



**Annual Financial Report**

**June 30, 2016**

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## 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, 2016, 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, 2016, 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

## **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 January 25, 2017, 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  
January 25, 2017

## 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, 2016.

### FINANCIAL HIGHLIGHTS

- Total net position as of the year ended June 30, 2016 was \$127,106,641. A portion of that amount, \$107,150,559, is a net investment in capital assets, while the next largest portion, \$18,920,677, is unrestricted, the remainder, \$1,035,405, is restricted for various purposes. Total net position for the year ended June 30, 2015 was \$126,442,535. A portion of that amount, \$104,669,810, was a net investment in capital assets while the next largest portion, \$20,629,556, was unrestricted, the remainder of \$1,142,585, is restricted for various purposes. Total net position for governmental activities was \$76,491,924 and business-type activities was \$50,614,717 as of the year ended June 30, 2016.
- Net position increased by \$664,106 and decreased \$141,488 for the years ended June 30, 2016 and 2015, respectively. Net position increased by \$1,723,937 for governmental activities and decreased by \$1,059,831 for business-type activities for the year ended June 30, 2016.
- The governmental funds reported combined fund balances of \$28,642,325, an increase of \$14,143,607 from the prior year. The increase in fund balance is attributed to an increase in the General Fund fund balance of \$10,469,407 combined with an increase in the Other Governmental Funds fund balance of \$3,674,200.
- Total bonds and notes payable increased to \$58,530,000 as compared to \$54,420,000 from the prior year as a result of new bonds issued for \$26,470,000 net of repayments of \$22,360,000. Included in these figures is a bond refunding which reduced existing bonds by \$17,475,000 and resulted in new bond proceeds of \$15,995,000.

### 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	
	2016	2015	2016	2015
Current and other assets	\$ 37,138,089	\$ 30,466,693	\$ 9,680,970	\$ 9,036,784
Capital assets, net	111,136,652	106,593,539	46,692,792	48,251,285
Total assets	<u>\$148,274,741</u>	<u>\$137,060,232</u>	<u>\$ 56,373,762</u>	<u>\$ 57,288,069</u>
Deferred Outflows of Resources	\$ 7,272,191	\$ 2,692,672	\$ -	\$ -
Current liabilities	\$ 7,728,860	\$ 5,267,364	\$ 516,545	\$ 64,521
Noncurrent liabilities	67,636,206	56,174,060	5,242,500	5,549,000
Total liabilities	<u>\$ 75,365,066</u>	<u>\$ 61,441,424</u>	<u>\$ 5,759,045</u>	<u>\$ 5,613,521</u>
Deferred Inflows of Resources	\$ 3,689,942	\$ 3,543,493	\$ -	\$ -
Net investment in capital assets	\$ 60,860,267	\$ 57,127,525	\$ 46,290,292	\$ 47,542,285
Restricted	1,035,405	1,142,585		
Unrestricted	14,596,252	16,497,877	4,324,425	4,132,263
Total net position	<u>\$ 76,491,924</u>	<u>\$ 74,767,987</u>	<u>\$ 50,614,717</u>	<u>\$ 51,674,548</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 increased in 2016 as new investments in capital assets exceeded depreciation. 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 was a new general obligation bond issued in the current year, part of which was used for a refunding of existing bonds. 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	
	2016	2015	2016	2015
<b>Program Revenues:</b>				
Charges for services	\$ 2,103,905	\$ 1,969,544	\$ 4,613,943	\$ 4,355,138
Operating grants and contributions	<u>25,394,417</u>	<u>25,476,700</u>		
	<u>27,498,322</u>	<u>27,446,244</u>	<u>4,613,943</u>	<u>4,355,138</u>
<b>General Revenues:</b>				
Property and other taxes	37,123,899	35,054,003		
Licenses, permits and fees	961,439	415,798		
Grants and contributions not restricted to specific programs	2,450,183	2,278,584		
Investment earnings (loss)		(411,087)		
Interest income	30,810			
Miscellaneous	<u>702,374</u>	<u>583,883</u>		
	<u>41,268,705</u>	<u>37,921,181</u>		
<b>Total Revenues</b>	<u>68,767,027</u>	<u>65,367,425</u>	<u>4,613,943</u>	<u>4,355,138</u>
<b>Program Expenses:</b>				
General government	4,534,444	4,433,865		
Public safety	7,760,197	7,049,382		
Public works	5,463,420	5,852,472		
Human services	932,166	593,577		
Culture and recreation	1,860,353	1,855,165		
Employee benefits	3,936,623	3,105,042		
Education	39,103,371	38,308,896		
Unclassified	1,778,391	1,699,201		
Interest on debt	807,578	713,758		
Capital outlay	866,547	737,559		
Sewer department			5,411,482	5,146,613
Parking garage			<u>262,292</u>	<u>368,521</u>
<b>Total Expenses</b>	<u>67,043,090</u>	<u>64,348,917</u>	<u>5,673,774</u>	<u>5,515,134</u>
<b>Change in Net Position</b>	1,723,937	1,018,508	(1,059,831)	(1,159,996)
<b>Net Position, Beginning of Year</b>	<u>74,767,987</u>	<u>73,749,479</u>	<u>51,674,548</u>	<u>52,834,544</u>
<b>Net Position, End of Year</b>	<u>\$ 76,491,924</u>	<u>\$ 74,767,987</u>	<u>\$ 50,614,717</u>	<u>\$ 51,674,548</u>



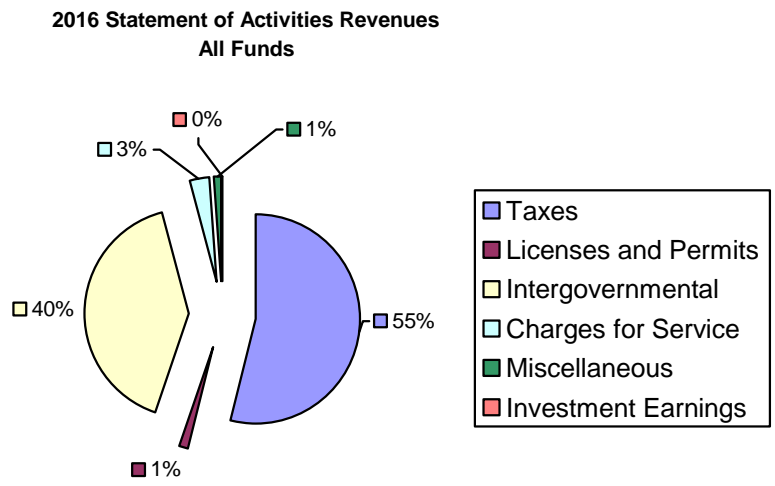
**MANAGEMENT’S DISCUSSION & ANALYSIS**

The cost of all governmental activities this year was \$67,043,090, which represents an increase of \$2,694,173 from prior year. Of this amount, Westbrook taxpayers funded \$37,123,899 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, the lunch program and other specifically grant funded programs. These programs are found in the “All Other Governmental Funds” section of this report.

In the statement of activities capital outlay represents the net amount paid for items that are not capital in nature such as paving, maintenance and repairs. Interest on debt indicates the debt service amounts paid from the City and School general fund and the TIF fund.

