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.

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, 2022.

City of Waterville, Maine
NOTES to FINANCIAL STATEMENTS

June 30, 2022

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, 2022:

Capital assets	\$120,669,790
Accumulated depreciation	(63,249,533)
Bonds payable and finance leases payable	(25,790,787)
Unspent bond proceeds	<u>4,779,483</u>
Total invested in capital assets, net of related debt	<u><u>\$36,408,953</u></u>

The City has restated beginning net position in the government-wide statement of net position to account for work in process capital assets in the amount of \$4,272,728 and the reclassification of net position for student activity and other funds from the fiduciary fund to special revenue funds in the amount of \$604,710 in accordance with applicable standards. These restatements effectively increased the City's net position as of July 1, 2021 by \$4,877,438.

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

June 30, 2022 (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
6/30/2022	PLD Plan	0.448648%	(\$144,178)	\$ 3,891,652	-3.70%	100.86%
	SET Plan	0.062030%	524,666	12,161,681	4.31%	90.90%
6/30/2021	PLD Plan	0.394624%	1,567,896	3,284,456	47.74%	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:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Discount rate - PLD Plan	6.500%	6.750%	6.750%	6.750%	6.875%	6.875%	7.125%	7.250%
Discount rate - SET Plan	6.500%	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%	2.75%	3.5%	3.5%
Salary increases - PLD Plan	2.75% to 11.48%	**	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	2.80% to 13.03%	**	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%	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%	2.20%	2.55%	2.55%
Long-term expected real rate of return on assets:								
Public equities	6.0%	6.0%	6.0%	6.0%	6.0%			
US government	2.3%	2.3%	2.3%	2.3%	2.3%			
Private equity	7.6%	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%	5.2%	3.7%	3.7%
Infrastructure	5.3%	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%	5.0%			
Traditional credit	3.0%	3.0%	3.0%	3.0%	3.0%			
Alternative credit	7.2%	7.2%	4.2%	4.2%	4.2%			
Diversifiers	5.9%	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, 2022 (Unaudited)

Year Ending	Plan	Statutorily Required Contributions	Actual Employer Contributions	Contribution Excess/(Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2022	PLD Plan	\$ 405,639	\$ 405,639	\$ -	\$ 3,891,652	10.42%
	SET Plan	423,384	423,384	-	12,161,681	3.48%
	SET Plan **	212,785	212,785	-	1,136,066	18.73%
6/30/2021	PLD Plan	305,532	305,532	-	3,284,456	9.30%
	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, 2022 (Unaudited)****City Employee Health Plan ****

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Service Cost	\$ 49,317	\$ 41,908	\$ 27,647	\$ 31,892	\$ 27,108
Interest	19,298	21,530	27,216	23,986	24,011
Changes of benefits			(13,776)		
Differences between expected and actual experience	(118,745)		(122,620)		(70,823)
Changes in assumptions	7,404	58,623	195,215	(78,158)	83,464
Benefit payments	(5,029)	(4,836)	(7,092)	(6,819)	(6,145)
Net change in Health Plan OPEB Liability	<u>(47,755)</u>	<u>117,225</u>	<u>106,590</u>	<u>(29,099)</u>	<u>57,615</u>
Total Health Plan OPEB Liability - beginning	863,474	746,249	639,659	668,758	611,143
Total Health Plan OPEB Liability - ending	<u>\$ 815,719</u>	<u>\$ 863,474</u>	<u>\$ 746,249</u>	<u>\$ 639,659</u>	<u>\$ 668,758</u>
Covered employee payroll	\$ 5,521,832	\$ 5,403,935	\$ 5,059,918	\$ 5,059,918	\$ 5,059,918
Total Health Plan OPEB liability as a % of covered employee payroll	14.77%	15.98%	14.75%	12.64%	13.22%

School Teacher Health Plan **

	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Service Cost	\$ 77,763	\$ 31,881	\$ 26,159	\$ 28,599
Interest	85,826	123,262	124,956	118,658
Changes of benefits		(443,075)		
Differences between expected and actual experience		186,282		
Changes in assumptions	35,391	491,289	212,106	(164,531)
Benefit payments	(62,089)	(85,004)	(67,113)	(64,793)
Net change in Health Plan OPEB Liability	<u>136,891</u>	<u>304,635</u>	<u>296,108</u>	<u>(82,067)</u>
Total Health Plan OPEB Liability - beginning	3,836,652	3,532,017	3,235,909	3,317,976
Total Health Plan OPEB Liability - ending	<u>\$ 3,973,543</u>	<u>\$ 3,836,652</u>	<u>\$ 3,532,017</u>	<u>\$ 3,235,909</u>
Covered employee payroll	\$ 13,353,747	\$ 13,028,046	\$ 13,663,184	\$ 13,297,503
Total Health Plan OPEB liability as a % of covered employee payroll	29.76%	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, 2022 (Unaudited)

	6/30/2022	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%	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	183,459	387,811	366,031	354,308	336,878
Total	<u>\$ 183,459</u>	<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	52.39%	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.

