

City of Old Town

Annual Financial Statements

As of and for the Year Ended June 30, 2020

Independently Audited By

Berry·Talbot·Royer
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the City Council
City of Old Town, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town, Maine, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the City's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town, Maine, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (starting on page 3), the general fund's budgetary comparison schedule (Schedule 1), and schedules related to pensions and other post-employment benefits (Schedules 2 – 4), 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Schedules 5 through 8 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 5 through 8 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, Schedules 5 through 8 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 October 15, 2021, on our consideration of the City of Old Town'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Old Town's internal control over financial reporting and compliance.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
October 15, 2021

As management of the City of Old Town (the City), we present this overview and analysis of the City's financial activity for the year ended June 30, 2020. The intent of this discussion and analysis is to provide users of the financial statements an introduction to the basic financial statements as well as our assessment of the City's overall financial condition. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

City management is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the City are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are attained. The concept of reasonable assurance recognizes that the cost of any control should not exceed the benefit likely to be derived and that the evaluation of cost and benefits requires professional judgment by management.

Financial Highlights

- On a full accrual basis, the City's revenues exceeded its expenses by \$755,712. This total net revenue is the combination of net revenue derived from governmental activities totaling \$891,291, and net expenses from business-type activities of \$135,579.
- The City's total net position at year end was \$33,230,709. This total net position is the combination of the net position of governmental activities totaling \$25,971,792, and the net position of business-type activities totaling \$7,258,917.
- The General Fund's activity during the year resulted in an increase in fund balance of \$810,480.
- On a budgetary basis, the General Fund's actual expenditures came in \$1.6 million under budget for the year.
- The General Fund's unassigned fund balance ended the year at \$2,159,509.

Overview of the Financial Statements

The City's basic financial statements have these components: 1) government-wide financial statements 2) fund financial statements, 3) proprietary fund financial statements, and 4) notes to the basic financial statements. This report also contains required supplementary information (RSI) and other supplementary information (OSI) in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the City's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These are prepared using the *economic resources measurement focus* and the *full accrual basis of accounting*. This means all revenues and expenses connected with the fiscal year are considered even if cash involved has not been received or paid. The government-wide financial statements include two statements:

Statement of Net Position: This statement presents the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the sum of assets deferred outflows and the sum of liabilities and deferred inflows being reported as total net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

Statement of Activities: This statement presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both financial statements described above present the net position and activities of *governmental activities* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are activities that the City carries out in a business-like fashion, where fees for services and goods are set to generate enough revenue to carry out operations and provide for long-term capital investment. The City's business-type activities are sewer operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The fund financial statements provide detailed information regarding the City's most significant funds. The City maintains two categories of funds – *governmental funds* and *proprietary funds*.

Governmental funds: All of the City's services are reported in governmental funds using *current financial resources measurement focus* and the *modified accrual basis of accounting*. This measurement focus and accounting method help users understand (1) how cash and other current financial resources flow in and out and (2) what balances left at year end that are available for spending. Consequently, the governmental funds financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources which can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. A reconciliation statement is presented after both the governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances to facilitate this comparison between governmental funds and governmental activities.

Proprietary funds: The City also reports its sewer fund as an enterprise fund (a type of proprietary fund). This fund is presented using the *economic resources measurement focus* and on a *full accrual basis of accounting*, just as government-wide financial statements are presented. The fund financial statements provide the same type of information as in the government-wide financials, but in more detail. Also, in addition to the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position (similar to the government-wide Statement of Activities), proprietary funds also include a Statement of Cash Flows to assist users in understanding how cash changed from one period to the next.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the City as a Whole

Condensed Statements of Net Position As of June 30, 2020 and 2019

	2020	2019	\$ Change	% Change
Current and other assets	\$ 12,502,502	\$ 12,417,218	\$ 85,284	0.7%
Capital assets, net	<u>35,175,137</u>	<u>33,058,362</u>	<u>2,116,775</u>	6.4%
Total assets	47,677,639	45,475,580	2,202,059	4.8%
Deferred outflows of resources	<u>692,234</u>	<u>588,168</u>	<u>104,066</u>	17.7%
Current liabilities	2,563,808	2,678,412	(114,604)	-4.3%
Long-term liabilities	<u>12,069,169</u>	<u>10,627,601</u>	<u>1,441,568</u>	13.6%
Total liabilities	14,632,977	13,306,013	1,326,964	10.0%
Deferred inflows of resources	<u>506,187</u>	<u>447,083</u>	<u>59,104</u>	13.2%
Net investment in capital assets	23,975,213	24,643,224	(668,011)	-2.7%
Restricted	6,327,611	5,577,178	750,433	13.5%
Unrestricted	<u>2,927,885</u>	<u>2,090,250</u>	<u>837,635</u>	40.1%
Total net position	<u>\$ 33,230,709</u>	<u>\$ 32,310,652</u>	<u>\$ 920,057</u>	2.8%