**Governmental Activities**

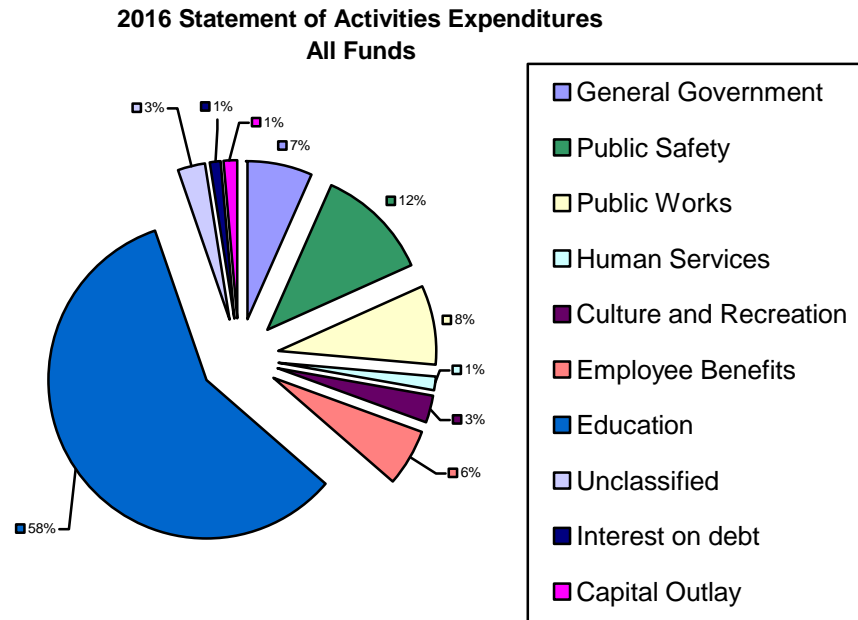


Taxes	Includes real property, personal property and excise taxes
Licenses and permits	Includes city clerk and code enforcement revenue
Intergovernmental	Includes State revenue sharing, homestead, federal and state grants
Charges for service	Includes revenue from the various departments for services
Miscellaneous	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**



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 increased by \$14,143,607 for the year ended June 30, 2016. Fund balance for the general fund increased by \$10,469,407 primarily as a result of revenues exceeding expenditures by \$1,213,451, and other financing sources of \$9,992,532 for funds received from Maine Public Employees Retirement System, offset by other financing uses of \$1,443,265 representing transfers out which 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 by \$3,674,200 for the year ended June 30, 2016. The most significant activity contributing to the increase in other governmental fund balance was an increase in capital project fund balance of \$3,533,754 primarily due to proceeds from the issuance of general obligation bonds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Total budgeted revenues were \$56,704,288, and actual revenues were \$58,541,78, resulting in a positive variance of \$1,837,493. Total budgeted expenditures were \$56,267,284 and actual expenditures were \$56,693,777, resulting in a negative variance of \$426,493. For the year, the General Fund had an increase in fund balance of \$10,397,271.

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

### **ECONOMIC FACTORS AND THE CITY'S BUDGET**

The valuation for the City increased by approximately \$9.4 million or 0.5% in fiscal year ended June 30, 2016. Real estate valuation increased by approximately \$21.1 million or 1.3% while Personal Property decreased approximately \$11.8 million or 4.3%.

The unemployment rate for the City at fiscal year-end was an estimated 3.5%, which was down from 4.2% from prior year. The rate is below the estimated State average of 3.7% and below the estimated National rate of 5.1%. These figures are from the Maine Center for Workforce Research and Information website.

The 2015/2016 budget adopted by the City Council resulted in an increase in the mill rate to 17.96 mils from the 2014/2015 rate of 17.20 mills.

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

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the *City's Finance Director, 2 York Street, Westbrook, Maine 04092.*

## **BASIC FINANCIAL STATEMENTS**

## Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 36,220,737	\$ 5,055,355	\$ 41,276,092
Investments	1,015,167		1,015,167
Receivables, net of allowance for uncollectibles:			
Property taxes	1,525,040		1,525,040
Accounts receivable - services	1,101,364	466,808	1,568,172
Intergovernmental	1,131,664	40,861	1,172,525
Loans	202,881		202,881
Internal balances	(4,117,946)	4,117,946	
Inventory	36,199		36,199
Prepaid items	22,983		22,983
Capital assets:			
Capital assets not being depreciated	8,733,415	148,840	8,882,255
Capital assets, net of accumulated depreciation	102,403,237	46,543,952	148,947,189
<b>Total Assets</b>	<u>148,274,741</u>	<u>56,373,762</u>	<u>204,648,503</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	2,580,781		2,580,781
Deferred pension items	4,691,410		4,691,410
<b>Total Deferred Outflows of Resources</b>	<u>7,272,191</u>		<u>7,272,191</u>
<b>LIABILITIES</b>			
Accounts payable	3,639,466		3,639,466
Accrued salaries and benefits	3,324,845		3,324,845
Retainage payable		516,545	516,545
Accrued interest payable	463,187		463,187
Due to fiduciary funds	103,255		103,255
Unearned revenue	198,107		198,107
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	4,988,500	306,500	5,295,000
Unamortized bond premium	43,382		43,382
Capital leases payable	330,495		330,495
Accrued landfill postclosure care costs	20,000		20,000
Due in more than one year:			
Bonds and notes payable	48,299,000	4,936,000	53,235,000
Unamortized bond premium	3,926,506		3,926,506
Capital leases payable	548,390		548,390
Accrued landfill postclosure care costs	300,000		300,000
Accrued compensated absences	1,492,888		1,492,888
Other post-employment benefits liability	570,828		570,828
Net pension liability	7,116,217		7,116,217
<b>Total Liabilities</b>	<u>75,365,066</u>	<u>5,759,045</u>	<u>81,124,111</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension items	3,689,942		3,689,942
<b>Total Deferred Inflows of Resources</b>	<u>3,689,942</u>		<u>3,689,942</u>
<b>NET POSITION</b>			
Net investment in capital assets	60,860,267	46,290,292	107,150,559
Restricted for:			
Nonexpendable trust principal	525,051		525,051
Expendable trust principal	192,030		192,030
Restricted for endowments and grants	4,208,324		4,208,324
Unrestricted	10,706,252	4,324,425	15,030,677
<b>Total Net Position</b>	<u>\$ 76,491,924</u>	<u>\$ 50,614,717</u>	<u>\$ 127,106,641</u>

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

## Statement of Activities

Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General government	\$ 4,534,444	\$ 41,987	\$ 108,902	\$ (4,383,555)		\$ (4,383,555)
Public safety	7,760,197	920,645	302,844	(6,536,708)		(6,536,708)
Public works	5,463,420	28,954	982,802	(4,451,664)		(4,451,664)
Human services	932,166		502,266	(429,900)		(429,900)
Culture and recreation	1,860,353	731,871	437,446	(691,036)		(691,036)
Employee benefits	3,936,623			(3,936,623)		(3,936,623)
Education	39,103,371	380,448	23,058,540	(15,664,383)		(15,664,383)
Unclassified	1,778,391		1,617	(1,776,774)		(1,776,774)
Interest on debt	807,578			(807,578)		(807,578)
Capital outlay	866,547			(866,547)		(866,547)
<b>Total Governmental Activities</b>	<u>67,043,090</u>	<u>2,103,905</u>	<u>25,394,417</u>	<u>(39,544,768)</u>		<u>(39,544,768)</u>
<b>Business-Type Activities</b>						
Sewer department	5,411,482	4,531,161			\$ (880,321)	(880,321)
Parking garage	262,292	82,782			(179,510)	(179,510)
<b>Total Business-Type Activities</b>	<u>5,673,774</u>	<u>4,613,943</u>			<u>(1,059,831)</u>	<u>(1,059,831)</u>
<b>Total</b>	<u>\$ 72,716,864</u>	<u>\$ 6,717,848</u>	<u>\$ 25,394,417</u>	<u>(39,544,768)</u>	<u>(1,059,831)</u>	<u>(40,604,599)</u>
<b>General Revenues</b>						
Taxes:						
Real estate				28,824,567		28,824,567
Excise				3,394,547		3,394,547
Personal property				4,769,959		4,769,959
Other				134,826		134,826
Licenses and permits				961,439		961,439
Grants and contributions not restricted to specific programs				2,450,183		2,450,183
Interest income				30,810		30,810
Miscellaneous				702,374		702,374
<b>Total general revenues</b>				<u>41,268,705</u>		<u>41,268,705</u>
<b>Change in Net Position</b>				1,723,937	(1,059,831)	664,106
<b>Net Position, Beginning of year</b>				<u>74,767,987</u>	<u>51,674,548</u>	<u>126,442,535</u>
<b>Net Position, End of year</b>				<u>\$ 76,491,924</u>	<u>\$ 50,614,717</u>	<u>\$ 127,106,641</u>

