



Annual Financial Report

June 30, 2015

CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds - Balance Sheet	11
Reconciliation of Total Fund Balances to Net Position Of Governmental Activities in the Statement of Net Assets	12
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues and Other Financing Sources, and Expenditures and Other Financing Uses - Budget and Actual (Budgetary Basis) - General Fund	15
Proprietary Funds - Statement of Net Position	16
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Balances	17
Proprietary Funds - Statement of Cash Flows	18
Fiduciary Funds - Statement of Fiduciary Net Position	19
Fiduciary Funds - Statement of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21
Required Supplementary Information	
Schedule of Funding Progress - Other Postemployment Benefits	44
Schedule of Proportionate Share of Net Pension Liability	45
Schedule of Contributions	46

Combining Nonmajor Fund Schedules – Governmental Funds

Combining Balance Sheet – Tax Increment Financing District Funds	47
Combining Statement of Revenues, Expenditures and Changes In Fund Balances Tax Increment Financing District Funds	48
Combining Balance Sheet – Open Space Funds	49
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Open Space Funds	50
Combining Balance Sheet – Revolving Loan Funds	51
Combining Balance Sheet – Capital Projects Reserve Funds	52
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Capital Projects Reserve Funds	53
Combining Balance Sheet – Miscellaneous Special Revenue Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Miscellaneous Special Revenue Funds	55
Combining Balance Sheet – Capital Project Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Project Funds	57
Combining Balance Sheet – Permanent Funds	58
Combining Statement of Revenues, Expenditures and Change in Fund Balance – Permanent Funds	59
Combining Nonmajor Fund Schedules – Fiduciary Funds	
Combining Statement of Fiduciary Net Position – Private Purpose Trust	60
Combining Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds	61

Independent Auditors' Report

City Council
City of Westbrook
Westbrook, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Westbrook, Maine (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Westbrook, Maine, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, 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.



To the City Council
City of Westbrook, Maine

Change in Accounting Principle

As discussed in Notes 1, 10, and 12 to the financial statements, the City of Westbrook, Maine adopted new accounting guidance, Governmental Accounting Standards Board (GASB) statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westbrook's basic financial statements. The combining nonmajor fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining nonmajor fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016 on our consideration of the City of Westbrook's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Westbrook's internal control over financial reporting and compliance.

Macpage LLC

South Portland, Maine
February 29, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Westbrook, Maine (the City), we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- Total net position as of year ended June 30, 2015 of \$126,441,951. A portion of that amount, \$104,669,810, is a net investment in capital assets while the next largest portion, \$20,629,556 is unrestricted, the remainder, \$1,142,585, is restricted for various purposes. Total net position for the year ended June 30, 2014 was \$126,583,439. A portion of that amount, \$104,333,519, was a net investment in capital assets while the next largest portion, \$20,235,464 was unrestricted, the remainder of \$2,014,456, is restricted for various purposes. Total net position for governmental activities was \$74,767,403 and business-type activities was \$51,674,548 as of the year ended June 30, 2015
- Net position decreased by \$141,488 and increased \$1,814,940 for the years ended June 30, 2015 and 2014 respectively. Net position increased by \$1,018,508 for governmental activities and decreased by \$1,159,996 for business-type activities for the year ended June 30, 2015.
- The governmental funds reported combined fund balances of \$14,498,133, a decrease of \$975,775 from the prior year. The decrease in fund balance is attributed to a decrease in the General Fund fund balance of \$1,376,235 combined with a increase in the Other Governmental Funds fund balance of \$400,460.
- Total bonds and notes payable decreased to \$54,420,000 as compared to \$59,385,810 from the prior year as a result of repayments of \$4,965,810.

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 and Business-Type 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 (including infrastructure), deferred outflows of resources and liabilities and deferred inflows of resources. 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 City's capital assets also need to be considered to assess the overall health of the City.

MANAGEMENT'S DISCUSSION & ANALYSIS

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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- *Other Governmental Funds* – This is the remaining special revenue funds, capital projects funds and permanent funds that do not meet the criteria for reporting as a major fund.
- *Fiduciary Funds* – These funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City is the trustee, or *fiduciary*, for Trust Funds that are set up primarily as scholarships or funds for people in need. These assets, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-43 of this document.

THE CITY AS A WHOLE

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

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Current and other assets	\$ 30,466,109	\$ 32,322,296	\$ 9,036,784	\$ 8,948,183
Capital assets, net	106,593,539	109,340,788	48,251,285	49,982,322
Total assets	<u>\$ 137,059,648</u>	<u>\$141,663,084</u>	<u>\$ 57,288,069</u>	<u>\$ 58,930,505</u>
Deferred Outflows of Resources	\$ 2,692,672	\$ 603,342	\$	\$
Current liabilities	\$ 5,267,364	\$ 5,933,720	\$ 64,521	\$ 28,196
Noncurrent liabilities	56,174,060	56,730,444	5,549,000	5,855,500
Total liabilities	<u>61,441,424</u>	<u>62,664,164</u>	<u>5,613,521</u>	<u>5,883,696</u>
Deferred Inflows of Resources	\$ 3,543,493	\$ -	\$ -	\$ -
Net investment in capital assets	57,127,525	55,366,697	47,542,285	48,966,822
Restricted	1,142,585	2,014,456	4,132,263	4,079,987
Unrestricted	16,497,293	22,221,109	4,132,263	4,079,987
Total net position	<u>\$ 74,767,403</u>	<u>\$79,602,262</u>	<u>\$ 51,674,548</u>	<u>\$ 53,046,809</u>

MANAGEMENT'S DISCUSSION & ANALYSIS

Current and other assets are substantially all comprised of cash and investments. Capital assets, which include property, plant, equipment, and infrastructure, are generally defined by the City as assets with an initial, individual cost of greater than or equal to \$5,000 (five thousand dollars) and an estimated useful life in excess of one year. Capital assets decreased in 2015 as depreciation exceeded total new investments in capital assets. The governmental activities increase in total net position is due primarily to revenues raised being consistent with the budget and expenditures were kept below anticipated budget amounts. The business-type activities decrease is primarily due to operating expenses exceeding operating revenues. By far the largest portion of the City's net position reflects its investment in capital assets less any related debt to acquire those assets still outstanding. There were no new bonds issued in the current year. 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		Business-Type Activities	
	2015	2014	2015	2014
Program Revenues:				
Charges for services	\$ 1,969,544	\$ 2,049,687	\$ 4,355,138	\$ 4,424,530
Operating grants and contributions	<u>25,476,700</u>	<u>25,106,543</u>		
	<u>27,446,244</u>	<u>27,156,230</u>	<u>4,355,138</u>	<u>4,424,530</u>
General Revenues:				
Property and other taxes	35,054,003	34,673,454		
Licenses, permits and fees	415,798	323,674		
Grants and contributions not restricted to specific programs	2,278,584	2,249,293		
Investment earnings (loss)	(411,087)	1,119,507		
Miscellaneous	<u>583,883</u>	<u>842,304</u>		188,152
	<u>37,921,181</u>	<u>39,208,232</u>		<u>188,152</u>
Total Revenues	<u>65,367,425</u>	<u>66,364,462</u>	<u>4,355,138</u>	<u>4,612,682</u>
Program Expenses:				
General government	4,433,865	4,110,020		
Public safety	7,049,832	6,674,598		
Public works	5,852,472	5,414,694		
Human services	593,577	686,039		
Culture and recreation	1,855,165	1,884,229		
Employee benefits	3,105,042	2,630,878		
Education	38,308,896	38,598,248		
Unclassified	1,699,201	1,646,968		
Interest on debt	713,758	718,032		
Capital outlay	737,559	1,819,610		
Sewer department			5,146,613	4,721,618
Parking garage			<u>368,521</u>	<u>257,270</u>
Total Expenses	<u>64,348,917</u>	<u>64,183,316</u>	<u>5,515,134</u>	<u>4,978,888</u>
Change in Net Position	1,018,518	2,181,146	(1,159,996)	(366,206)
Net Position, Beginning of Year	<u>73,748,895</u>	<u>71,567,749</u>	<u>52,834,544</u>	<u>53,200,750</u>
Net Position, End of Year	<u>\$ 74,767,403</u>	<u>\$ 73,748,895</u>	<u>\$ 51,674,548</u>	<u>\$ 52,834,544</u>

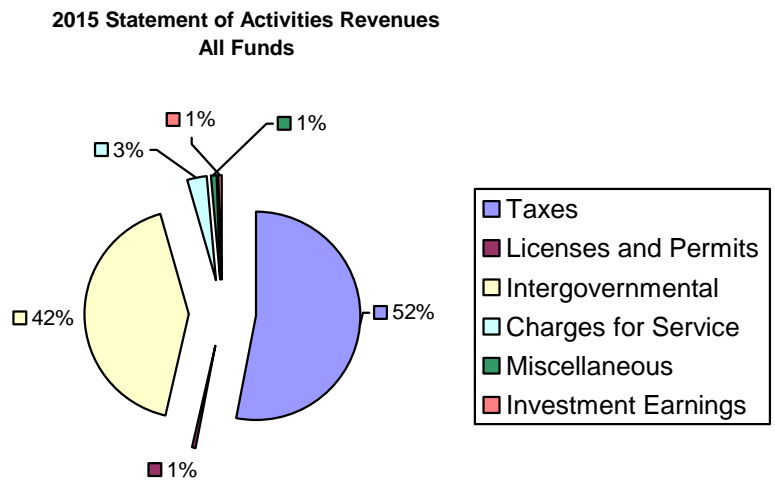
MANAGEMENT’S DISCUSSION & ANALYSIS

The cost of all governmental activities this year was \$64,348,917, which represents an increase of \$165,601 from prior year. Of this amount, Westbrook taxpayers funded \$35,054,003 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 residents.