The table on the previous page is a condensed version of the Statement of Net Position. It is comparative with fiscal year 2019, however, users should note that the 2019 financial statements have been restated due to the reasons discussed in Note 16 in the notes to the basic financial statements.

For assets, the biggest change was a \$2.1 million increase (6.4%) in net capital assets. This was a combination of \$4.5 million in new capital asset construction and acquisitions (mostly at the City airport), \$2.2 million in depreciation expense, and \$769k of asset dispositions during the year.

Of these new capital assets, \$823k was financed with new long-term lease obligations, and a further \$1.9 million was financed with general obligation bonds. During the year, \$1.7 million of existing debt was paid down in accordance with debt amortization schedules, and, thus, net long-term debt from bonds and leases increased by approximately \$1.1 million. The rest of the increase in long-term liabilities from the prior year to the current year is related to accrued compensated absences and pension and other post-employment benefits (OPEB) obligations.

Pensions and other post-employment benefit (OPEB) obligations have a significant impact on the City's overall net position. The City does not manage the pension or OPEB assets and their valuations are subject to actuarial calculations and several assumptions and estimates (as discussed in the notes to the basic financial statements). In total, deferred inflows of resources, deferred outflows of resources, and net liabilities related to pensions and OPEB have a \$1.8 million unfavorable effect on the City's net position. That is, absent pension and OPEB obligations, the City's ending net position would be \$1.8 million higher than it is.

Regardless, the City ended the year with total net position of \$33.2 million, of which was an unrestricted net position of \$2.9 million, an increase of \$673k from the year before. Net investment in capital assets decreased by \$668k because of the new issuances of debt, and restricted net position increased by \$750k.

The table on the following page is a condensed version of the Statement of Activities. Overall, revenues were up by 4.5% in 2020 compared to 2019. Most of this increase was in intergovernmental grants not specified for any program, which increased by \$805k. All other revenue lines were relatively unchanged from the prior year.

On the expense side, expenses were up by 3.9% compared to 2019. Here, the largest increase was in the general government line which increased by 45.6%, or \$1,2 million. The public works and airport lines, however, had significant decreases which helped to offset the general government increases.

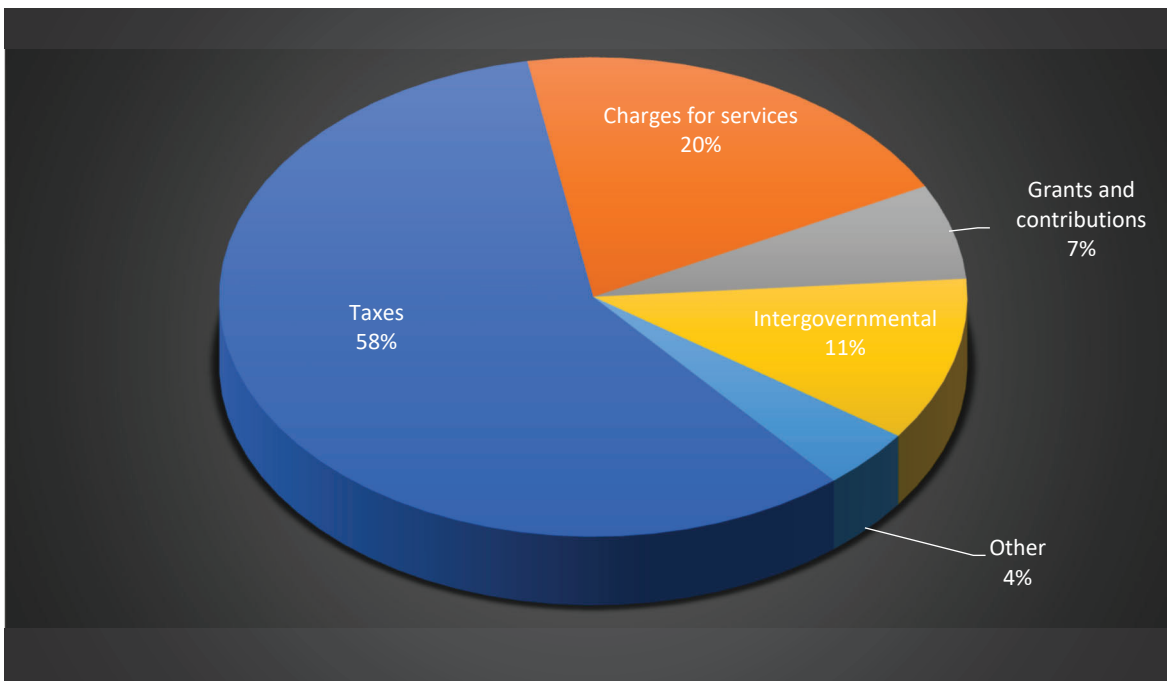
All told, the City had \$755k more in total revenues than in expenses for 2020 resulting in a net increase in the City's net position year over year. This is compared to a \$609k net increase in net position for 2019.