**Governmental Funds****Balance Sheet**

June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and short-term investments	\$ 36,181,294	\$ 39,443	\$ 36,220,737
Investments		1,015,167	1,015,167
Receivables, net of allowance for uncollectibles:			
Taxes	1,525,040		1,525,040
Accounts receivable - services	977,676	123,688	1,101,364
Intergovernmental	17,517	1,114,147	1,131,664
Loans		202,881	202,881
Interfund receivable		11,478,783	11,478,783
Inventory		36,199	36,199
Prepaid items	22,983		22,983
<b>Total Assets</b>	<u>\$ 38,724,510</u>	<u>\$ 14,010,308</u>	<u>\$ 52,734,818</u>
<b>LIABILITIES</b>			
Accounts payable	849,202	2,790,264	3,639,466
Accrued salaries and benefits	3,155,758	169,087	3,324,845
Interfund payable	14,027,258	1,672,726	15,699,984
Unearned revenue	50,614	147,493	198,107
<b>Total Liabilities</b>	<u>18,082,832</u>	<u>4,779,570</u>	<u>22,862,402</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	1,230,091		1,230,091
<b>Total Deferred Inflows of Resources</b>	<u>1,230,091</u>		<u>1,230,091</u>
<b>FUND BALANCES</b>			
Nonspendable	22,983	561,250	584,233
Restricted		4,208,324	4,208,324
Committed	10,523,342	6,055,487	16,578,829
Assigned	167,001		167,001
Unassigned	8,698,261	(1,594,323)	7,103,938
<b>Total Fund Balances</b>	<u>\$ 19,411,587</u>	<u>\$ 9,230,738</u>	<u>\$ 28,642,325</u>

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

June 30, 2016

<b>Total Governmental Fund Balances</b>	\$ 28,642,325
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>	111,136,652
<ul style="list-style-type: none"> <li>• Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</li> </ul>	
Property taxes	1,230,091
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	3,582,249
<ul style="list-style-type: none"> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	(463,187)
<ul style="list-style-type: none"> <li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:</li> </ul>	
Bonds and notes payable	(53,287,500)
Unamortized bond premium	(3,969,888)
Capital leases payable	(878,885)
Compensated absences	(1,492,888)
Liability for hazardous waste-site cleanup	(320,000)
Other Post-Employment Benefits (OPEB) liability	(570,828)
Net pension liability	<u>(7,116,217)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 76,491,924</u></u>



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

Year Ended June 30, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 37,060,262	\$ 652,776	\$ 37,713,038
Licenses, permits and fees	717,702		717,702
Intergovernmental	21,125,381	6,467,911	27,593,292
Charges for services	1,176,561	1,187,660	2,364,221
Miscellaneous	500,875	988,262	1,489,137
<b>Total Revenues</b>	<u>60,580,781</u>	<u>9,296,609</u>	<u>69,877,390</u>
<b>Expenditures</b>			
Current:			
General government	3,144,170	1,038,782	4,182,952
Public safety	7,158,522	273,209	7,431,731
Public works	3,670,995	7,984	3,678,979
Human services	932,166		932,166
Culture and recreation	885,018	757,160	1,642,178
Employee benefits	3,936,623		3,936,623
Unclassified	1,774,980	3,411	1,778,391
Cemeteries	63,911	102,990	166,901
Education	35,633,750	6,437,454	42,071,204
Debt service	2,167,195	893,109	3,060,304
Capital outlay		8,026,575	8,026,575
<b>Total Expenditures</b>	<u>59,367,330</u>	<u>17,540,674</u>	<u>76,908,004</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,213,451</u>	<u>(8,244,065)</u>	<u>(7,030,614)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,728,904	5,134,073	7,862,977
Transfers out	(4,172,169)	(3,690,808)	(7,862,977)
Maine Public Employees Retirement System refund	9,992,532		9,992,532
Proceeds from capital leases	706,689		706,689
Bond proceeds		10,475,000	10,475,000
Refunding bonds issued	15,995,000		15,995,000
Premium received from refunding bonds	3,899,855		3,899,855
Cost of issuance on refunding bonds	(266,784)		(266,784)
Payment to refunding bond escrow agent	(19,628,071)		(19,628,071)
<b>Total Other Financing Sources (Uses)</b>	<u>9,255,956</u>	<u>11,918,265</u>	<u>21,174,221</u>
<b>Net change in fund balances</b>	10,469,407	3,674,200	14,143,607
<b>Fund Balances, Beginning of Year</b>	<u>8,942,180</u>	<u>5,556,538</u>	<u>14,498,718</u>
<b>Fund Balances, End of Year</b>	<u>\$ 19,411,587</u>	<u>\$ 9,230,738</u>	<u>\$ 28,642,325</u>

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, 2016

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 14,143,607</b>																																
<ul style="list-style-type: none"> <li>• 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;">7,941,047</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,397,934)</td> </tr> </table> </li>   <li>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;">(706,689)</td> </tr> </table> </li>   <li>• Deferred outflows/inflows of resources represent a consumption/acquisition of net position that applies to a future period, but the change in the balances affects reporting in the financial statements. <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td style="text-align: right;">2,469,220</td> </tr> </table> </li>   <li>• 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;">63,637</td> </tr> <tr> <td>Investment earnings (loss) from investments held by Maine Public Employees Retirement System</td> <td style="text-align: right;">(9,992,532)</td> </tr> </table> </li>   <li>• 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>Bond proceeds</td> <td style="text-align: right;">(10,475,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">4,578,500</td> </tr> <tr> <td>Repayments of capital leases</td> <td style="text-align: right;">422,819</td> </tr> </table> </li>   <li>• 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;">(4,813)</td> </tr> </table> </li>   <li>• 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>Decrease in liability for compensated absences</td> <td style="text-align: right;">131,519</td> </tr> <tr> <td>Increase in net pension liability</td> <td style="text-align: right;">(3,399,999)</td> </tr> <tr> <td>Increase in OPEB liability</td> <td style="text-align: right;">(108,467)</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;">168,243</td> </tr> <tr> <td>Amortization of deferred charge</td> <td style="text-align: right;">(129,221)</td> </tr> </table> </li> </ul>		Capital outlay purchases	7,941,047	Depreciation	(3,397,934)		(706,689)		2,469,220	Property taxes	63,637	Investment earnings (loss) from investments held by Maine Public Employees Retirement System	(9,992,532)	Bond proceeds	(10,475,000)	Repayments of debt	4,578,500	Repayments of capital leases	422,819		(4,813)	Decrease in liability for compensated absences	131,519	Increase in net pension liability	(3,399,999)	Increase in OPEB liability	(108,467)	Decrease in liability for hazardous waste-site cleanup	20,000	Amortization of bond premiums	168,243	Amortization of deferred charge	(129,221)
Capital outlay purchases	7,941,047																																
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Amortization of deferred charge	(129,221)																																
<b>Changes in Net Position of Governmental Activities</b>	<b>\$ <u>1,723,937</u></b>																																

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

Year Ended June 30, 2016

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 36,625,491	\$ 36,433,159	\$ 37,060,262	\$ 627,103
Licenses, permits and fees	529,400	709,910	717,702	7,792
Intergovernmental	18,353,394	18,363,547	19,086,381	722,834
Charges for services	812,672	812,672	1,176,561	363,889
Miscellaneous	385,000	385,000	500,875	115,875
<b>Total Revenues</b>	<u>56,705,957</u>	<u>56,704,288</u>	<u>58,541,781</u>	<u>1,837,493</u>
<b>Expenditures</b>				
Current:				
General government	3,015,322	3,015,322	3,144,170	(128,848)
Public safety	6,608,479	6,608,479	6,674,226	(65,747)
Public works	3,956,446	3,956,446	3,670,995	285,451
Human services	641,486	641,486	932,166	(290,680)
Culture and recreation	983,131	983,131	885,018	98,113
Employee benefits	3,196,061	3,196,061	3,936,623	(740,562)
Cemeteries	67,607	67,607	63,911	3,696
Unclassified	1,780,535	1,780,535	1,774,975	5,560
Education	33,992,592	33,992,592	33,444,498	548,094
Debt service:				
Principle	1,653,231	1,653,231	1,653,231	
Interest	372,394	372,394	513,964	(141,570)
<b>Total Expenditures</b>	<u>56,267,284</u>	<u>56,267,284</u>	<u>56,693,777</u>	<u>(426,493)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	438,673	437,004	1,848,004	1,411,000
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,676,596	2,676,596	2,728,904	52,308
Transfer out	(3,740,720)	(3,740,720)	(4,172,169)	(431,449)
Maine Public Employees Retirement System refund			9,992,532	9,992,532
<b>Total Other Financing Sources (Uses)</b>	<u>(1,064,124)</u>	<u>(1,064,124)</u>	<u>8,549,267</u>	<u>9,613,391</u>
<b>Net Change in Fund Balance - Budgetary Basis</b>	(625,451)	(627,120)	10,397,271	11,024,391
<b>Beginning Fund Balance Utilized - Budgetary Basis</b>	<u>625,451</u>	<u>627,120</u>	<u>8,847,315</u>	<u>8,220,195</u>
<b>Fund Balance, End of Year - Budgetary Basis</b>	<u>\$ -</u>	<u>\$ -</u>	19,244,586	<u>\$ 19,244,586</u>
Add encumbrances			<u>167,001</u>	
<b>Fund Balance, End of Year, Per Fund Financial Statements</b>			<u>\$ 19,411,587</u>	