**Combining Balance Sheet
Special Revenue Funds**

June 30, 2022

	TIF Projects Fund	Loan Fund	Commons Drive	Airport Fund	Police Grants	Fire Dept Grant Fund	Grant Fund	School Funds	Total
ASSETS									
Cash			\$ 12,260					\$ 447,241	\$ 459,501
Investments							\$ 1,501,537	78,217	1,579,754
Accounts receivable				\$ 15,526					15,526
Intergovernmental receivable								1,407,969	1,407,969
Inventory				29,157				31,947	61,104
Interfund loans receivable	\$ 538,392	\$ 11,528		17,522	\$ 11,146	\$ 2,500	30,832	636,061	1,247,981
Total Assets	<u>\$ 538,392</u>	<u>\$ 11,528</u>	<u>\$ 12,260</u>	<u>\$ 62,205</u>	<u>\$ 11,146</u>	<u>\$ 2,500</u>	<u>\$ 1,532,369</u>	<u>\$ 2,601,435</u>	<u>\$ 4,771,835</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable				\$ 42,313	\$ 2,126		\$ 9,933	\$ 572,986	\$ 627,358
Accrued wages				2,470					2,470
Accrued compensated absences				6,076					6,076
Unearned revenue							1,506,810		1,506,810
Interfund loans payable				371,486					371,486
Total Liabilities				<u>422,345</u>	<u>2,126</u>		<u>1,516,743</u>	<u>572,986</u>	<u>2,514,200</u>
Fund Balances (Deficit):									
Nonspendable - inventory				29,157				31,947	61,104
Restricted fund balance	\$ 538,392	\$ 11,528	\$ 12,260		9,020	\$ 2,500	15,626	1,472,381	2,061,707
Committed fund balance								524,121	524,121
Unassigned fund balance				(389,297)					(389,297)
Total Fund Balances (Deficit)	<u>538,392</u>	<u>11,528</u>	<u>12,260</u>	<u>(360,140)</u>	<u>9,020</u>	<u>2,500</u>	<u>15,626</u>	<u>2,028,449</u>	<u>2,257,635</u>
Total Liabilities and Fund Balances	<u>\$ 538,392</u>	<u>\$ 11,528</u>	<u>\$ 12,260</u>	<u>\$ 62,205</u>	<u>\$ 11,146</u>	<u>\$ 2,500</u>	<u>\$ 1,532,369</u>	<u>\$ 2,601,435</u>	<u>\$ 4,771,835</u>

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

Year Ended June 30, 2022

	TIF Projects Fund	Loan Fund	Commons Drive	Airport Fund	Police Grants	Fire Dept Grant Fund	Grant Fund	School Funds	Total
Revenues:									
Federal programs					\$ 17,522		\$ 447,692	\$ 5,998,461	\$ 6,463,675
State programs					21,266			636,819	658,085
Local programs								111,082	111,082
Student activity fees and fundraisers								317,129	317,129
Charges for services				\$ 785,415				442,223	1,227,638
Unclassified		\$ 146	\$ 1	40,697	124,290			16,950	182,084
Total Revenues		<u>146</u>	<u>1</u>	<u>826,112</u>	<u>163,078</u>		<u>447,692</u>	<u>7,522,664</u>	<u>8,959,693</u>
Expenditures:									
Education								5,346,978	5,346,978
Adult education								144,547	144,547
Food services								1,428,694	1,428,694
TIF projects	\$ 329,017								329,017
Cooperation with other entities							449,070		449,070
Unclassified			780	822,694	148,614				972,088
Total Expenditures	<u>329,017</u>	<u>-</u>	<u>780</u>	<u>822,694</u>	<u>148,614</u>		<u>449,070</u>	<u>6,920,219</u>	<u>8,670,394</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(329,017)</u>	<u>146</u>	<u>(779)</u>	<u>3,418</u>	<u>14,464</u>		<u>(1,378)</u>	<u>602,445</u>	<u>289,299</u>
Other Financing Sources:									
Transfers in	1,597,197			30,085					1,627,282
Transfers out	(1,150,133)								(1,150,133)
	<u>447,064</u>	<u>-</u>	<u>-</u>	<u>30,085</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>477,149</u>
Net Change in Fund Balances	<u>118,047</u>	<u>146</u>	<u>(779)</u>	<u>33,503</u>	<u>14,464</u>		<u>(1,378)</u>	<u>602,445</u>	<u>766,448</u>
Fund Balances (Deficit), Beginning 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>1,426,004</u>	<u>1,491,187</u>
Fund Balances (Deficit), End of Year	<u>\$ 538,392</u>	<u>\$ 11,528</u>	<u>\$ 12,260</u>	<u>\$ (360,140)</u>	<u>\$ 9,020</u>	<u>\$ 2,500</u>	<u>\$ 15,626</u>	<u>\$ 2,028,449</u>	<u>\$ 2,257,635</u>