Special revenue fund program expenses are expenditures from City and School funds such as the City recreation 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



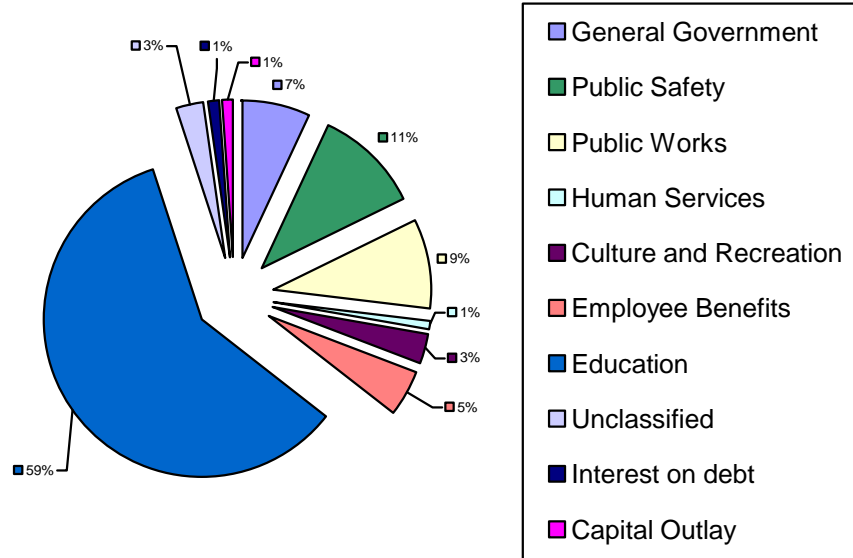
Taxes	Includes real property, personal property and excise taxes
Licenses and permits	Includes city clerk and code enforcement revenue
Intergovernmental	Includes State revenue sharing, homestead, federal and state grants
Charges for service	Includes revenue from the various departments for services
Miscellaneous	Includes miscellaneous revenue, grant revenue, sale of City assets, and contributions
Investment earnings	Includes interest income from general fund investment money

As the revenue chart shows, the major sources of revenue for the City are taxes and intergovernmental revenue.

MANAGEMENT'S DISCUSSION & ANALYSIS

Governmental Activities – Continued

**2015 Statement of Activities Expenditures
All Funds**



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

FUND FINANCIAL STATEMENTS HIGHLIGHTS

Total governmental fund balance decreased by \$975,775 for the year ended June 30, 2015. Fund balance for the general fund decreased by \$1,376,235 as a result of revenues exceeding expenditures by \$639,972, offset by other financing uses of \$2,016,207 as transfers out exceeded transfers in as money was transferred to the tax increment financing district funds and also based on the City's policy to transfer unassigned fund balance in excess of 20% over the tax commitment to the capital projects funds. Fund balance for other governmental funds increased \$400,460 for the year ended June 30, 2015. The most significant activity contributing to the increase in other governmental fund balance was a decrease in special revenue fund balance of \$696,746 and an increase in capital project fund balance of \$1,220,698 and a decrease in permanent fund balance of \$211,549.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total budgeted revenues were \$54,939,709, and actual revenues were \$55,843,794, resulting in a positive variance of \$904,085. Total budgeted expenditures were \$55,118,804 and actual expenditures were \$54,766,912, resulting in a positive variance of \$351,892. For the year the General Fund had a decrease in fund balance of \$1,448,722.

MANAGEMENT'S DISCUSSION & ANALYSIS

ECONOMIC FACTORS AND THE CITY'S BUDGET

The valuation for the City increased by approximately \$22.8 million or 1.2% in fiscal year ended June 30, 2015. Real estate valuation increased by approximately \$26.8 million or 1.7% while Personal Property decreased approximately \$4 million or 1.4%.

The unemployment rate for the City at fiscal year-end was an estimated 2.7% which was down from 3.8% from prior year. The rate is below the estimated State average of 3.8% and below the estimated National rate of 5.3%. These figures are from the Maine Center for Workforce Research and Information website.

The 2014/2015 budget adopted by the City Council resulted no change in the mill rate from the 2013/2014 rate of 17.2 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 Chief Financial Officer, 2 York Street, Westbrook, Maine 04092.*

BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and short-term investments	\$ 18,540,038	\$ 5,039,832	\$ 23,579,870
Investments	1,011,720		1,011,720
Investments held by Maine Public Employees Retirement System	9,992,532		9,992,532
Receivables, net of allowance for uncollectibles:			
Property taxes	1,547,152		1,547,152
Accounts receivable - services	659,945	461,947	1,121,892
Intergovernmental	798,796	40,861	839,657
Loans	218,399		218,399
Internal balances	(3,283,046)	3,283,046	
Inventory	51,807		51,807
Prepaid items	928,766	211,098	1,139,864
Capital assets:			
Capital assets not being depreciated	2,133,546	149,575	2,283,121
Capital assets, net of accumulated depreciation	104,459,993	48,101,710	152,561,703
Total Assets	<u>137,059,648</u>	<u>57,288,069</u>	<u>194,347,717</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	556,931		556,931
Deferred pension items	2,135,741		2,135,741
Total Deferred Outflows of Resources	<u>2,692,672</u>		<u>2,692,672</u>
LIABILITIES			
Accounts payable	2,200,524		2,200,524
Accrued salaries and benefits	2,139,934		2,139,934
Retainage payable		64,521	64,521
Accrued interest payable	458,374		458,374
Due to fiduciary funds	207,055		207,055
Unearned revenue	261,477		261,477
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	4,578,500	306,500	4,885,000
Unamortized bond premium	28,509		28,509
Capital leases payable	240,628		240,628
Accrued landfill postclosure care costs	20,000		20,000
Due in more than one year:			
Bonds and notes payable	44,292,500	5,242,500	49,535,000
Unamortized bond premium	476,551		476,551
Capital leases payable	354,386		354,386
Accrued landfill postclosure care costs	320,000		320,000
Accrued compensated absences	1,624,407		1,624,407
Other post-employment benefits liability	462,361		462,361
Net pension liability	3,776,218		3,776,218
Total Liabilities	<u>61,441,424</u>	<u>5,613,521</u>	<u>67,054,945</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension items	3,543,493		3,543,493
Total Deferred Inflows of Resources	<u>3,543,493</u>		<u>3,543,493</u>
NET POSITION			
Net investment in capital assets	57,127,525	47,542,285	104,669,810
Restricted for:			
Nonexpendable trust principal	557,808		557,808
Expendable trust principal	290,264		290,264
Restricted for endowments and grants	294,513		294,513
Unrestricted	16,497,293	4,132,263	20,629,556
Total Net Position	<u>\$ 74,767,403</u>	<u>\$ 51,674,548</u>	<u>\$ 126,441,951</u>

See independent auditors' report.

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

Statement of Activities

Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities					
General government	\$ 4,433,865	\$ 47,637	\$ 27,416	\$ (4,358,812)	\$ (4,358,812)
Public safety	7,049,382	815,559	289,861	(5,943,962)	(5,943,962)
Public works	5,852,472	9,128	934,486	(4,908,858)	(4,908,858)
Human services	593,577		150,871	(442,706)	(442,706)
Culture and recreation	1,855,165	701,017	1,376,405	222,257	222,257
Employee benefits	3,105,042			(3,105,042)	(3,105,042)
Education	38,308,896	396,203	22,697,661	(15,215,032)	(15,215,032)
Unclassified	1,699,201			(1,699,201)	(1,699,201)
Interest on debt	713,758			(713,758)	(713,758)
Capital outlay	737,559			(737,559)	(737,559)
Total Governmental Activities	<u>64,348,917</u>	<u>1,969,544</u>	<u>25,476,700</u>	<u>(36,902,673)</u>	<u>(36,902,673)</u>
Business-Type Activities					
Sewer department	5,146,613	4,189,574		\$ (957,039)	(957,039)
Parking garage	368,521	165,564		(202,957)	(202,957)
Total Business-Type Activities	<u>5,515,134</u>	<u>4,355,138</u>		<u>(1,159,996)</u>	<u>(1,159,996)</u>
Total	<u>\$ 69,864,051</u>	<u>\$ 6,324,682</u>	<u>\$ 25,476,700</u>	<u>(36,902,673)</u>	<u>(1,159,996)</u>
General Revenues					
Taxes:					
Real estate				27,038,384	27,038,384
Excise				3,078,586	3,078,586
Personal property				4,782,002	4,782,002
Other				155,031	155,031
Licenses and permits				415,798	415,798
Grants and contributions not restricted to specific programs				2,278,584	2,278,584
Investment earnings (loss) from investments held by Maine					
Public Employers Retirement System				(411,087)	(411,087)
Miscellaneous				583,883	583,883
Total general revenues				<u>37,921,181</u>	<u>37,921,181</u>
Change in Net Position				1,018,508	(1,159,996)
Net Position, Beginning of year, As Restated				<u>73,748,895</u>	<u>52,834,544</u>
Net Position, End of year				<u>\$ 74,767,403</u>	<u>\$ 51,674,548</u>

See independent auditors' report.

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

Governmental Funds**Balance Sheet**

June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and short-term investments	\$ 18,501,693	\$ 38,345	\$ 18,540,038
Investments		1,011,720	1,011,720
Investments held by Maine Public Employees Retirement System	9,992,532		9,992,532
Receivables, net of allowance for uncollectibles:			
Taxes	1,547,152		1,547,152
Accounts receivable - services	560,496	99,449	659,945
Intergovernmental	19,867	778,929	798,796
Loans		218,399	218,399
Interfund receivable		6,447,725	6,447,725
Inventory		51,807	51,807
Prepaid items	928,766		928,766
Total Assets	<u>\$ 31,550,506</u>	<u>\$ 8,646,374</u>	<u>\$ 40,196,880</u>
LIABILITIES			
Accounts payable	\$ 821,175	\$ 1,379,349	\$ 2,200,524
Accrued salaries and benefits	2,026,124	113,810	2,139,934
Interfund payable	8,547,499	1,390,327	9,937,826
Unearned revenue	54,401	207,076	261,477
Total Liabilities	<u>11,449,199</u>	<u>3,090,562</u>	<u>14,539,761</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable resources - investments held by Maine Public Employees Retirement System	9,992,532		9,992,532
Unavailable revenue - property taxes	1,166,454		1,166,454
Total Deferred Inflows of Resources	<u>11,158,986</u>		<u>11,158,986</u>
FUND BALANCES			
Nonspendable	928,766	609,615	1,538,381
Restricted		294,513	294,513
Committed	483,722	6,336,301	6,820,023
Assigned	94,865		94,865
Unassigned	7,434,968	(1,684,617)	5,750,351
Total Fund Balances (Deficit)	<u>\$ 8,942,321</u>	<u>\$ 5,555,812</u>	<u>\$ 14,498,133</u>

See independent auditors' report.