**Proprietary Funds****Statement of Net Position**

June 30, 2016

	Business-Type Activities Enterprise Funds		
	Sewer Department	Parking Garage	Total
<b>ASSETS</b>			
Current:			
Cash and cash equivalents	\$ 5,055,355		\$ 5,055,355
Accounts receivable, net of allowance for uncollectible	466,808		466,808
Intergovernmental receivable	40,861		40,861
Interfund receivable	3,664,468	\$ 453,478	4,117,946
Total current assets	<u>9,227,492</u>	<u>453,478</u>	<u>9,680,970</u>
Noncurrent:			
Capital assets:			
Land	108,351	40,489	148,840
Buildings and building improvements	2,789,000	7,072,318	9,861,318
Machinery and equipment	417,588	31,102	448,690
Infrastructure	81,799,849		81,799,849
Less accumulated depreciation	(43,837,449)	(1,728,456)	(45,565,905)
Total noncurrent assets	<u>41,277,339</u>	<u>5,415,453</u>	<u>46,692,792</u>
<b>Total Assets</b>	<u>50,504,831</u>	<u>5,868,931</u>	<u>56,373,762</u>
<b>LIABILITIES</b>			
Current:			
Accounts payable	516,545		516,545
Current portion of long-term liabilities:			
Bonds payable	306,500		306,500
Total current liabilities	<u>823,045</u>		<u>823,045</u>
Noncurrent:			
Bonds payable, noncurrent	4,936,000		4,936,000
Total noncurrent liabilities	<u>4,936,000</u>		<u>4,936,000</u>
<b>Total Liabilities</b>	<u>5,759,045</u>		<u>5,759,045</u>
<b>NET POSITION</b>			
Net investment in capital assets	40,874,839	5,415,453	46,290,292
Unrestricted	3,870,947	453,478	4,324,425
<b>Total Net Position</b>	<u>\$ 44,745,786</u>	<u>\$ 5,868,931</u>	<u>\$ 50,614,717</u>

## Proprietary Funds

### Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016

	Business-Type Activities Enterprise Funds		
	Sewer Department	Parking Garage	Total
<b>Operating Revenues</b>			
Sewer assessments	\$ 4,531,161		\$ 4,531,161
Parking garage revenue		\$ 82,782	82,782
<b>Total Operating Revenues</b>	<u>4,531,161</u>	<u>82,782</u>	<u>4,613,943</u>
<b>Operating Expenses</b>			
Portland Water District assessment	2,533,176		2,533,176
Sewer operations	1,213,714		1,213,714
Parking garage		120,846	120,846
Depreciation expense	1,477,727	141,446	1,619,173
<b>Total Operating Expenses</b>	<u>5,224,617</u>	<u>262,292</u>	<u>5,486,909</u>
<b>Operating Income (Loss)</b>	<u>(693,456)</u>	<u>(179,510)</u>	<u>(872,966)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest on bonds	(186,865)		(186,865)
<b>Total Nonoperating Revenues (Expenses) Net</b>	<u>(186,865)</u>		<u>(186,865)</u>
<b>Change in Net Position</b>	(880,321)	(179,510)	(1,059,831)
<b>Net Position, Beginning of Year</b>	<u>45,626,107</u>	<u>6,048,441</u>	<u>51,674,548</u>
<b>Net Position, End of Year</b>	<u>\$ 44,745,786</u>	<u>\$ 5,868,931</u>	<u>\$ 50,614,717</u>

## Proprietary Funds

### Statement of Cash Flows

Year Ended June 30, 2016

	Business-Type Activities Enterprise Funds		
	Sewer Department	Parking Garage	Total
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers and users	\$ 3,653,336	\$ 120,846	\$ 3,774,182
Payments to suppliers and employees	(3,083,033)	(120,846)	(3,203,879)
<b>Net Cash Provided by Operating Activities</b>	<u>570,303</u>	<u></u>	<u>570,303</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of capital assets	(61,415)		(61,415)
Principal payments on bonds and notes	(306,500)		(306,500)
Interest paid on bonds and notes	(186,865)		(186,865)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(554,780)</u>	<u></u>	<u>(554,780)</u>
<b>Net Change in Cash and Cash Equivalents</b>	15,523		15,523
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,039,832</u>	<u></u>	<u>5,039,832</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,055,355</u>	<u>\$ -</u>	<u>\$ 5,055,355</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income (loss)	\$ (693,456)	\$ (179,510)	\$ (872,966)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,477,727	141,446	1,619,173
Loss from disposition of capital assets	735		735
(Increase) decrease in operating assets:			
Accounts receivable	(4,861)		(4,861)
Interfund receivable	(872,964)	38,064	(834,900)
Prepaid items	211,098		211,098
Increase (decrease) in operating liabilities:			
Accounts payable	452,024		452,024
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 570,303</u>	<u>\$ -</u>	<u>\$ 570,303</u>

## Fiduciary Funds

### Statement of Fiduciary Net Position

June 30, 2016

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and short term investments	\$ 458,040	\$ 261,802
Due from other funds	112,606	
<b>Total Assets</b>	<u>570,646</u>	<u>261,802</u>
<b>LIABILITIES</b>		
Accounts payable	2,680	
Due to other funds		9,351
Due to student groups		236,553
Escrow and performance deposits		15,898
<b>Total Liabilities</b>	<u>2,680</u>	<u>261,802</u>
<b>NET POSITION</b>		
Held in Trust	<u>\$ 567,966</u>	<u>\$ -</u>

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2016

	Private Purpose Trust Funds
<b>Additions</b>	
Investment earnings	\$ 1,534
Contributions	100,418
<b>Total Additions</b>	<u>101,952</u>
<b>Deductions</b>	
Disbursements by agent	95,524
<b>Total deductions</b>	<u>95,524</u>
<b>Change in Net Position</b>	6,428
<b>Net Position</b>	
Beginning of year	<u>561,538</u>
End of year	<u>\$ 567,966</u>



**NOTES TO THE FINANCIAL STATEMENTS**

## Notes to Financial Statements

June 30, 2016

### 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, 2016

### 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

## Notes to Financial Statements

June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City reports the following fiduciary funds:

Private Purpose Trust Funds account for assets that benefit 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.

#### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the City uses various methods, including market, income and cost approaches. Based on these approaches, the City often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the City is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

#### 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 \$642,595 at June 30, 2016.

## Notes to Financial Statements

June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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. In the fund financial statements, these amounts for accumulated vacation and vested sick leave are only recorded as a liability if they have matured, for example, as a result of paid time off or employee resignations and retirements as applicable. All accumulated leave is 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.

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 one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

## Notes to Financial Statements

June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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, 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 represents 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, 2016

### 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.

#### Recently Adopted Accounting Pronouncements

In February 2015, the GASB issued GASB Statement No. 72, “Fair Value Measurement and Application.” This statement addresses the measurement of investments at fair value using consistent definition and valuation techniques and expands fair value disclosures in the financial statements and was adopted by the City as of June 30, 2016.

#### Recent Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*. This statement improves accounting and financial reporting for OPEB. This statement replaces GASB Statement No. 45, and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. The new statement is effective for periods beginning after June 15, 2017.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosure*. This pronouncement established reporting standards for disclosure of information about the nature and magnitude of tax abatements. The new statement is effective for periods beginning after December 15, 2016.

### 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, 2016.

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.

## Notes to Financial Statements

June 30, 2016

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

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.

#### Deficit Fund Equity

Following is a list of other individual projects within the following funds having deficits exceeding \$50,000 as of June 30, 2016:

Nonmajor Governmental Funds	
Tax Increment Financing District Funds:	
Downtown TIF	\$(920,018)
Miscellaneous Special Revenue Funds:	
Westbrook Pool	(91,474)
Capital Projects Funds:	
Paving CIP	(277,365)
Public Services Equipment	(83,062)
Small Hardy Road Fields	(59,713)
West Business Heights	(263,895)

The deficit in the Downtown TIF fund 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.