The pie charts on the following two pages depict each revenue source's share of total revenue, and each expense type's share of total expenses. For revenues, taxes, obviously, is the largest share of revenues at 58% of total revenues, while charges for services is the second largest source at 20% of total revenues. For expenses, Education takes up the largest share at 28% of total City expenses, while Public Safety and General Government are second and third at 23% and 21%, respectively, of all expenses.

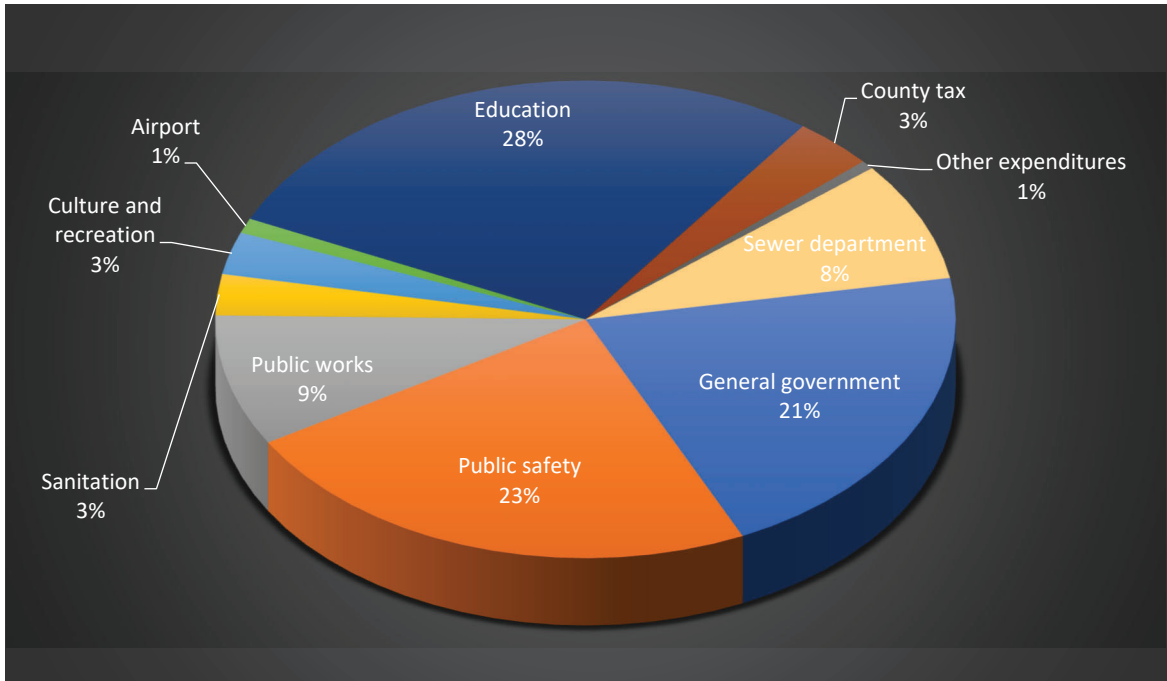
**Condensed Statements of Activities
For the Years Ended June 30, 2020 and 2019**