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

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Assets

June 30, 2015

Total Governmental Fund Balances	\$ 14,498,133
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 106,593,539 • Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 	
Property taxes	1,166,454
Investments held by Maine Public Employees Retirement System	9,992,532
<ul style="list-style-type: none"> • Deferred outflows/inflows of resources represent a consumption/acquisition of net position that applies to a future period, therefore will not be recognized as an expenditure or revenue until then, and therefore, are not reported in the funds. (850,821) • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (458,374) • Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds: 	
Bonds and notes payable	(48,871,000)
Unamortized bond premium	(505,060)
Capital leases payable	(595,014)
Compensated absences	(1,624,407)
Liability for hazardous waste-site cleanup	(340,000)
Other Post-Employment Benefits (OPEB) liability	(462,361)
Net pension liability	<u>(3,776,218)</u>
Net Position of Governmental Activities	<u>\$ 74,767,403</u>

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

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

Year Ended June 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 35,029,990	\$ 567,832	\$ 35,597,822
Licenses, permits and fees	331,969		331,969
Intergovernmental	21,276,203	5,787,665	27,063,868
Charges for services	1,248,965	999,923	2,248,888
Miscellaneous	335,667	1,756,285	2,091,952
Total Revenues	<u>58,222,794</u>	<u>9,111,705</u>	<u>67,334,499</u>
Expenditures			
Current:			
General government	2,913,690	904,726	3,818,416
Public safety	6,727,577	309,405	7,036,982
Public works	3,920,940	256,858	4,177,798
Human services	593,577		593,577
Culture and recreation	852,791	777,791	1,630,582
Employee benefits	3,105,042		3,105,042
Unclassified	1,699,201		1,699,201
Cemeteries	68,425	142,901	211,326
Education	35,547,937	6,533,589	42,081,526
Debt service	2,153,642	812,409	2,966,051
Capital outlay		1,499,170	1,499,170
Total Expenditures	<u>57,582,822</u>	<u>11,236,849</u>	<u>68,819,671</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>639,972</u>	<u>(2,125,144)</u>	<u>(1,485,172)</u>
Other Financing Sources (Uses)			
Transfers in	2,722,948	5,722,341	8,445,289
Transfers out	(5,248,552)	(3,196,737)	(8,445,289)
Proceeds from capital leases	509,397		509,397
Total Other Financing Sources (Uses)	<u>(2,016,207)</u>	<u>2,525,604</u>	<u>509,397</u>
Net change in fund balances	(1,376,235)	400,460	(975,775)
Fund Balances, Beginning of Year, As Restated	<u>10,318,556</u>	<u>5,155,352</u>	<u>15,473,908</u>
Fund Balances, End of Year	<u>\$ 8,942,321</u>	<u>\$ 5,555,812</u>	<u>\$ 14,498,133</u>

See independent auditors' report.

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

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

Year Ended June 30, 2015

Net Changes in Fund Balances - Total Governmental Funds	\$ (975,775)																												
<ul style="list-style-type: none"> • 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 and reported as depreciation expense: <table border="0" style="margin-left: 20px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">23,027</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,531,888)</td> </tr> </table> Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. However, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position. <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td style="text-align: right;">(509,397)</td> </tr> </table> • Deferred outflows/inflows of resources represent a consumption/acquisition of net position that applies to a future period, therefore will not be recognized as an expenditure/revenue until then. <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td style="text-align: right;">754,307</td> </tr> </table> • 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 deferred revenue. <table border="0" style="margin-left: 20px;"> <tr> <td>Property taxes</td> <td style="text-align: right;">24,013</td> </tr> <tr> <td>Investment earnings (loss) from investments held by Maine Public Employees Retirement System</td> <td style="text-align: right;">(411,087)</td> </tr> </table> • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 20px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">4,659,310</td> </tr> <tr> <td>Repayments of capital leases</td> <td style="text-align: right;">358,165</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due, this amount reflects the change in accrued interest. <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td style="text-align: right;">88,109</td> </tr> </table> • 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 the governmental funds: <table border="0" style="margin-left: 20px;"> <tr> <td>Increase in liability for compensated absences</td> <td style="text-align: right;">(108,358)</td> </tr> <tr> <td>Increase in OPEB liability</td> <td style="text-align: right;">(114,196)</td> </tr> <tr> <td>Decrease in liability for hazardous waste-site cleanup</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Amortization of bond premiums</td> <td style="text-align: right;">27,078</td> </tr> <tr> <td>Amortization of deferred charge</td> <td style="text-align: right;">(46,411)</td> </tr> </table> 		Capital outlay purchases	23,027	Depreciation	(3,531,888)		(509,397)		754,307	Property taxes	24,013	Investment earnings (loss) from investments held by Maine Public Employees Retirement System	(411,087)	Repayments of debt	4,659,310	Repayments of capital leases	358,165		88,109	Increase in liability for compensated absences	(108,358)	Increase in OPEB liability	(114,196)	Decrease in liability for hazardous waste-site cleanup	20,000	Amortization of bond premiums	27,078	Amortization of deferred charge	(46,411)
Capital outlay purchases	23,027																												
Depreciation	(3,531,888)																												
	(509,397)																												
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Investment earnings (loss) from investments held by Maine Public Employees Retirement System	(411,087)																												
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Decrease in liability for hazardous waste-site cleanup	20,000																												
Amortization of bond premiums	27,078																												
Amortization of deferred charge	(46,411)																												
Changes in Net Position of Governmental Activities	\$ 256,897																												

See independent auditors' report.

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

**Statement of Revenues and Other Financing Sources,
and Expenditures and Other Financing Uses -
Budget and Actual (Budgetary Basis) - General Fund**

Year Ended June 30, 2015

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue				
Taxes	\$ 34,138,525	\$ 34,438,525	\$ 35,029,990	\$ 591,465
Licenses, permits and fees	182,500	267,500	331,969	64,469
Intergovernmental	18,895,184	18,845,184	18,897,203	52,019
Charges for services	1,003,500	1,018,500	1,248,965	230,465
Miscellaneous	355,000	370,000	335,667	(34,333)
Total Revenues	<u>54,574,709</u>	<u>54,939,709</u>	<u>55,843,794</u>	<u>904,085</u>
Expenditures				
Current:				
General government	2,875,106	2,900,106	2,913,690	(13,584)
Public safety	6,228,936	6,568,936	6,550,183	18,753
Public works	3,860,336	3,860,336	3,761,773	98,563
Human services	609,140	609,140	593,577	15,563
Culture and recreation	836,413	836,413	852,791	(16,378)
Employee benefits	2,910,998	2,910,998	3,105,042	(194,044)
Cemeteries	58,927	58,927	68,425	(9,498)
Unclassified	1,712,227	1,712,227	1,699,197	13,030
Education	33,854,746	33,508,079	33,068,592	439,487
Debt service:				
Principle	1,722,201	1,722,201	1,722,201	
Interest	431,441	431,441	431,441	
Total Expenditures	<u>55,100,471</u>	<u>55,118,804</u>	<u>54,766,912</u>	<u>351,892</u>
Excess (Deficiency) of Revenues Over Expenditures	(525,762)	(179,095)	1,076,882	1,255,977
Other Financing Sources (Uses)				
Transfers in	3,007,006	3,007,006	2,722,948	(284,058)
Transfer out	(3,761,862)	(3,761,862)	(5,248,552)	(1,486,690)
Total Other Financing Sources (Uses)	<u>(754,856)</u>	<u>(754,856)</u>	<u>(2,525,604)</u>	<u>(1,770,748)</u>
Net Change in Fund Balance - Budgetary Basis	(1,280,618)	(933,951)	(1,448,722)	(514,771)
Beginning Fund Balance Utilized	<u>1,280,618</u>	<u>933,951</u>	<u>10,296,178</u>	<u>9,362,227</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	8,847,456	<u>\$ 8,847,456</u>
Add encumbrances			<u>94,865</u>	
Fund Balance, End of Year, Per Fund Financial Statements			<u>\$ 8,942,321</u>	

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

Proprietary Funds**Statement of Net Position**

June 30, 2015

	Business-Type Activities Enterprise Funds		
	Sewer Department	Parking Garage	Total
ASSETS			
Current:			
Cash and cash equivalents	\$ 5,039,832		\$ 5,039,832
Accounts receivable, net of allowance for uncollectible	461,947		461,947
Intergovernmental receivable	40,861		40,861
Interfund receivable	2,791,504	\$ 491,542	3,283,046
Prepaid items	211,098		211,098
Total current assets	<u>8,545,242</u>	<u>491,542</u>	<u>9,036,784</u>
Noncurrent:			
Capital assets:			
Land	108,351	40,489	148,840
Construction in progress	735		735
Buildings and building improvements	2,789,000	7,072,318	9,861,318
Machinery and equipment	356,173	31,102	387,275
Infrastructure	81,799,849		81,799,849
Less accumulated depreciation	<u>(42,359,722)</u>	<u>(1,587,010)</u>	<u>(43,946,732)</u>
Total noncurrent assets	<u>42,694,386</u>	<u>5,556,899</u>	<u>48,251,285</u>
Total Assets	<u>51,239,628</u>	<u>6,048,441</u>	<u>57,288,069</u>
LIABILITIES			
Current:			
Accounts payable	64,521		64,521
Current portion of long-term liabilities:			
Bonds payable	<u>306,500</u>		<u>306,500</u>
Total current liabilities	<u>371,021</u>		<u>371,021</u>
Noncurrent:			
Bonds payable, noncurrent	<u>5,242,500</u>		<u>5,242,500</u>
Total noncurrent liabilities	<u>5,242,500</u>		<u>5,242,500</u>
Total Liabilities	<u>5,613,521</u>		<u>5,613,521</u>
NET POSITION			
Net investment in capital assets	41,985,386	5,556,899	47,542,285
Unrestricted	<u>3,640,721</u>	<u>491,542</u>	<u>4,132,263</u>
Total Net Position	<u>\$ 45,626,107</u>	<u>\$ 6,048,441</u>	<u>\$ 51,674,548</u>

See independent auditors' report.