The deficits in the other funds will be eliminated through 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, 2016, the City reported deposits of \$41,995,934 with a bank balance of \$41,673,833. Of the City's bank balances of \$41,673,833, \$86,975 was exposed to custodial credit risk as uninsured and uncollateralized; the remainder was covered by the FDIC or is secured by additional collateral pledged on behalf of the City by the respective banking institutions.

Included in cash is \$8,730,000 of bond proceeds that are restricted for capital projects.

#### 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.

As of June 30, 2016, the City's reporting entity had the following investments:

Certificates of Deposit	\$ 452,708
Mutual Funds	562,459
	<u>\$ 1,015,167</u>



## Notes to Financial Statements

June 30, 2016

### 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, 2016, 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.

#### Fair Value

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

	Total	Level 1	Level 2	Level 3
<b>June 30, 2016</b>				
Certificates of deposit	\$ 452,708	\$ 452,708		
Mutual funds	562,459	562,459		
	<u>\$ 1,015,167</u>	<u>\$ 1,015,167</u>	<u>\$ -</u>	<u>\$ -</u>

There were no assets classified as Level 2 or 3 as of June 30, 2016.

### NOTE 4 – PROPERTY TAX

Property taxes for the current year were committed on July 2, 2015 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 17, 2015, 25% on November 16, 2015, 25% on February 16, 2016, and 25% on May 16, 2016. 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 2015 state valuation of \$1,956,329,293.

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 \$412,332 for the year ended June 30, 2016.

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, in the funds financial statements, have been recorded as a different inflow of resources, unavailable revenue – property taxes.

## Notes to Financial Statements

June 30, 2016

### NOTE 4 –PROPERTY TAX – CONTINUED

The tax rates and amounts assessed for the year ended June 30, 2016 were as follows:

Valuation:	
Real estate	\$1,608,342,000
Personal property	265,571,700
Total assessed valuation	<u>\$1,873,913,700</u>
Total assessed valuation	\$1,873,913,700
Tax rate (per \$1,000)	17.96
Total tax commitment	<u>\$ 33,655,490</u>

The following details the taxes receivable at year-end:

Taxes receivable - current year	\$ 687,693
Taxes receivable - prior years	837,347
Taxes receivable	<u>\$ 1,525,040</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, 2016, the balances of interfund loans receivable/payable were as follows:

	Interfund Loans Receivable	Interfund Loans Payable
General fund		\$ 14,027,258
Other governmental funds	\$ 11,478,783	1,672,726
Sewer department	3,664,468	
Parking garage	453,478	
Fiduciary funds	112,606	9,351
Totals	<u>\$ 15,709,335</u>	<u>\$ 15,709,335</u>

## Notes to Financial Statements

June 30, 2016

### 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		\$ 4,172,169	\$ 4,172,169
Nonmajor	\$ 2,728,904	961,904	3,690,808
	\$ 2,728,904	\$ 5,134,073	\$ 7,862,977

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.

## Notes to Financial Statements

June 30, 2016

### NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Changes	Ending Balance
<b>Governmental activities:</b>			
Not being depreciated:			
Land	\$ 2,133,546	\$ 151,116	\$ 2,284,662
Construction in progress		6,448,753	6,448,753
Total capital assets not being depreciated	<u>2,133,546</u>	<u>6,599,869</u>	<u>8,733,415</u>
Being depreciated:			
Buildings and improvements	74,561,336	91,800	74,653,136
Machinery and equipment	5,466,829	281,928	5,748,757
Vehicles	9,673,889	514,851	10,188,740
Infrastructure	79,683,477	327,046	80,010,523
Total capital assets being depreciated	<u>169,385,531</u>	<u>1,215,625</u>	<u>170,601,156</u>
Total all capital assets	<u>171,519,077</u>	<u>7,815,494</u>	<u>179,334,571</u>
Less accumulated depreciation:			
Buildings and improvements	(15,780,913)	(1,234,085)	(17,014,998)
Machinery and equipment	(3,523,093)	(249,947)	(3,773,040)
Vehicles	(6,077,588)	(461,106)	(6,538,694)
Infrastructure	(39,543,944)	(1,327,243)	(40,871,187)
Total accumulated depreciation	<u>(64,925,538)</u>	<u>(3,272,381)</u>	<u>(68,197,919)</u>
Net book value, capital assets being depreciated	104,459,993	(2,056,756)	102,403,237
Net book value, total capital assets	<u>\$106,593,539</u>	<u>\$ 4,543,113</u>	<u>\$111,136,652</u>
<b>Business-type activities:</b>			
Not being depreciated:			
Land	\$ 148,840		\$ 148,840
Construction in progress	735	\$ (735)	
Total capital assets not being depreciated	<u>149,575</u>	<u>(735)</u>	<u>148,840</u>
Being depreciated:			
Buildings and improvements	9,861,318		9,861,318
Machinery and equipment	31,102		31,102
Vehicles	356,173	61,415	417,588
Infrastructure	81,799,849		81,799,849
Total capital assets being depreciated	<u>92,048,442</u>	<u>61,415</u>	<u>92,109,857</u>
Total all capital assets	<u>92,198,017</u>	<u>60,680</u>	<u>92,258,697</u>
Less accumulated depreciation:			
Buildings and improvements	(2,672,608)	(208,023)	(2,880,631)
Machinery and equipment	(31,102)		(31,102)
Vehicles	(211,127)	24,728	(186,399)
Infrastructure	(41,031,895)	(1,435,878)	(42,467,773)
Total accumulated depreciation	<u>(43,946,732)</u>	<u>(1,619,173)</u>	<u>(45,565,905)</u>
Net book value, capital assets being depreciated	48,101,710	(1,557,758)	46,543,952
Net book value, total capital assets	<u>\$ 48,251,285</u>	<u>\$ \ (1,558,493)</u>	<u>\$ 46,692,792</u>

## Notes to Financial Statements

June 30, 2016

### NOTE 6 – CAPITAL ASSETS – CONTINUED

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

Governmental Activities		Business-type activities:	
General government	\$ 247,190	Sewer department	\$ 1,477,727
Public safety	447,391	Parking garage	141,446
Public works	1,541,528	Total depreciation expense	<u>\$ 1,619,173</u>
Culture and recreation	224,350		
Education	937,475		
Total depreciation expense	<u>\$ 3,397,934</u>		

Construction in progress as of June 30, 2016 consists of a new public services facility and renovations at city hall. These projects are expected to be completed during 2017 and the total cost of the projects is expected to be approximately \$9.4 million.

### NOTE 7 – LONG-TERM DEBT

#### Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$48,871,000	\$26,470,000	\$(22,053,500)	\$53,287,500	\$4,988,500
Unamortized bond premium	505,060	3,633,071	(168,243)	3,969,888	43,382
Capital leases	595,014	706,689	(422,818)	878,885	330,495
Net pension liability	3,776,218	3,339,999		7,116,217	
Compensated absences	1,624,407		(131,519)	1,492,888	
Other post employment benefits	462,361	108,467		570,828	
Landfill postclosure care costs	340,000		(20,000)	320,000	20,000
Long-term liabilities	<u>\$56,174,060</u>	<u>\$34,258,226</u>	<u>\$(22,796,080)</u>	<u>\$67,636,206</u>	<u>\$5,382,377</u>
<b>Business-Type Activities</b>					
General obligation bonds	<u>\$ 5,549,000</u>		<u>\$ (306,500)</u>	<u>\$ 5,242,500</u>	<u>\$ 306,500</u>
Long-term liabilities	<u>\$ 5,549,000</u>	<u>\$ -</u>	<u>\$ (306,500)</u>	<u>\$ 5,242,500</u>	<u>\$ 306,500</u>

#### General Obligation Bonds

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.

#### Subsequently Approved School Construction

In November 2016, the taxpayers approved bonds for expansion projects at Saccarappa School for \$23 million and the Middle School for \$4.3 million. Construction is expected to begin in the summer of 2017 with completion anticipated in August 2018 for the Middle School and spring 2019 for Saccarappa School.