**Combining Balance Sheet
Capital Projects**

June 30, 2022

ASSETS

Investments	\$ 1,845,999
Intergovernmental receivable	3,438,000
Interfund loans receivable	<u>6,429,851</u>

Total Assets \$ 11,713,850

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 3,407,365
Unearned revenue	14,690
Interfund loans payable	<u>612,639</u>

Total Liabilities 4,034,694

Fund Balances:

Restricted	6,969,701
Committed	806,959
Unassigned	<u>(97,504)</u>

Total Fund Balances 7,679,156

Total Liabilities and Fund Balances \$ 11,713,850

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

Year Ended June 30, 2022

	Beginning Fund Balance	Inter- Governmental and Miscellaneous Revenue	Bond Issue	Expenditures	Operating Transfer In (Out)	Ending Fund Balance
Municipal						
Public Works Equipment	\$ 183,191	\$ -	\$ -	\$ -	\$ -	\$ 183,191
Riverwalk Project	234,765	27,500			(82,837)	179,428
Assigned Sources and Uses	169,421			279,326	213,294	103,389
Quarry Road Projects	124,176			109,074	189,435	204,537
2013 Bonded Paving Projects	67,188				(67,188)	-
Pavement Rehab	410,379	110,000			-	520,379
Pool Maintenance - Harold Alfond	(759,548)	1,141,449		167,071	-	214,830
Build Grant	2,240,302	3,068,280		3,967,321	-	1,341,261
Airport Improvement Projects		2,699,769		2,797,273		(97,504)
Airport Solar Project		250,218		56	-	250,162
Public Works Road Reconstruction (Main Street) - 2019 bond	349,575			364,077	14,502	-
Parks and Recreation Equipment - 2019 bond	39,578			39,578	-	-
Fire Dept Tower Truck Replacement - 2019 bond	39,506			39,506	-	-
Fire Dept Central Station Repairs - 2019 bond	295			295	-	-
Library Projects - 2019 bond	221,481			118,146	(103,335)	-
Public Works Equipment - 2020 bond	855,020			855,020		-
Fire Dept Fire Alarm System Replacement - 2020 bond	68,054			68,054		-
Fire Dept Fire Engine Refurbishment - 2020 bond	100,000			33,185		66,815
Fire Dept Building Repairs - 2020 bond	33,581			30,325		3,256
Airport Equipment & Vehicles - 2020 bond	56,701			56,701		-
Airport Taxiway & Paving - 2020 bond	100,000			100,000		-
Police Dept Firearms Training Range - 2020 bond	180,037			180,037		-
City Hall Furnace Replacement - 2022 bond			100,000	2,500		97,500
Airport Terminal Windows - 2022 bond			20,000			20,000
Airport Terminal Doors - 2022 bond			15,000			15,000
Airport Terminal Siding - 2022 bond			125,000			125,000
Airport Terminal Labor - 2022 bond			40,000			40,000
Public Works Dual Packer - 2022 bond			300,000			300,000
Public Works Road Engineering - 2022 bond			200,000	163,104		36,896
Public Works South End Streets - 2022 bond			1,002,000			1,002,000
Public Works South End Sidewalks - 2022 bond			167,850			167,850
Public Works Paving - 2022 bond			318,000	90,442		227,558
Public Works Structure Adjustments - 2022 bond			300,000			300,000
Parks and Recreation North Street Rec Area - 2022 bond			660,000	5,600		654,400
Parks and Recreation Pine Ridge Rec Area - 2022 bond			847,550	18,592		828,958
Parks and Recreation Green Street Park - 2022 bond			95,000			95,000
Parks and Recreation Green Street Bike/Skate Park - 2022 bond		30,000	137,000	33,750		133,250
Parks and Recreation Reedfield Building - 2022 bond			25,000			25,000
Parks and Recreation Grove Street Playground Equipment - 2022 bond			45,000			45,000
Parks and Recreation Grove Street Basketball Courts - 2022 bond			45,000			45,000
Parks and Recreation Wester Ave Rehab - 2022 bond			35,000			35,000
Parks and Recreation Moor Street Rehab and New Dog Run - 2022 bond			15,000			15,000
Parks and Recreation Hillside Avenue Rehab - 2022 bond			20,000			20,000
Parks and Recreation Chaplin Street Playground Rehab - 2022 bond			25,000			25,000
Parks and Recreation Chaplin Street Basketball Courts - 2022 bond			55,000			55,000
Parks and Recreation Citywide Ballpark Fencing Repairs - 2022 bond			75,000			75,000
Fire Department and EMS Pavement - 2022 bond			90,000			90,000
Fire Department and EMS Vestibule Repair - 2022 bond			10,000			10,000
Fire Department and EMS Parking Lot Expansion - 2022 bond			20,000			20,000
Fire Department and EMS Security System - 2022 bond			20,000			20,000
Fire Department and EMS Appliance Replacement - 2022 bond			10,000			10,000
Police Department Body Cameras - 2022 bond			176,000			176,000
Totals	<u>\$ 4,713,702</u>	<u>\$ 7,327,216</u>	<u>\$ 4,993,400</u>	<u>\$ 9,519,033</u>	<u>\$ 163,871</u>	<u>\$ 7,679,156</u>