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

Proprietary Funds**Statement of Revenues, Expenses and Changes in Fund Net Position**

Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds		
	Sewer Department	Parking Garage	Total
Operating Revenues			
Sewer assessments	\$ 4,189,574		\$ 4,189,574
Parking garage revenue		\$ 165,564	165,564
Total Operating Revenues	<u>4,189,574</u>	<u>165,564</u>	<u>4,355,138</u>
Operating Expenses			
Portland Water District assessment	2,533,176		2,533,176
Sewer operations	822,391		822,391
Parking garage		227,075	227,075
Depreciation expense	1,589,591	141,446	1,731,037
Total Operating Expenses	<u>4,945,158</u>	<u>368,521</u>	<u>5,313,679</u>
Operating Income (Loss)	<u>(755,584)</u>	<u>(202,957)</u>	<u>(958,541)</u>
Nonoperating Revenues (Expenses)			
Interest on bonds	(201,455)		(201,455)
Total Nonoperating Revenues (Expenses) Net	<u>(201,455)</u>		<u>(201,455)</u>
Change in Net Position	(957,039)	(202,957)	(1,159,996)
Net Position, Beginning of Year	<u>46,583,146</u>	<u>6,251,398</u>	<u>52,834,544</u>
Net Position, End of Year	<u>\$ 45,626,107</u>	<u>\$ 6,048,441</u>	<u>\$ 51,674,548</u>

See independent auditors' report.

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

Proprietary Funds

Statement of Cash Flows

Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds		
	Sewer Department	Parking Garage	Total
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 3,931,946	\$ 227,075	\$ 4,159,021
Payments to suppliers and employees	(3,531,507)	(227,075)	(3,758,582)
Net Cash Provided by Operating Activities	<u>400,439</u>	<u></u>	<u>400,439</u>
Cash Flows From Capital and Related Financing Activities:			
Principal payments on bonds and notes	(306,500)		(306,500)
Interest paid on bonds and notes	(201,455)		(201,455)
Net Cash Used for Capital and Related Financing Activities	<u>(507,955)</u>	<u></u>	<u>(507,955)</u>
Net Change in Cash and Cash Equivalents	(107,516)		(107,516)
Cash and Cash Equivalents, Beginning of Year	<u>5,147,348</u>	<u></u>	<u>5,147,348</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,039,832</u>	<u>\$ -</u>	<u>\$ 5,039,832</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income loss	\$ (755,584)	\$ (202,957)	\$ (958,541)
Adjustments to reconcile operating income loss to net cash provided by operating activities:			
Depreciation	1,589,591	141,446	1,731,037
(Increase) decrease in operating assets:			
Accounts receivable	38,448		38,448
Interfund receivable	(296,076)	61,511	(234,565)
Prepaid items	(211,098)		(211,098)
Increase (decrease) in operating liabilities:			
Accounts payable	35,158		35,158
Net Cash Provided by Operating Activities	<u>\$ 400,439</u>	<u>\$ -</u>	<u>\$ 400,439</u>

See independent auditors' report.

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

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2015

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short term investments	\$ 450,474	\$ 340,307
Accounts receivable		11,212
Due from other funds	111,314	95,741
Total Assets	<u>561,788</u>	<u>447,260</u>
LIABILITIES		
Accounts payable	250	
Due to student groups		240,124
Escrow and performance deposits		207,136
Total Liabilities	<u>250</u>	<u>447,260</u>
NET POSITION		
Held in Trust	<u>\$ 561,538</u>	<u>\$ -</u>

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015

	Private Purpose Trust Funds
Additions	
Investment earnings	\$ 1,385
Contributions	90,225
Total Additions	<u>91,610</u>
Deductions	
Disbursements by agent	70,490
Total deductions	<u>70,490</u>
Change in Net Position	21,120
Net Position	
Beginning of year	<u>540,418</u>
End of year	<u>\$ 561,538</u>

NOTES TO THE FINANCIAL STATEMENTS

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Westbrook, Maine (the City/Government) 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 the publication entitled State and Local Governments. The more significant of the City's accounting policies are described below.

Reporting Entity

The City of Westbrook is a municipal corporation governed by an elected Mayor and seven-member City Council consisting of five members elected by ward and two elected at-large. 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 Statement No. 61, 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. The City identified one organization as a blended component unit, although legally separate, is, in substance, part of the government's operations.

Blended component unit — The Westbrook Environmental Improvement Corporation is a nonprofit corporation organized by the City of Westbrook for the purpose of coordinating the implementation of tax increment financing districts and undertaking various environmental improvement projects. Westbrook Environmental Improvement Corporation (WEIC) activity has been reported as a blended component unit in the Special Revenue Funds.

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. The City participates in the following related organization:

Greater Portland Transit District – The City, in conjunction with one other community, participates in the District. The District provides public transportation services to the residents of the participating communities. The District is managed by a Board of Directors selected by the elected municipal officers of each participating municipality. Except for members' proportional share of bonds payable, which are repaid through member assessments, no participant has any obligation or entitlement and the City's share of any residual interest has not been determined. Audited financial statements are available from the organization.

Government-Wide and Fund Financial Statements

Government Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and city general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the City's services; and (2) operating grants and contributions, which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual, governmental and proprietary funds are reported in separate columns with composite columns for the nonmajor governmental funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met. The agency funds are custodial in nature and do not measure results of operations.

Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are real estate and personal property taxes, intergovernmental amounts, charges for services, and investment income. In general, other revenues are recognized when cash is received.

The City reports the General Fund as the only major fund – Reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

The City reports the following major enterprise funds:

Sewer Department Fund -- Accounts for the operating activities of the City's sewer system.

Parking Garage Fund – Accounts for the operating activities of the City's parking garage

Fiduciary Funds

The City reports the following fiduciary funds:

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Private Purpose Trust Funds other entities or individuals.

Agency Funds — Account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's agency funds are used to account for various minor city employee funds.

Cash and Investments

The laws of the State of Maine require that the City's treasurer have custody of all monies belonging to the City and pay out the same only upon orders of the Mayor and City Council. The treasurer shall deposit all monies in accordance with Maine State Statute 30-A §5706. Investments are stated at fair value based on quoted market prices.

Receivables

Management has reviewed property taxes receivable, accounts receivable, intergovernmental receivables and loans receivable for collectibility and has recorded an allowance for uncollectible amounts as is considered necessary. The most significant account needing an allowance is the allowance for uncollectible rescue/ambulance billings receivable for which there is an allowance of \$616,884 at June 30, 2015.

Capital Assets and Depreciation

The City's property, plant and equipment with useful lives of more than one year are stated at historical cost or estimated historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Buildings and building improvements	25 – 120
Machinery and equipment	5 – 50
Vehicles	4 – 25
Infrastructure	50

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused, sick, vacation, and general leave time at various rates in accordance with union contracts and the City's personnel policy. Balances are accrued when incurred on the government-wide financial statements.

Deferred Outflows of Resources and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items that qualify for reporting in this category. One item is deferred outflows related to the pension liability as is more fully disclosed in the pension footnote and the other item is the deferred charge on refunding, both reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In addition to liabilities, the balance sheet 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 has only one type of item reported in the statement of net position that qualifies for reporting in this category. It is the deferred inflows related to the pension liability as is more fully disclosed in the pension footnote. The City's balance sheet under governmental funds reports two types of items, which arises under a modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from property taxes and investments held by Maine Public Employees Retirement System. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Fund Balances

The governmental funds financial statements fund balance is reported in five classifications.

Nonspendable fund balance represent fund balance amounts that are not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance represents resources with constraints placed through external creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provision or by enabling legislation.

Committed fund balance represents resources that are determined by the City's highest decision-making level of authority, and remain binding unless removed in the same manner. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the fiscal year, commit a fund balance.

Assigned fund balance is the portion of fund balance that has been approved by formal action of the City Council for appropriation in future budgets. The amounts are not for a highly specified purpose and their use has some discretion by the administration.

Unassigned fund balance is 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 has no formal revenue spending policy for programs with multiple revenue sources. The Comptroller 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 balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recent Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014. The adoption of this statement is disclosed in Notes 10 and 12.

In November 2013, the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. This statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68 related to contributions made to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The new statement is effective for periods beginning after June 15, 2014. The adoption of this statement is disclosed in Notes 10 and 12.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The City is allowed to use beginning fund balance to balance the budget.

Each year the Mayor submits to the City Council a budget for the ensuing fiscal year. It provides a complete financial plan of the City's General Fund. It begins with a general summary of its contents and shows in detail all estimated income, indicating the proposed property tax levy affecting the General Fund, and all proposed expenditures, including debt service, for the ensuing fiscal year, arranged to show comparative figures for actual and estimated income and expenditures to the preceding fiscal year.

The Mayor, with City Council approval, may transfer budgeted amounts between departments. The City Council may, by resolution, appropriate additional amounts but only up to the amount of excess revenues and unencumbered budget surplus remaining after the purpose of the original appropriation has been satisfied. At the end of the fiscal year, all unencumbered appropriations lapse unless specifically continued by resolution of the City Council. No supplementary appropriations of the City's fund balance were made during the year ended June 30, 2015.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because they will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, public works, human services, culture and recreation, employee benefits, unclassified, debt service and capital outlay.

Notes to Financial Statements

June 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Deficit Fund Equity

The Downtown TIF District has a deficit of \$904,475 at June 30, 2015. This is the result of the amount of tax recovered in the districts being less than the annual debt payments. The City expects future tax amounts will be greater than the annual debt payments as the captured value increases with development.

Following is a list of other individual projects within the following funds having deficits exceeding \$50,000 as of June 30, 2015:

Nonmajor Governmental funds	
Special Revenue Funds:	
Westbrook Pool	\$ (110,784)
Capital Project Funds:	
Paving CIP	(277,365)
Small Hardy Road Fields	(81,519)
West Business Heights	(310,474)

The deficits in these funds will be eliminated through the future grant reimbursements, departmental revenues and transfers from other funds.