## Notes to Financial Statements

June 30, 2016

### NOTE 7 – LONG-TERM DEBT – CONTINUED

Bonds payable currently outstanding in the governmental activities are as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding At 6/30/2016	Current Portion
General obligation bonds payable:						
2009 General Obligation Bond	38,276,000	2009	2029	4.99	\$ 6,230,000	\$2,080,000
2011 General Obligation Bond	12,350,000	2011	2031	3.24	6,512,500	1,193,500
2012 General Obligation Bond	7,745,000	2012	2028	1.00-3.5	6,940,000	820,000
2014 General Obligation Bond	1,760,000	2014	2039	2.00-4.25	1,460,000	185,000
2014 GOB Refunding	5,985,000	2014	2039	0.35-5.10	5,675,000	165,000
2015 GOB and Refunding	26,470,000	2015	2036	3.00-5.00	26,470,000	545,000
					<u>\$53,287,500</u>	<u>\$4,988,500</u>

Bonds payable currently outstanding in the business-type activities are as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding At 6/30/2016	Current Portion
General obligation bonds payable:						
2011 General Obligation Bond	\$1,215,000	2011	2031	3.24	\$ 892,500	\$ 61,500
2014 General Obligation Bond	\$4,840,000	2014	2034	2.00-4.25	4,350,000	245,000
Total					<u>\$ 5,242,500</u>	<u>\$ 306,500</u>

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

For Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 4,988,500	\$2,124,604	\$ 7,113,104
2018	4,998,500	1,941,940	6,940,440
2019	4,993,500	1,749,675	6,743,175
2020	4,353,500	1,562,220	5,915,720
2021	4,348,500	1,382,496	5,730,996
2022-2026	16,035,000	4,717,539	20,752,539
2027-2031	8,760,000	1,800,399	10,560,399
2032-2036	3,685,000	668,034	4,353,034
2037-2039	1,125,000	88,100	1,213,100
Totals	<u>\$ 53,287,500</u>	<u>\$16,035,007</u>	<u>\$ 69,322,507</u>

For Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
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	306,500	150,224	456,724
2022-2026	1,505,000	601,045	2,106,045
2027-2031	1,485,000	307,439	1,792,439
2037-2039	720,000	45,900	765,900
Totals	<u>\$ 5,242,500</u>	<u>\$ 1,783,004</u>	<u>\$ 7,025,504</u>

## Notes to Financial Statements

June 30, 2016

### NOTE 7 – LONG-TERM DEBT – CONTINUED

During the year ended June 30, 2016, the City issued \$15,995,000 in general obligation bonds to advance refund general obligation bonds that were issued in 2009. The net proceeds of \$19,628,071, including \$3,899,855 of premium net of \$266,784 of expenses, were deposited in an irrevocable trust with an escrow agent and are invested in U.S. governmental securities to provide all future debt service payments on the 2009 general obligation bonds. As a result, the \$17,475,000 of general obligation bonds have been defeased and the liability for these bonds has been removed from the governmental activities liabilities. The result of the advance refunding is to decrease total future debt service by \$1,893,191 and an economic gain of \$1,619,195 based on the net present value.

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 \$1,873,913,700, the City's debt limit is \$281,087,055. The City's outstanding long-term debt of \$53,287,500 at June 30, 2016 was within the statutory limit.

#### Conduit Debt and Overlapping 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, 2016, was approximately \$5,688,000. Also, the City is potentially liable for a portion of the June 30, 2016 overlapping debt of Cumberland County, in the amount of \$1,650,410 and the Portland Water District, in the amount of \$7,676,825, should either of these entities default on their debt payments.

#### Capital Leases

The City and School Department have lease agreements for equipment, vehicles and school buses. Those leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception in the government-wide financial statements. The following is a schedule of future minimum lease payments under the capital leases and the present value of the minimum lease payments at June 30, 2016:

For Year Ending June 30,	Principal	Interest	Total
2017	\$ 330,495	\$ 24,257	\$ 354,752
2018	312,868	15,063	327,931
2019	171,756	6,338	178,094
2020	63,766	1,627	65,393
Totals	<u>\$ 878,885</u>	<u>\$ 47,285</u>	<u>\$ 926,170</u>

### 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 \$320,000 as of June 30, 2016, 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, 2016. 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.

## Notes to Financial Statements

June 30, 2016

### 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, 2015, the date of the most recent Actuarial Valuation Report, there were twenty retirees with six spouses, and one hundred thirty three employees.

#### 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 2016 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, 2016, 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	18,494
Adjustment to annual required contribution	<u>(26,738)</u>
Annual OPEB cost	148,483
Contributions made	<u>(40,016)</u>
2016 OPEB liability expense	108,467
Net OPEB Obligation (NOO), beginning	<u>462,361</u>
Net OPEB Obligation (NOO), ending	<u>\$ 570,828</u>



## Notes to Financial Statements

June 30, 2016

### NOTE 9 – POST-EMPLOYMENT HEALTH CARE - CONTINUED

The City's 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
2016	\$ 148,483	26.94%	\$ 570,828
2015	\$ 150,520	24.13%	\$ 462,361
2014	\$ 129,836	6.93%	\$ 348,165

The funded status of the plan as of June 30, 2016 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, 2015
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, 2016

### 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 231 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 289 participating employers.

Employee membership data related to the Plans, as of June 30, 2015 was as follows:

	Teachers	PLD
Current participants: Vested and non-vested	40,016	10,870
Terminated participants: Vested	7,511	2,112
Terminated participants: Inactive due refunds	36,810	6,341
Retirees and beneficiaries receiving benefits	33,260	8,581
	<u>117,597</u>	<u>27,904</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 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below 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, 2016, the City's total payroll for all employees was \$32,264,501. Total covered payroll was \$17,364,382 for the Teacher Plan and \$6,797,421 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, 2016

### 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. Employee 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 10.02% 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, 2016, was 3.36% percent of annual Teacher payroll, plus 10.02% 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, 2016 were \$561,938.

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, other than Police and Fire/Rescue, are required to contribute 7.5% of covered compensation to the PLD Plan. The Police and Fire/Rescue required contribution rate for the year ended June 30, 2016 was between 7.5%-9%. 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 contribution rate for school and city employees, other than Police and Fire/Rescue, for the year ended June 30, 2016, was 8.9% percent of annual payroll. The Police and Fire/Rescue contribution rate for the year ended June 30, 2016 was between 8.9%-14%. The contribution rates are 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, 2016 were \$762,842.

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

##### Teacher Plan

At June 30, 2016, 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	\$ 1,334,160
State's proportionate share of the net pension liability associated with the City of Westbrook School Department	19,029,949
Total	<u>\$ 20,364,109</u>

The net pension liability was measured as of June 30, 2015, 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, 2015, the School Department's proportion was 0.099 percent, which was an increase of 0.012 from its proportion measured as of June 30, 2014.

## Notes to Financial Statements

June 30, 2016

### NOTE 10 – PENSION PLANS - CONTINUED

For the year ended June 30, 2016, the School Department recognized pension expense of \$702,023 and revenue of \$2,180,900 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 9,263
Changes of assumptions	\$ 36,761	
Net difference between projected and actual earnings on Plan investments	282,308	342,636
Changes in proportion and differences between contributions and proportionate share of contributions	254,600	15,262
Contributions subsequent to the measurement date	<u>561,938</u>	
Total	<u>\$1,135,607</u>	<u>\$ 367,161</u>

The \$561,938 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, 2016. 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,	
2017	\$ 168,021
2018	11,545
2019	(43,635)
2020	<u>70,577</u>
Total	<u>\$ 206,508</u>

### PLD Plan

At June 30, 2016, the City and the City School Department reported a liability of \$5,782,057 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the City and the City School Department's proportion was 1.81%, which was a decrease of 0.04% from its proportion measured as of June 30, 2014.

## Notes to Financial Statements

June 30, 2016

### NOTE 10 – PENSION PLANS - CONTINUED

For the year ended June 30, 2016, the City and the City School Department recognized pension expense of \$1,553,536. At June 30, 2016, the City and the City School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 233,458	\$ 742,608
Changes of assumptions	510,979	
Net difference between projected and actual earnings on Plan investments	1,784,555	2,221,392
Changes in proportion and differences between contributions and proportionate share of contributions	263,969	358,781
Contributions subsequent to the measurement date	762,842	
Total	<u>\$ 3,555,803</u>	<u>\$ 3,322,781</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 ended 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,	
2017	\$ (289,443)
2018	(289,443)
2019	(397,073)
2020	446,139
Total	<u>\$ (529,820)</u>

### Actuarial Assumptions

The total pension liability in the June 30, 2015 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 2.55%, 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 7.125%, 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, 2015 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, 2016

### 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%	0.7 %
U.S. equities	20%	5.2 %
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 each of the Teacher Plan and 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%	\$ 2,335,798
Current discount rate	7.125%	\$ 1,334,160
1% increase	8.125%	\$ 499,911

## Notes to Financial Statements

June 30, 2016

### 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 7.125% 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 (6.125%) or 1-percentage-point higher (8.125%) than the current rate:

	<b>Discount Rate</b>	<b>City and School Department's Proportionate Share of Net Pension Liability</b>
1% decrease	6.125%	\$ 11,519,572
Current discount rate	7.125%	\$ 5,782,057
1% increase	8.125%	\$ 342,562

#### 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 10.02% of the qualified teachers' salaries, plus an additional 2.56% for health insurance. For the year ended June 30, 2016, the total amount of on-behalf payments was approximately \$2,039,000 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 \$865,000.