**Combining Balance Sheet
Permanent Funds**

June 30, 2022

ASSETS

Cash	\$ 609,215
Investments	2,279,580
Interfund loans receivable	102,947
Total Assets	<u><u>\$ 2,991,742</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accrued wages	\$ 55
Interfund loans payable	103,559
Accounts payable	351
Total Liabilities	<u>103,965</u>

Fund Balances:

Nonspendable principal	1,307,097
Restricted to charitable or community purposes	1,580,680
Total Fund Balances	<u>2,887,777</u>

Total Liabilities and Fund Balances	<u><u>\$ 2,991,742</u></u>
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**Combining Statement of Revenues, Expenses and Changes in Fund Balances
Permanent Funds**

Year Ended June 30, 2022

	Fund Balances Beginning of Year		Contributions and Other Income	Investment Income (Loss)	Expenditures	Transfers In	Fund Balances End of Year	
	Nonspendable Principal	Restricted Income					Nonspendable Principal	Restricted Income
City Funds:								
Haines Charity	\$ 100,000	\$ 750,267		\$ (93,114)	\$ 17,729		\$ 100,000	\$ 639,424
Frank Champlin Teachers Fund	100,000	430,871		(32,419)	9,057		100,000	389,395
Mildred Pray Ware Fund	5,000	44,624		44			5,000	44,668
Violet Smith Fund		1,310		1				1,311
Marr Charity		16,669		976				17,645
Pine Grove Cemetery	1,082,097	695,047	\$ 2,442	(209,739)	10,121		1,082,097	477,629
"470" Engine Fund (A)	3,800	(7,700)				3,900		
Mary Warren Fund	10,000	2,301		11			10,000	2,312
George Mitchell Fund	10,000	8,282		14			10,000	8,296
Total City Funds	\$ 1,310,897	\$ 1,941,671	\$ 2,442	\$ (334,226)	\$ 36,907	\$ 3,900	\$ 1,307,097	\$ 1,580,680

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

Year Ended June 30, 2022

	Balances Beginning of Year	Additions	Deductions	Balances End of Year
Private Purpose Trust Funds:				
Buford Grant Scholarship	\$ 43,539	\$ (7,493)	\$ 500	\$ 35,546
W. A. Donovan Fund	2,864	(521)	30	2,313
Wentworth Fund	31,669	(5,841)	30	25,798
Flora Harriman Small Fund	157,766	(27,996)		129,770
Gladys Briggs Walker Fund	17,346	(1,752)	1,530	14,064
Tina Thompson Poulin Drama Fund	16,143	(2,929)	30	13,184
Rene Plante Scholarship	5,790	(723)	30	5,037
Myra Stearns	29,973	(5,366)	30	24,577
Faculty Gowns Account	2,962	(312)	30	2,620
Messalonskee Fish and Game	25,668	(4,545)	530	20,593
Ron LaPlante Scholarship Fund	24,050	(2,834)	3,030	18,186
Janice H. & Cynthia V. Scholarship Fund	2,739	(262)	30	2,447
Pre Vocational Program	29,683	(3,620)	2,000	24,063
Carol Shapiro Scholarship	23,337	(4,639)		18,698
Bridge Years	40,018	(6,823)		33,195
Track resurfacing	34,434	5,844		40,278
Kevin Corbet Debate Team	36,347	2,201		38,548
Football Press Box	20,231	9	30	20,210
WPS Education Foundation	11,749	(993)	30	10,726
Total Private Purpose Trust Funds	\$ 556,308	\$ (68,595)	\$ 7,860	\$ 479,853