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2015, the City reported deposits of \$24,370,651 with a bank balance of \$24,773,109. Of the City's bank balances of \$24,773,109, \$84,175 was exposed to custodial credit risk as uninsured and uncollateralized; the remainder was covered by the F.D.I.C. or is secured by additional collateral pledged on behalf of the City by the respective banking institutions.

Investments

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.

Investments

As of June 30, 2015, the City's reporting entity had the following investments:

Certificates of Deposit	\$ 449,245
Mutual Funds	562,475
	<u>\$ 1,011,720</u>

Notes to Financial Statements

June 30, 2015

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy that places any restrictions on its investment choices.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have an investment policy that addresses limiting interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have an investment policy that addresses concentration of credit risk. As of June 30, 2015, there are no investments representing more than 5% of the total investments.

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 in the possession of an outside party. The City has no investments with material exposure to custodial credit risk.

Investments held by Maine Public Employees Retirement System (MPERS) are part of a pooled account held and invested by MPERS but is accounted for separately for each municipality. The City received these funds subsequent to June 30, 2015 and the City Council passed an order to set aside the money received in a reserve fund from which the earnings will be used solely to fund the City's obligations related to City employee retirement expense.

NOTE 4 – PROPERTY TAX

Property taxes for the current year were committed on July 3, 2014 on the assessed value listed as of the previous April 1 for all real and personal property located in the City. All real and personal property taxes were due in four installments, 25% on August 15, 2014, 25% on November 17, 2014, 25% on February 17, 2015, and 25% on May 16, 2015. Interest at the rate of 7% per annum was charged on any amounts remaining unpaid after these respective due dates. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. The assessed value was 100% of the estimated market value and 100% of the 2014 state valuation of \$1,939,532,580.

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 \$616,892 for the year ended June 30, 2015.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen 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 as a different inflow of resources, unavailable revenue - property taxes.

Notes to Financial Statements

June 30, 2015

NOTE 4 –PROPERTY TAX – CONTINUED

The tax rates and amounts assessed for the year ended June 30, 2015 were as follows:

Valuation:	
Real estate	\$1,587,192,800
Personal property	277,367,600
Total assessed valuation	<u>\$1,864,560,400</u>
Total assessed valuation	\$1,864,560,400
Tax rate (per \$1,000)	17.20
Total tax commitment	<u>\$32,070,439</u>

The following details the taxes receivable at year-end:

Taxes receivable - current year	\$711,894
Taxes receivable - prior year	835,258
Taxes receivable	<u>\$1,547,152</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Generally, outstanding balances between funds reported as "interfund receivables/payables" include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as "interfund receivables/payables."

As of June 30, 2015, the balances of interfund loans receivable/payable were as follows:

	Interfund Loans Receivable	Interfund Loans Payable	Due to Agency Funds
General fund		\$8,340,444	\$207,055
Other governmental funds	\$6,447,725	1,390,327	
Sewer department	2,791,504		
Parking garage	491,542		
Agency funds	207,055		
Totals	<u>\$9,937,826</u>	<u>\$9,730,771</u>	<u>\$207,055</u>

Notes to Financial Statements

June 30, 2015

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – CONTINUED

Transfers

Transfers within the reporting entity are substantially for the purposes of distributing tax revenues to the fund for which the appropriation was made, and distributing trust income to the applicable fund, and other voted amounts. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In		Total
	General Fund	Nonmajor Governmental Funds	
Transfers out:			
Governmental funds:			
General		\$ 5,248,552	\$ 5,248,552
Nonmajor	\$ 2,772,948	574,789	3,196,737
	<u>\$ 2,772,948</u>	<u>\$ 5,772,341</u>	<u>\$ 8,445,289</u>

The amount transferred to the nonmajor funds from the General Fund represents the transfer of tax revenues to the tax increment finance (TIF) districts and other funds in accordance with the various agreements and voted amounts. The amount to the General Fund from the nonmajor funds represents transfers from the TIF districts in accordance with the agreements. The amounts from the nonmajor funds to other nonmajor funds represents transfers of the balances of bond proceeds from completed capital projects to other ongoing capital projects, and transfers from the TIF districts in accordance with the agreements.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Changes	Ending Balance
Governmental activities:			
Not being depreciated:			
Land	\$ 2,190,117	\$ (56,571)	\$ 2,133,546
Being depreciated:			
Buildings and improvements	74,561,336		74,561,336
Machinery and equipment	5,499,394	(32,565)	5,466,829
Vehicles	9,049,296	624,593	9,673,889
Infrastructure	79,683,477		79,683,477
Total capital assets being depreciated	<u>168,793,503</u>	<u>592,028</u>	<u>169,385,531</u>
Total all capital assets	<u>170,983,620</u>	<u>535,457</u>	<u>171,519,077</u>
Less accumulated depreciation:			
Buildings and improvements	(14,567,304)	(1,213,609)	(15,780,913)
Machinery and equipment	(3,351,126)	(171,967)	(3,523,093)
Vehicles	(5,519,424)	(558,164)	(6,077,588)
Infrastructure	(38,204,978)	(1,338,966)	(39,543,944)
Total accumulated depreciation	<u>(61,642,832)</u>	<u>(3,282,706)</u>	<u>(64,925,538)</u>
Net book value, capital assets being depreciated	<u>107,150,671</u>	<u>(2,690,678)</u>	<u>104,459,993</u>
Net book value, total capital assets	<u>\$ 109,340,788</u>	<u>\$ (2,747,249)</u>	<u>\$ 106,593,539</u>

Notes to Financial Statements

June 30, 2015

NOTE 6 – CAPITAL ASSETS – CONTINUED

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Not being depreciated				
Land	\$ 148,840			\$ 148,840
Construction in progress	735			735
Total capital assets not being depreciated	<u>149,575</u>			<u>149,575</u>
Being depreciated:				
Buildings and building improvements	9,861,318			9,861,318
Vehicles	387,275			387,275
Infrastructure	<u>81,799,849</u>			<u>81,799,849</u>
Total capital assets being depreciated	<u>92,048,442</u>			<u>92,048,442</u>
Total all capital assets	<u>92,198,017</u>			<u>92,198,017</u>
Less accumulated depreciation:				
Buildings and building improvements	(2,464,882)	\$ (207,726)		(2,672,608)
Vehicles	(125,859)	(116,370)		(242,229)
Infrastructure	<u>(39,624,954)</u>	<u>(1,406,941)</u>		<u>(41,031,895)</u>
Total accumulated depreciation	<u>(42,215,695)</u>	<u>(1,731,037)</u>		<u>(43,946,732)</u>
Net book value, capital assets being depreciated	<u>49,832,747</u>	<u>(1,731,037)</u>		<u>48,101,710</u>
Net book value, total capital assets	<u>\$ 49,982,322</u>	<u>\$ (1,731,037)</u>	<u>\$ -</u>	<u>\$ 48,251,285</u>

Depreciation expense was charged to functions or activities of the City as follows:

Governmental Activities		Business-type activities:	
General government	\$ 289,927	Sewer department	\$ 1,589,591
Public safety	423,907	Parking garage	141,446
Public works	1,628,756	Total depreciation expense	<u>\$ 1,731,037</u>
Culture and recreation	224,583		
Education	<u>964,715</u>		
Total depreciation expense	<u>\$ 3,531,888</u>		

Notes to Financial Statements

June 30, 2015

NOTE 7 – LONG-TERM DEBT

General obligation bonds and notes are approved by the voters and repaid with general revenues (taxes). These notes are backed by the full faith and credit of the City.

Long-term liabilities currently outstanding in the governmental activities are as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding At 6/30/2015	Current Portion
General obligation bonds/notes payable:						
2004 General Obligation Bond	11,745,000	2005	2024	2.5-3.75	\$585,000	\$585,000
2006 General Obligation Bond	1,400,000	2006	2016	3.54	140,000	140,000
2009 General Obligation Bond	38,276,000	2009	2029	4.99	25,785,000	2,080,000
2011 General Obligation Bond	12,350,000	2011	2031	3.24	7,696,000	1,183,500
2012 General Obligation Bond	7,745,000	2012	2028	1.00-3.5	7,180,000	240,000
2014 General Obligation Bond	1,760,000	2014	2039	2-4.25	1,650,000	77,000
2014 GOB Refunding	5,985,000	2014	2039	.35-5.1	5,835,000	273,000
					<u>\$48,871,000</u>	<u>\$4,578,500</u>
Capital leases payable:						
Vehicles	155,995	2015	2019	2.50	\$ 123,097	\$ 29,432
Dump Truck	81,692	2012	2016	3.65	17,053	17,053
Ambulance	185,121	2012	2016	3.65	38,326	38,326
Equipment	180,566	2015	2019	2.50	132,270	44,724
Copiers	213,406	2014	2018	3.18	127,981	41,333
School buses	257,820	2012-2015	2015-2018	2.60-3.25	156,287	69,760
					<u>\$ 595,014</u>	<u>\$ 240,628</u>

Long-term liabilities current outstanding in the business-type activities are as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding At 6/30/2015	Current Portion
General obligation bonds payable:						
2011 General Obligation Bond	\$ 1,215,000	2011	2031	3.24	\$ 954,000	\$ 61,500
2014 General Obligation Bond	\$4,840,000	2014	2034	2-4.25	4,595,000	245,000
Total					<u>\$ 5,549,000</u>	<u>\$ 306,500</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	General Obligation Bonds and Notes	Unamortized Bond Premium	Capital Leases	Compensated Absences	OPEB Liability	Accrued Landfill Postclosure Care Costs	Total
Governmental Activities:							
Balance, beginning	\$53,530,310	\$ 532,138	\$443,781	\$1,516,050	\$348,165	\$360,000	\$56,730,444
Additions			509,397	108,357	114,196		731,950
Reductions	(4,659,310)	(27,078)	(358,164)			(20,000)	(5,064,552)
Balance, ending	<u>\$48,871,000</u>	<u>\$ 505,060</u>	<u>\$595,014</u>	<u>\$1,624,407</u>	<u>\$462,361</u>	<u>\$340,000</u>	<u>\$52,397,842</u>
Business-Type Activities:							
Balance, beginning	\$5,855,500						\$5,855,500
Additions							
Reductions	(306,500)						(306,500)
Balance, ending	<u>\$5,549,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,549,000</u>