### 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, 2016.

#### 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, 2016

### NOTE 12 – FUND BALANCE AND NET POSITION

The following is a schedule of fund balance classifications for the governmental funds as of June 30, 2016:

	General Fund	Nonmajor Funds
Nonspendable:		
Endowments		\$ 525,051
Prepaid items and inventory	\$ 22,983	36,199
Total nonspendable	<u>22,983</u>	<u>561,250</u>
Restricted:		
Endowments		192,030
School grants		126,294
Capital projects funds		3,890,000
Total restricted		<u>4,208,324</u>
Committed:		
Tax increment financing district funds		282,564
Open space funds		268,912
Capital project reserve funds		961,755
Miscellaneous special revenue funds		1,616,386
Capital projects funds		2,925,870
Employee retirement reserve	10,023,342	
Capital outlay	500,000	
Total committed	<u>10,523,342</u>	<u>6,055,487</u>
Assigned:		
Encumbrances	167,001	
Total assigned	<u>167,001</u>	
Unassigned		
City	8,434,571	
School	263,690	
Capital projects funds		(582,831)
Miscellaneous special revenue funds		(91,474)
Downtown TIF		(920,018)
Total unassigned	<u>8,698,261</u>	<u>(1,594,323)</u>
Total fund balance	<u>\$ 19,411,587</u>	<u>\$ 9,230,738</u>

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. 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, 2016:

	Governmental Activities	Business-Type Activities
Capital assets	\$179,334,571	\$ 92,258,697
Accumulated depreciation	(68,197,919)	(45,565,905)
Bonds payable, total	(53,287,500)	(5,242,500)
Unspent bond proceeds	3,890,000	4,840,000
Capital leases payable, total	(878,885)	
Total invested in capital assets, net of related debt	<u>\$60,860,267</u>	<u>\$ 46,290,292</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

## Required Supplementary Information - Schedule of Funding Progress

June 30, 2016

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
<b>2016</b>	<b>January 1, 2015</b>	<b>\$0</b>	<b>\$ 1,672,651</b>	<b>\$ 1,672,651</b>	<b>0%</b>	<b>\$ 8,278,486</b>	<b>20.2%</b>
2015	January 1, 2015	\$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, 2016

### 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
<b>2016</b>	<b>06-30-2015</b>	<b>0.099%</b>	<b>\$1,334,160</b>	<b>\$19,029,949</b>	<b>\$20,364,109</b>	<b>\$17,364,382</b>	<b>7.68%</b>	<b>81.18%</b>
2015	06-30-2014	0.087%	\$ 934,691	\$14,716,914	\$15,651,605	\$16,836,599	5.55%	83.91%

#### 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
<b>2016</b>	<b>06-30-2015</b>	<b>1.81%</b>	<b>\$5,782,057</b>	<b>\$6,797,421</b>	<b>85.06%</b>	<b>88.27%</b>
2015	06-30-2014	1.85%	\$2,841,527	\$7,056,623	40.27%	94.10%

## Required Supplementary Information - Schedule of Contributions

June 30, 2016

### 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
<b>2016</b>	<b>06-30-2015</b>	<b>\$561,938</b>	<b>\$561,938</b>	<b>\$0</b>	<b>\$17,364,382</b>	<b>3.24%</b>
2015	06-30-2014	\$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
<b>2016</b>	<b>06-30-2015</b>	<b>\$762,842</b>	<b>\$762,842</b>	<b>\$0</b>	<b>\$6,797,421</b>	<b>11.22%</b>
2015	06-30-2014	\$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, 2016

	All Funds
<b>ASSETS</b>	
<b>Total Assets</b>	<u>\$ -</u>
<b>LIABILITIES</b>	
Accounts payable	6,782
Interfund payable	630,672
<b>Total Liabilities</b>	<u>637,454</u>
<b>FUND BALANCES</b>	
Committed	282,564
Unassigned	(920,018)
<b>Total Fund Balances (Deficit)</b>	<u>\$ (637,454)</u>

## Non-Major Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

#### Tax Increment Financing District Funds

Year Ended June 30, 2016

	All Funds
<b>Revenues</b>	
Taxes	\$ 652,776
<b>Total Revenues</b>	<u>652,776</u>
<b>Expenditures</b>	
Current:	
General government	539,200
Debt service	736,173
<b>Total Expenditures</b>	<u>1,275,373</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(622,597)</u>
<b>Other Financing Sources (Uses)</b>	
Transfers in	3,757,097
Transfers out	<u>(3,061,574)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>695,523</u>
<b>Net Change in Fund Balances</b>	72,926
<b>Fund Balances, Beginning of Year (Deficit)</b>	<u>(710,380)</u>
<b>Fund Balances, End of Year (Deficit)</b>	<u>\$ (637,454)</u>

## Non-Major Governmental Funds

### Combining Balance Sheet

#### Open Space Funds

June 30, 2016

	All Funds
<b>ASSETS</b>	
Interfund receivable	\$ 271,963
<b>Total Assets</b>	<u>271,963</u>
<b>LIABILITIES</b>	
Accounts payable	<u>3,051</u>
<b>Total Liabilities</b>	<u>3,051</u>
<b>FUND BALANCES</b>	
Committed	268,912
<b>Total Fund Balances</b>	<u>\$ 268,912</u>



## Non-Major Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

#### Open Space Funds

Year Ended June 30, 2016

	All Funds
<b>Revenues</b>	
Miscellaneous	\$ 22,155
<b>Total Revenues</b>	<u>22,155</u>
<b>Expenditures</b>	
Current:	
General government	8,206
<b>Total Expenditures</b>	<u>8,206</u>
<b>Net Change in Fund Balances</b>	13,949
<b>Fund Balances, Beginning of Year</b>	<u>254,963</u>
<b>Fund Balances, End of Year</b>	<u>\$ 268,912</u>

## Non-Major Governmental Funds

### Combining Balance Sheet

#### Revolving Loan Funds

June 30, 2016

	All Funds
<b>ASSETS</b>	
Accounts receivable	\$ 15,671
Loans receivable	<u>202,881</u>
<b>Total Assets</b>	<u><u>\$ 218,552</u></u>
<b>LIABILITIES</b>	
Interfund payable	<u>\$ 218,552</u>
<b>Total Liabilities</b>	<u><u>\$ 218,552</u></u>

## Non-Major Governmental Funds

### Combining Balance Sheet

### Capital Projects - Reserve Funds

June 30, 2016

	All Funds
<b>ASSETS</b>	
Accounts receivable	\$ 1,125
Interfund receivable	962,630
<b>Total Assets</b>	<u>963,755</u>
<b>LIABILITIES</b>	
Accounts payable	<u>2,000</u>
<b>Total Liabilities</b>	<u>2,000</u>
<b>FUND BALANCES</b>	
Committed	<u>961,755</u>
<b>Total Fund Balances</b>	<u>\$ 961,755</u>

## Non-Major Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

#### Capital Projects - Reserve Funds

Year Ended June 30, 2016

	All Funds
<b>Revenues</b>	
Miscellaneous	\$ 440,659
<b>Total Revenues</b>	<u>440,659</u>
<b>Expenditures</b>	
Current:	
Public safety	25,030
Public works	6,919
Culture and recreation	97
<b>Total Expenditures</b>	<u>32,046</u>
<b>Excess of Revenues Over Expenditures</b>	<u>408,613</u>
<b>Other Financing Sources (Uses)</b>	
Transfers in	12,000
Transfers out	(146,075)
<b>Total Other Financing Sources (Uses)</b>	<u>(134,075)</u>
<b>Net Change in Fund Balances</b>	274,538
<b>Fund Balances, Beginning of Year</b>	<u>687,217</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 961,755</u></u>