Notes to Financial Statements

June 30, 2015

NOTE 7 – LONG-TERM DEBT – CONTINUED

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for the bonds and notes outstanding as of year-end are as follows:

For Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 4,578,500	\$2,240,852	\$ 6,819,352
2017	4,443,500	1,853,791	6,297,291
2018	4,453,500	1,690,202	6,143,702
2019	4,453,500	1,519,637	5,973,137
2020	3,838,500	1,355,837	5,194,337
2021-2025	15,403,500	4,674,885	20,078,385
2026-2030	8,675,000	1,718,318	10,393,318
2031-2035	1,560,000	563,124	2,123,124
2036-2039	1,465,000	154,146	1,619,146
Totals	<u>\$ 48,871,000</u>	<u>\$15,770,792</u>	<u>\$ 64,641,792</u>

For Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 306,500	\$ 186,865	\$ 493,365
2017	306,500	180,120	486,620
2018	306,500	173,298	479,798
2019	306,500	166,169	472,669
2020	306,500	158,809	465,309
2021-2025	1,511,500	652,975	2,164,475
2026-2030	1,495,000	368,846	1,863,846
2031-2034	1,010,000	82,787	1,092,787
Totals	<u>\$ 5,549,000</u>	<u>\$ 1,969,869</u>	<u>\$ 7,518,869</u>

The future minimum lease obligations for the capital leases are as follow:

For Year Ending June 30,	Principal	Interest	Total
2016	\$ 240,628	\$ 18,197	\$ 258,825
2017	161,582	10,639	172,221
2018	139,583	5,818	145,401
2019	53,221	1,580	54,801
Totals	<u>\$ 595,014</u>	<u>\$ 36,234</u>	<u>\$ 631,248</u>

Notes to Financial Statements

June 30, 2015

NOTE 7 – LONG-TERM DEBT – CONTINUED

The City is subject to a statutory limitation by the State of Maine of its general long-term debt equal to 15% of the State's valuation of the City. Based on a valuation of \$1,864,060, the City's debt limit is \$279,684,060. The City's outstanding long-term debt of \$48,871,000 at June 30, 2015 was within the statutory limit.

Conduit debt

The City has from time to time, assisted third parties in financing capital activities by participating in conduit debt transactions. The City is not obligated in any manner for this debt, and as a result has not reported these liabilities or any related assets in the basic financial statements. The outstanding principal balance of conduit debt as of June 30, 2015 was approximately \$5,760,000.

NOTE 8 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City presently has two landfills, both of which have been closed. Use of the Sandy Hill landfill ceased in 1987 and it has been covered with clay. The City ceased the use of the Rocky Hill Demolition Debris landfill in 1999. Federal and State laws and regulations require that the City continue to perform certain maintenance and monitoring functions at the landfill sites. A liability is being recognized based on the postclosure care costs that will be incurred. The estimated total current cost of the landfill postclosure care has a balance of \$340,000 as of June 30, 2015, which is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2014. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The City annually appropriates an amount for postclosure care costs.

NOTE 9 – POST-EMPLOYMENT HEALTH CARE

Plan Description

The City is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirement as Maine PERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage. The City does not supplement the cost of this coverage directly, but recognizes the liability for the inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of January 1, 2013, the date of the most recent Actuarial Valuation Report, there were twenty retirees with four spouses, and one hundred twenty employees.

Notes to Financial Statements

June 30, 2015

NOTE 9 – POST-EMPLOYMENT HEALTH CARE – CONTINUED

Benefits Provided

The City provides medical, dental and prescription drug coverage to retirees and their eligible spouses and dependents. Pre-Medicare retirees are offered the same plans that are available to the active employees. The Plans are provided through the Health Trust, and include the Indemnity Choice Plan, the Traditional Point of Service Plan, the Comprehensive Point of Service Plan, and Comprehensive Point of Service Plan B, and the PPO Value Plan.

Funding Policy

Retirees contribute all of the premiums as determined by the City, but the remainder of the costs as derived from the implicit subsidy is paid by the City on a pay-as-you-go basis.

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB expense for the fiscal year 2015 was calculated based on the annual required contribution of the City (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The City's annual OPEB cost for the fiscal year ended June 30, 2015 including the amount actually contributed to the plan and the change in the City's net OPEB obligation using the level funding amortization method is as follows:

Normal cost	\$ 60,674
Amortization of unfunded liability	93,009
Interest	3,044
Annual required contribution	<u>156,727</u>
Interest on net OPEB contribution	13,927
Adjustment to annual required contribution	<u>(20,134)</u>
Annual OPEB cost	150,520
Contributions made	<u>(36,324)</u>
2015 OPEB liability expense	<u>114,196</u>
Net OPEB Obligation (NOO), beginning	<u>348,165</u>
Net OPEB Obligation (NOO), ending	<u><u>\$ 462,361</u></u>

Notes to Financial Statements

June 30, 2015

NOTE 9 – POST-EMPLOYMENT HEALTH CARE - CONTINUED

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 150,520	24.13%	\$ 462,361
2014	\$ 129,836	6.93%	\$ 348,165
2013	\$ 132,029	6.82%	\$ 227,329

The funded status of the plan as of June 30, 2014 was as follows:

Actuarial Accrued Liability	\$ 1,672,651
Actuarial Value of Plan Assets	
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,672,651</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll of Active Plan Members	\$8,278,486
UAAL as a Percentage of Covered Payroll	20.2%

Methods of Assumptions

The projected unit credit (PUC) cost method was used for the valuation. The amortization method is the level dollar open, amortized over 30 years. Under the PUC method, benefits are projected for life, and their present value is determined. The present value is divided into equal parts, which are earned from date of hire to each decrement age. An open 30 year amortization period was used. The amortization method is a level dollar amortization method. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	January 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Open
Amortization Period	30 Years
Asset Valuation Method	N/A
Actuarial Assumptions	
Discount Rate	4.00%
Rate of Salary Increases	3.00%
Ultimate Rate of Medical Inflation	4.25%

Notes to Financial Statements

June 30, 2015

NOTE 10 – PENSION PLANS

Plan Descriptions

The City contributes to the Maine Public Employees Retirement System, as part of the State Employee and Teacher Plan (the Teacher Plan) and also the Participating Local District Consolidated Plan (the PLD plan) or (the Plans) which are cost sharing multiple employer defined benefit pension plans. The Plans were established as the administrator of a public employee retirement system under the Laws of the State of Maine. Within the City of Westbrook, the School Department's teaching certified employees plus other qualified educators, are eligible to participate in the Teacher Plan. The Teacher Plan covers 229 participating employers. The City's Police, Fire/Rescue and certain other City employees and the City's school custodians, school lunch personnel, and other non-teacher personnel including, some educational technicians (Ed Techs), central office employees, and secretarial employees have the option to participate in the PLD Plan. The PLD Plan covers 286 participating employers.

Employee membership data related to the Plans, as of June 30, 2014 was as follows:

	Teachers	PLD
Current participants: Vested and non-vested	39,910	10,848
Terminated participants: Vested	7,571	2,071
Retirees and beneficiaries receiving benefits	<u>32,611</u>	<u>8,333</u>
	<u>80,092</u>	<u>21,252</u>

Benefit terms are established by Maine statute. In the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the Plan and periodically makes recommendations. The Plans' retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for Teacher Plan members is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD Plan members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The Plans also provides disability and death benefits which are established by statute for State employee members and by contract with other participating employers under applicable statutory provisions.

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

For the year ended June 30, 2015, the City's total payroll for all employees was \$30,156,219. Total covered payroll was \$16,836,599 for the Teacher Plan and \$7,056,623 for the PLD Plan. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Notes to Financial Statements

June 30, 2015

NOTE 10 – PENSION PLANS - CONTINUED

Contributions

The contribution requirements of the Teacher Plan members are defined by law or the Plan's Board. Teacher Plan members of the City of Westbrook school department are required to contribute 7.65% of covered compensation to the Teacher Plan. The City of Westbrook's school department contributions are deducted from the employee's wages or salary and remitted by the City of Westbrook's school department to the Teacher Plan on a monthly basis. The State is statutorily required to contribute 13.03% of annual Teacher wages, excluding wages covered by grants, which pays for the unfunded liability for the teachers. Employer contribution rates are determined through actuarial valuations. The School Department's required contribution rate for the year ended June 30, 2015, was 2.65% percent of annual Teacher payroll, plus 13.03% for grant fund wages, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year (normal cost contributions). The Westbrook School Department's contributions to the Teacher Plan for the year ended June 30, 2015 were \$604,585.

The contribution requirements of the PLD Plan members are defined by law or the Plan's Board. Employees of the City of Westbrook and school department are required to contribute 7.8% of covered compensation to the PLD Plan. The contributions are deducted from the employee's wages or salary and remitted by the City of Westbrook to the Plan on a monthly basis. Employer contribution rates are determined through actuarial valuations. The City of Westbrook's school and city employees, other than Police and Fire/Rescue, required contribution rate for the year ended June 30, 2015, was 7.8% percent of annual payroll. The Police and Fire/Rescue required contribution rate for the year ended June 30, 2015 was 12.3%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City of Westbrook's contributions to the Plan for the year ended June 30, 2015 were \$771,553.

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

Teacher Plan

At June 30, 2015, the City of Westbrook School Department reported a liability for its proportionate share of the net pension liability that reflected a reduction of State pension support provided to the City of Westbrook School Department. The amount recognized by the City of Westbrook School Department as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City of Westbrook School Department were as follows:

City of Westbrook School Department's proportionate share of the net pension liability	\$ 934,691
State's proportionate share of the net pension liability associated with the City of Westbrook School Department	14,716,914
Total	<u>\$ 15,651,605</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Westbrook School Department's proportion of the net pension liability was based on a projection of the School Department's long-term share of contributions relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the School Department's proportion was 0.087 percent, which was a decrease of 0.02 from its proportion measured as of June 30, 2013.