## Non-Major Governmental Funds

### Combining Balance Sheet

#### Miscellaneous Special Revenue Funds

June 30, 2016

	City Grants	School Grants	Total
<b>ASSETS</b>			
Cash and short-term investments		\$ 40	\$ 40
Investments	\$ 427,445		427,445
Receivables, net of allowance for uncollectibles:			
Accounts	74,289		74,289
Intergovernmental		1,114,147	1,114,147
Interfund receivable	1,224,321		1,224,321
Inventory		36,199	36,199
<b>Total Assets</b>	<u>1,726,055</u>	<u>1,150,386</u>	<u>2,876,441</u>
<b>LIABILITIES</b>			
Accounts payable	53,650	171,465	225,115
Interfund payable		647,341	647,341
Accrued payroll		169,087	169,087
Unearned revenue	147,493		147,493
<b>Total Liabilities</b>	<u>201,143</u>	<u>987,893</u>	<u>1,189,036</u>
<b>FUND BALANCES</b>			
Nonspendable		36,199	36,199
Restricted		126,294	126,294
Committed	1,616,386		1,616,386
Unassigned	(91,474)		(91,474)
<b>Total Fund Balances</b>	<u>\$ 1,524,912</u>	<u>\$ 162,493</u>	<u>\$ 1,687,405</u>

## Non-Major Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

#### Miscellaneous Special Revenue Funds

Year Ended June 30, 2016

	City Grants	School Grants	Total
<b>Revenues</b>			
Intergovernmental	\$ 169,078	\$ 6,256,230	\$ 6,425,308
Charges for services	900,725	286,935	1,187,660
Miscellaneous	148,944		148,944
<b>Total Revenues</b>	<u>1,218,747</u>	<u>6,543,165</u>	<u>7,761,912</u>
<b>Expenditures</b>			
Current:			
General government	491,376		491,376
Public safety	248,179		248,179
Public works	1,065		1,065
Culture and recreation	752,528		752,528
Unclassified	3,411		3,411
Education		6,437,454	6,437,454
Debt service	156,936		156,936
<b>Total Expenditures</b>	<u>1,653,495</u>	<u>6,437,454</u>	<u>8,090,949</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(434,748)</u>	<u>105,711</u>	<u>(329,037)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	538,220		538,220
Transfers out	(299,159)		(299,159)
<b>Total Other Financing Sources (Uses)</b>	<u>239,061</u>		<u>239,061</u>
<b>Net Change in Fund Balances</b>	(195,687)	105,711	(89,976)
<b>Fund Balances, Beginning of Year</b>	<u>1,720,599</u>	<u>56,782</u>	<u>1,777,381</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,524,912</u>	<u>\$ 162,493</u>	<u>\$ 1,687,405</u>

**Non-Major Governmental Funds**

**Combining Balance Sheet**

**Capital Projects Funds**

June 30, 2016

	Capital Projects	Major Capital Projects	Sewer Capital Projects	School Capital Projects	Total
<b>ASSETS</b>					
Accounts receivable		\$ 32,603			\$ 32,603
Interfund receivable	\$ 1,555,711	6,887,909	\$ 471,741		8,915,361
<b>Total Assets</b>	<u>1,555,711</u>	<u>6,920,512</u>	<u>471,741</u>		<u>8,947,964</u>
<b>LIABILITIES</b>					
Accounts payable	370,992	2,167,772			2,538,764
Interfund payable				\$ 176,161	176,161
<b>Total Liabilities</b>	<u>370,992</u>	<u>2,167,772</u>		<u>176,161</u>	<u>2,714,925</u>
<b>FUND BALANCES</b>					
Restricted	665,000	3,225,000			3,890,000
Committed	662,494	1,791,635	471,741		2,925,870
Unassigned	(142,775)	(263,895)		(176,161)	(582,831)
<b>Total Fund Balances (Deficit)</b>	<u>\$ 1,184,719</u>	<u>\$ 4,752,740</u>	<u>\$ 471,741</u>	<u>\$ (176,161)</u>	<u>\$ 6,233,039</u>

**Non-Major Governmental Funds**

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

**Capital Projects Funds**

Year Ended June 30, 2016

	Capital Projects	Major Capital Projects	Sewer Capital Projects	School Capital Projects	Total
<b>Revenues</b>					
Intergovernmental		\$ 42,603			\$ 42,603
Miscellaneous	\$ 13,937	356,033			369,970
<b>Total Revenues</b>	<u>13,937</u>	<u>398,636</u>			<u>412,573</u>
<b>Expenditures</b>					
Capital outlay	865,337	6,985,077		\$ 176,161	8,026,575
<b>Total Expenditures</b>	<u>865,337</u>	<u>6,985,077</u>		<u>176,161</u>	<u>8,026,575</u>
<b>Deficiency of Revenues Over Expenditures</b>					
	<u>(851,400)</u>	<u>(6,586,441)</u>		<u>(176,161)</u>	<u>(7,614,002)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	538,584	288,172			826,756
Transfers out	(154,000)				(154,000)
Bond proceeds	800,000	9,675,000			10,475,000
<b>Total Other Financing Sources (Uses)</b>	<u>1,184,584</u>	<u>9,963,172</u>			<u>11,147,756</u>
<b>Net Change in Fund Balances</b>	333,184	3,376,731		(176,161)	3,533,754
<b>Fund Balances, Beginning of Year</b>	<u>851,535</u>	<u>1,376,009</u>	\$ 471,741		<u>2,699,285</u>
<b>Fund Balances, End of Year (Deficit)</b>	<u>\$ 1,184,719</u>	<u>\$ 4,752,740</u>	<u>\$ 471,741</u>	<u>\$ (176,161)</u>	<u>\$ 6,233,039</u>



## Non-Major Governmental Funds

### Combining Balance Sheet

#### Permanent Funds

June 30, 2016

	All Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 39,403
Investments	587,722
Interfund receivable	104,508
<b>Total Assets</b>	<u>731,633</u>
<b>LIABILITIES</b>	
Accounts payable	14,552
<b>Total Liabilities</b>	<u>14,552</u>
<b>FUND BALANCES</b>	
Nonspendable	525,051
Restricted	192,030
<b>Total Fund Balances</b>	<u>\$ 717,081</u>

## Non-Major Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

#### Permanent Funds

Year Ended June 30, 2016

All  
Funds

<b>Revenues</b>	
Miscellaneous	\$ 6,534
<b>Total Revenues</b>	<u>6,534</u>
<b>Expenditures</b>	
Current:	
Cemeteries	102,990
Culture and recreation	4,535
<b>Total Expenditures</b>	<u>107,525</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(100,991)</u>
<b>Other Financing Sources (Uses)</b>	
Transfers out	(30,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(30,000)</u>
<b>Net Change in Fund Balances</b>	(130,991)
<b>Fund Balances, Beginning of Year</b>	<u>848,072</u>
<b>Fund Balances, End of Year</b>	<u>\$ 717,081</u>

## Combining Statement of Fiduciary Net Position

### Private Purpose Trust Funds

June 30, 2016

	City Trusts	School Trusts	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 57,758	400,282	\$ 458,040
Due from other funds	112,606		112,606
<b>Total Assets</b>	<u>170,364</u>	<u>400,282</u>	<u>570,646</u>
<b>LIABILITIES</b>			
Accounts payable	2,680		2,680
<b>Total Liabilities</b>	<u>2,680</u>		<u>2,680</u>
<b>NET POSITION</b>			
Held in Trust	<u>\$ 167,684</u>	<u>\$ 400,282</u>	<u>\$ 567,966</u>

## Combining Statement of Changes in Fiduciary Net Position

### Private Purpose Trust Funds

Year Ended June 30, 2016

	City Trusts	School Trusts	Total
<b>Additions</b>			
Investment earnings	\$ 177	1,357	\$ 1,534
Contributions		100,418	100,418
<b>Total Additions</b>	<u>177</u>	<u>101,775</u>	<u>101,952</u>
<b>Deductions:</b>			
Disbursements by agent	<u>1,138</u>	<u>94,386</u>	<u>95,524</u>
<b>Total Deductions</b>	<u>1,138</u>	<u>94,386</u>	<u>95,524</u>
<b>Change in Net Position</b>	(961)	7,389	6,428
<b>Net Position, Beginning of Year</b>	<u>168,645</u>	<u>392,893</u>	<u>561,538</u>
<b>Net Position, End of Year</b>	<u>\$ 167,684</u>	<u>\$ 400,282</u>	<u>\$ 567,966</u>