Notes to Financial Statements

June 30, 2015

NOTE 10 – PENSION PLANS - CONTINUED

For the year ended June 30, 2015, the School Department recognized pension expense of \$180,422 and revenue of \$2,035,807 for support provided by the State. In addition, the School Department reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results		\$ 4,673
Changes of assumptions	\$ 64,371	
Net difference between projected and actual earnings on Plan investments		399,988
Changes in proportion and differences between contributions and proportionate share of contributions	267,544	22,777
Contributions subsequent to the measurement date	604,585	
Total	<u>\$ 936,500</u>	<u>\$ 427,438</u>

The \$604,585 of deferred outflows of resources resulting from the School Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense (reduction in expense) as follows:

Years ending June 30,	
2016	\$ 52,235
2017	52,235
2018	(99,997)
2019	<u>(99,996)</u>
Total	<u><u>\$(95,523)</u></u>

PLD Plan

At June 30, 2015, the City and the City School Department reported a liability of \$2,841,527 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City and the City School Department's proportion of the net pension liability was based on a projection of the City and the City School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City and the City School Department's proportion was 1.85%, which was a decrease of 0.01% from its proportion measured as of June 30, 2013.

Notes to Financial Statements

June 30, 2015

NOTE 10 – PENSION PLANS - CONTINUED

For the year ended June 30, 2015, the City and the City School Department recognized pension expense of \$441,409. At June 30, 2015, the City and the City School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 356,811	
Changes of assumptions		
Net difference between projected and actual earnings on Plan investments		\$ 3,017,881
Changes in proportion and differences between contributions and proportionate share of contributions	70,877	98,174
Contributions subsequent to the measurement date	<u>771,553</u>	
Total	<u>\$ 1,199,241</u>	<u>\$ 3,116,055</u>

The \$771,553 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense (reduction in expense) as follows:

Years ending June 30,	
2016	\$ (644,632)
2017	(644,632)
2018	(644,632)
2019	<u>(754,471)</u>
Total	<u>\$(2,688,367)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Teachers Plan 2.55% and PLD Plan 3.12%, per annum
Salary increases	Teachers Plan 3.5%-13.5% and PLD Plan 3.5%-9.5%, per year
Investment rate of return	Teachers Plan 7.125% and PLD Plan 7.25%, per annum, compounded annually

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2010.

Notes to Financial Statements

June 30, 2015

NOTE 10 – PENSION PLANS - CONTINUED

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 asset class. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return
Fixed income	25%	0.0 %
U.S. equities	20%	2.5 %
Non-U.S. equities	20%	5.5 %
Real estate	10%	3.7 %
Infrastructure	10%	4.0 %
Private equity	10%	7.6 %
Hard Assets	5%	4.8 %
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.125% for the Teacher Plan and 7.25% for the PLD Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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 pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Teacher Plan

The following presents the City of Westbrook School Department's proportionate share of the net pension liability calculated using the discount rate of 7.125% percent, as well as what the School Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.125%) or 1-percentage-point higher (8.125%) than the current rate:

	Discount rate	City School Department's proportionate share of net pension liability
1% decrease	6.125%	\$ 1,790,319
Current discount rate	7.125%	\$ 934,691
1% increase	8.125%	\$ 218,725

Notes to Financial Statements

June 30, 2015

NOTE 10 – PENSION PLANS - CONTINUED

PLD Plan

The following presents the City and the School Department's proportionate share of the net pension liability calculated using the discount rate of 7.25% percent, as well as what the City and the School Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	Discount Rate	City and School Department's Proportionate Share of Net Pension Liability
1% decrease	6.25%	\$ 8,864,725
Current discount rate	7.25%	\$ 2,841,527
1% increase	8.25%	\$ (2,193,119)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

On-Behalf Payments

The State of Maine makes a contribution to the Maine Public Employees Retirement System Teachers Fund for the teachers of the City's School Department. The actual payment, which is made by the State, is determined by an actuary for the entire teachers' fund. The Maine Public Employees Retirement System estimates the payment made on-behalf of the City School Department to approximate 13.03% of the qualified teachers' salaries, plus an additional 2.16% for health insurance. For the year ended June 30, 2015, the total amount of on-behalf payments was approximately \$2,379,000 and was recognized in the fund financial statements. The amount of on-behalf payments recognized in the government wide financial statements for pension expense was approximately \$799,000.

NOTE 11 – OTHER INFORMATION

Risk Management

The City is exposed to various risks from loss-related torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the City either carries commercial insurance or is self-insured.

As of the date of this report, there are no unpaid claims outstanding, nor is the City aware of any potential claims, which have been incurred yet remain unreported and which should be recorded at June 30, 2015.

Contingent Liabilities

There are various legal claims and suits pending against the City which arose in the normal course of the City's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the City.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

Notes to Financial Statements

June 30, 2015

NOTE 12 – FUND BALANCE AND NET POSITION

Restatement of Beginning Equity

Beginning net position was adjusted as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the year ended June 30, 2015. Beginning net position was reduced by \$5,938,277 as a result of implementation of this new standard.

Beginning fund balance was also restated for the effects of the correction of an accounting error and to reclassify the Downtown TIF from being reported as a major fund.

Net position and fund balances at July 1, 2014 were restated to reflect the following adjustments:

	Governmental Activities	General Fund	Other Governmental Funds
Net position/fund balance as previously reported	\$ 79,602,262	\$10,282,155	\$5,956,491
Add/(less): correction of accounting error		36,401	(36,401)
Less: Downtown TIF reclassification			(849,648)
Less: GASB 68/71	(5,938,277)		
Add: School grant timing adjustment	84,910		84,910
Net position/fund balance, as restated	<u>\$ 74,748,895</u>	<u>\$10,318,556</u>	<u>\$5,155,352</u>

Beginning net position for the business-type activities, the sewer department, was decreased by \$212,265, from \$46,795,411 to \$46,583,146, to reflect the correction of error in recording the assessment for services paid to Portland Water District.

Notes to Financial Statements

June 30, 2015

NOTE 12 – FUND BALANCE AND NET POSITION - CONTINUED

The following is a schedule of fund balance classifications for the governmental funds as of June 30, 2015

	General Fund	Nonmajor Funds
Nonspendable:		
Endowments		\$ 557,808
Prepaid items and inventory	\$ 928,766	51,807
Total nonspendable	<u>928,766</u>	<u>609,615</u>
Restricted:		
Endowments		290,264
School grants		4,249
Total restricted		<u>294,513</u>
Committed:		
Tax increment financing district funds		194,095
Open space funds		254,963
Capital project reserve funds		687,217
Miscellaneous special revenue funds		1,720,599
Capital projects funds		3,368,643
Capital outlay	483,722	
Total committed	<u>483,722</u>	<u>6,225,517</u>
Assigned:		
Encumbrances	94,865	
Total assigned	<u>94,865</u>	
Unassigned		
City	7,434,968	
Capital projects funds		(669,358)
Downtown TIF		(904,475)
Total unassigned	<u>7,434,968</u>	<u>\$(1,573,833)</u>
Total fund balance	<u>\$8,942,321</u>	<u>\$5,555,812</u>

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable adding back any unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's net position invested in capital assets, net of related debt was calculated as follows at June 30, 2015:

	Governmental Activities	Business-Type Activities
Capital assets	\$171,519,077	\$ 92,198,017
Accumulated depreciation	(64,925,538)	(43,946,732)
Bonds payable, total	(48,871,000)	(5,549,000)
Unspent bond proceeds		4,840,000
Capital leases payable, total	(595,014)	
Total invested in capital assets, net of related debt	<u>\$57,127,525</u>	<u>\$ 47,542,285</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information - Schedule of Funding Progress

June 30, 2015

Other Post-Employment Benefits							
Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Covered Payroll
2015	January 1, 2013	\$0	\$ 1,672,651	\$ 1,672,651	0%	\$ 8,278,486	20.2%
2014	January 1, 2013	\$0	\$ 1,453,010	\$ 1,453,010	0%	\$8,037,365	18.0%
2013	January 1, 2013	\$0	\$ 1,453,010	\$ 1,453,010	0%	\$ 8,037,365	18.0%
2012	January 1, 2011	\$0	\$ 1,821,745	\$ 1,821,745	0%	\$ 7,803,267	23.3%
2011	January 1, 2011	\$0	\$ 1,821,745	\$ 1,821,745	0%	\$ 7,803,267	23.3%

Required Supplementary Information - Schedule of Proportionate Share of Net Pension Liability

June 30, 2015

Maine Public Employees Retirement System

Teacher Plan

Fiscal Year	Actuarial Valuation Date	Town Proportion of the Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Covered Employee Payroll	Town Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	06-30-2014	0.087%	\$934,691	\$14,716,914	\$15,651,605	\$16,836,599	5.55%	84.04%

PLD Plan

Fiscal Year	Actuarial Valuation Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	06-30-2014	1.85%	\$2,841,527	\$7,056,623	40.27%	94.10%

Required Supplementary Information - Schedule of Contributions

June 30, 2015

Maine Public Employees Retirement System

Teachers Plan

Fiscal Year	Actuarial Valuation Date	Contractually Required Contributions	Contributions Relative to Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	06-30-2015	\$604,585	\$604,585	\$0	\$16,836,599	3.59%

PLD Plan

Fiscal Year	Actuarial Valuation Date	Contractually Required Contributions	Contributions Relative to Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	06-30-2015	\$771,553	\$771,553	\$0	7,056,623	10.93%

COMBINING NONMAJOR FUND SCHEDULES - GOVERNMENTAL AND FIDUCIARY FUND

Non-Major Governmental Funds

Combining Balance Sheet

Tax Increment Financing District Funds

June 30, 2015

	All Funds
ASSETS	
Total Assets	<u>\$ -</u>
LIABILITIES	
Interfund payable	710,380
Total Liabilities	<u>710,380</u>
FUND BALANCES	
Committed	194,095
Unassigned	(904,475)
Total Fund Balances	<u>\$ (710,380)</u>

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Tax Increment Financing District Funds

Year Ended June 30, 2015

	All Funds
Revenues	
Taxes	\$ 567,832
Total Revenues	<u>567,832</u>
Expenditures	
Current:	
General government	599,821
Debt service	736,233
Total Expenditures	<u>1,336,054</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(768,222)</u>
Other Financing Sources (Uses)	
Transfers in	3,728,720
Transfers out	<u>(2,929,447)</u>
Total Other Financing Sources (Uses)	<u>799,273</u>
Net Change in Fund Balances	31,051
Fund Balances, Beginning of Year (Deficit)	<u>(741,431)</u>
Fund Balances, End of Year (Deficit)	<u>\$ (710,380)</u>

Non-Major Governmental Funds

Combining Balance Sheet

Open Space Funds

June 30, 2015

	All Funds
ASSETS	
Interfund receivable	\$ 254,963
Total Assets	<u>\$ 254,963</u>
FUND BALANCES	
Committed	\$ 254,963
Total Fund Balances	<u>\$ 254,963</u>

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Open Space Funds

Year Ended June 30, 2015

	All Funds
Revenues	
Miscellaneous	\$ 22,134
Total Revenues	<u>22,134</u>
Expenditures	
Current:	
General government	15,001
Total Expenditures	<u>15,001</u>
Net Change in Fund Balances	7,133
Fund Balances, Beginning of Year	<u>247,830</u>
Fund Balances, End of Year	<u><u>\$ 254,963</u></u>

Non-Major Governmental Funds

Combining Balance Sheet

Revolving Loan Funds

June 30, 2015

	All Funds
ASSETS	
Accounts receivable	\$ 10,800
Loans receivable	218,399
Total Assets	<u>\$ 229,199</u>
LIABILITIES	
Interfund payable	\$ 229,199
Total Liabilities	<u>\$ 229,199</u>

Non-Major Governmental Funds

Combining Balance Sheet

Capital Projects - Reserve Funds

June 30, 2015

	All Funds
ASSETS	
Interfund receivable	\$ 688,615
Total Assets	<u>688,615</u>
LIABILITIES	
Accounts payable	<u>1,398</u>
Total Liabilities	<u>1,398</u>
FUND BALANCES	
Committed	<u>687,217</u>
Total Fund Balances	<u>\$ 687,217</u>

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Projects - Reserve Funds

Year Ended June 30, 2015

	All Funds
Revenues	
Miscellaneous	\$ 136,152
Total Revenues	<u>136,152</u>
Expenditures	
Current:	
General government	6,506
Public safety	41,485
Culture and recreation	6,366
Total Expenditures	<u>54,357</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>81,795</u>
Other Financing Sources (Uses)	
Transfers in	12,000
Transfers out	(43,922)
Total Other Financing Sources (Uses)	<u>(31,922)</u>
Net Change in Fund Balances	49,873
Fund Balances, Beginning of Year	<u>637,344</u>
Fund Balances, End of Year	<u><u>\$ 687,217</u></u>

Non-Major Governmental Funds

Combining Balance Sheet

Miscellaneous Special Revenue Funds

June 30, 2015

	City Grants	School Grants	Total
ASSETS			
Cash and short-term investments		\$ 40	\$ 40
Investments	\$ 424,345		424,345
Receivables, net of allowance for uncollectibles:			
Accounts	88,649		88,649
Intergovernmental		778,929	778,929
Interfund receivable	1,426,968		1,426,968
Inventory		51,807	51,807
Total Assets	<u>1,939,962</u>	<u>830,776</u>	<u>2,770,738</u>
LIABILITIES			
Accounts payable	33,208	189,241	222,449
Interfund payable		450,748	450,748
Accrued payroll		113,810	113,810
Unearned revenue	186,155	20,921	207,076
Total Liabilities	<u>219,363</u>	<u>774,720</u>	<u>994,083</u>
FUND BALANCES			
Nonspendable		51,807	51,807
Restricted		4,249	4,249
Committed	1,831,383		1,831,383
Unassigned	(110,784)		(110,784)
Total Fund Balances	<u>\$ 1,720,599</u>	<u>\$ 56,056</u>	<u>\$ 1,776,655</u>

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Miscellaneous Special Revenue Funds

Year Ended June 30, 2015

	City Grants	School Grants	Total
Revenues			
Intergovernmental	\$ 109,668	\$ 5,640,989	\$ 5,750,657
Charges for services	694,985	304,938	999,923
Miscellaneous	315,676		315,676
Total Revenues	<u>1,120,329</u>	<u>5,945,927</u>	<u>7,066,256</u>
Expenditures			
Current:			
General government	283,398		283,398
Public safety	267,920		267,920
Public works	256,858		256,858
Culture and recreation	766,324		766,324
Education		6,533,589	6,533,589
Debt service	76,176		76,176
Total Expenditures	<u>1,650,676</u>	<u>6,533,589</u>	<u>8,184,265</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(530,347)</u>	<u>(587,662)</u>	<u>(1,118,009)</u>
Other Financing Sources (Uses)			
Transfers in	541,277		541,277
Transfers out	(120,014)		(120,014)
Total Other Financing Sources (Uses)	<u>421,263</u>		<u>421,263</u>
Net Change in Fund Balances	(109,084)	(587,662)	(696,746)
Fund Balances, Beginning of Year	<u>1,829,683</u>	<u>643,718</u>	<u>2,473,401</u>
Fund Balances, End of Year	<u>\$ 1,720,599</u>	<u>\$ 56,056</u>	<u>\$ 1,776,655</u>

Non-Major Governmental Funds

Combining Balance Sheet

Capital Projects Funds

June 30, 2015

	Capital Projects	Major Capital Projects	Sewer Capital Projects	Total
ASSETS				
Interfund receivable	\$ 1,036,885	\$ 2,339,979	\$ 471,741	\$ 3,848,605
Total Assets	<u>1,036,885</u>	<u>2,339,979</u>	<u>471,741</u>	<u>3,848,605</u>
LIABILITIES				
Accounts payable	185,350	963,970		1,149,320
Total Liabilities	<u>185,350</u>	<u>963,970</u>		<u>1,149,320</u>
FUND BALANCES				
Committed	1,210,419	1,686,483	471,741	3,368,643
Unassigned	(358,884)	(310,474)		(669,358)
Total Fund Balances	<u>\$ 851,535</u>	<u>\$ 1,376,009</u>	<u>\$ 471,741</u>	<u>\$ 2,699,285</u>

Non-Major Governmental Funds**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances****Capital Projects Funds**

Year Ended June 30, 2015

	Capital Projects	Major Capital Projects	Sewer Capital Projects	Total
Revenues				
Intergovernmental	\$ 12,008	\$ 25,000		\$ 37,008
Miscellaneous	8,119	721,278	\$ 556,473	1,285,870
Total Revenues	<u>20,127</u>	<u>746,278</u>	<u>556,473</u>	<u>1,322,878</u>
Expenditures				
Capital outlay	1,458,338	40,832		1,499,170
Total Expenditures	<u>1,458,338</u>	<u>40,832</u>		<u>1,499,170</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,438,211)</u>	<u>705,446</u>	<u>556,473</u>	<u>(176,292)</u>
Other Financing Sources (Uses)				
Transfers in	922,944	517,400		1,440,344
Transfers out	(38,392)	(4,962)		(43,354)
Total Other Financing Sources (Uses)	<u>884,552</u>	<u>512,438</u>		<u>1,396,990</u>
Net Change in Fund Balances	(553,659)	1,217,884	556,473	1,220,698
Fund Balances, Beginning of Year (Deficit)	<u>1,405,194</u>	<u>158,125</u>	<u>(84,732)</u>	<u>1,478,587</u>
Fund Balances, End of Year	<u>\$ 851,535</u>	<u>\$ 1,376,009</u>	<u>\$ 471,741</u>	<u>\$ 2,699,285</u>

Non-Major Governmental Funds

Combining Balance Sheet

Permanent Funds

June 30, 2015

	All Funds
ASSETS	
Cash and cash equivalents	\$ 38,305
Investments	587,375
Interfund receivable	228,574
Total Assets	<u>854,254</u>
LIABILITIES	
Accounts payable	6,182
Total Liabilities	<u>6,182</u>
FUND BALANCES	
Nonspendable	557,808
Restricted	290,264
Total Fund Balances	<u>\$ 848,072</u>

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Permanent Funds

Year Ended June 30, 2015

All
Funds

Revenues	
Miscellaneous	\$ (3,547)
Total Revenues	<u>(3,547)</u>
Expenditures	
Current:	
Cemeteries	142,901
Culture and recreation	5,101
Total Expenditures	<u>148,002</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(151,549)</u>
Other Financing Sources (Uses)	
Transfers out	(60,000)
Total Other Financing Sources (Uses)	<u>(60,000)</u>
Net Change in Fund Balances	(211,549)
Fund Balances, Beginning of Year	<u>1,059,621</u>
Fund Balances, End of Year	<u>\$ 848,072</u>

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2015

	City Trusts	School Trusts	Total
ASSETS			
Cash and cash equivalents	\$ 57,581	392,893	\$ 450,474
Due from other funds	111,314		111,314
Total Assets	<u>168,895</u>	<u>392,893</u>	<u>561,788</u>
LIABILITIES			
Accounts payable	250		250
Total Liabilities	<u>250</u>	<u></u>	<u>250</u>
NET POSITION			
Held in Trust	<u>\$ 168,645</u>	<u>\$ 392,893</u>	<u>\$ 561,538</u>

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2015

	City Trusts	School Trusts	Total
Additions			
Investment earnings	\$ 93	1,292	\$ 1,385
Contributions		90,225	90,225
Total Additions	<u>93</u>	<u>91,517</u>	<u>91,610</u>
Deductions:			
Disbursements by agent	<u>247</u>	<u>70,243</u>	<u>70,490</u>
Total Deductions	<u>247</u>	<u>70,243</u>	<u>70,490</u>
Change in Net Position	(154)	21,274	21,120
Net Position, Beginning of Year	<u>168,799</u>	<u>371,619</u>	<u>540,418</u>
Net Position, End of Year	<u>\$ 168,645</u>	<u>\$ 392,893</u>	<u>\$ 561,538</u>