	2020	2019	\$ Change	% Change
Taxes	\$ 11,357,094	\$ 11,334,264	\$ 22,830	0.2%
Charges for services	3,933,330	3,914,333	18,997	0.5%
Grants and contributions	1,254,100	1,224,536	29,564	2.4%
Intergovernmental	2,151,360	1,346,361	804,999	59.8%
Other	<u>789,114</u>	<u>819,727</u>	<u>(30,613)</u>	-3.7%
Total revenues	<u>19,484,998</u>	<u>18,639,221</u>	<u>845,777</u>	4.5%
General government	3,896,535	2,676,673	1,219,862	45.6%
Public safety	4,374,900	3,957,617	417,283	10.5%
Public works	1,663,696	2,116,748	(453,052)	-21.4%
Sanitation	519,543	471,983	47,560	10.1%
Culture and recreation	537,513	626,356	(88,843)	-14.2%
Airport	188,369	607,491	(419,122)	-69.0%
Education	5,259,582	5,202,654	56,928	1.1%
County tax	657,253	624,067	33,186	5.3%
Other expenditures	109,248	95,407	13,841	14.5%
Sewer department	<u>1,522,647</u>	<u>1,650,971</u>	<u>(128,324)</u>	-7.8%
Total expenses	<u>18,729,286</u>	<u>18,029,967</u>	<u>699,319</u>	3.9%
Change in net position	<u>\$ 755,712</u>	<u>\$ 609,254</u>	<u>\$ 146,458</u>	24.0%

Revenues by Source



Expenses by Category



Financial Analysis of the City’s Major Funds

The General Fund is the City’s primary fund to account for a majority of the current financial resources of the City. It had total revenues and other financing sources of over \$21.3 million in fiscal year 2020 – up from \$17.3 million in fiscal year 2019. The majority of this increase was due to more than \$2.7 million in proceeds from new capital leases and general obligation bonds. Its total expenditures and transfers out for 2020 totaled just under \$20.6 million, down by about \$2.9 million from 2019. Here too, the majority of the reason was due to the capital asset outlays that the new lease and bond issuances were used to pay for. Thus, overall, the increase in fund balance for 2020 was \$810k, which is about a \$1.0 million change from 2019’s \$241k decrease in fund balance.

The General Fund’s fund balance ended the year at \$3.2 million. Of this balance, \$70k is considered *nonspendable* because it is not in a spendable form. Another \$942k is considered *assigned* because it is the amount being carried forward by management for expenditure in fiscal year 2021. The remaining \$2.2 million is *unassigned* and can be used in future years by the City for any governmental purpose.

On a budgetary basis, the General Fund’s expenditures came in under budget by just under \$2.1 million for the year. Added to that were revenues and other financing sources came in above estimates by \$466k. Thus, combined, there was a net variance of over \$2.1 million between the City’s final budgeted deficit of \$1.3 million and its actual budgetary-basis surplus of \$810k.

The City’s original budget was a balanced budget where estimated resource inflows matched budgeted resource outflows of just over \$17 million. During the year, however, uses of reserves and proceeds from bonds and leases adjusted the estimated inflows and outflows so that there would be a budgeted deficit of \$1.3 million. Actual results, however, were that there was a surplus of \$810k (\$810k), mostly due to the various departments coming in well under budget for expenditures.

The City's other major governmental fund is the Capital Reserves fund, which maintains funds for a number of future capital projects. During the year, revenues to the fund totaled \$163k and transfers in from the general fund were \$583k. The fund transferred out \$781k back to the general fund to cover the expenditures of various capital projects. The fund started the year with just under \$3.3 million and ending the year with just under \$3.2 million in fund balance.

The City's only proprietary fund is an enterprise fund for sewer operations. Sewer fees designed to cover the cost of operations as well as capital investment in sewer facilities, equipment, and infrastructure. For 2020, the sewer had total operating revenues of just under \$1.4 million, which was up by only about \$50k from the prior year. Operating expenses, however, were down by about \$120k compared to 2019, coming in at just under \$1.4 million as well. Thus, net operating loss for the year was \$23k, which was less of a net loss than 2019's \$184k net operating loss. Overall, the 2020 change in net position for the sewer fund was a reduction of \$135k, ending the year with a net position of about \$7.3 million.

Capital Assets

The City's net capital assets for all activities (governmental and business-type) totaled \$35.2 million at year end 2020. This is a net increase of \$2.1 million from the prior year. This net increase was a combination of new asset constructions and acquisitions totaling \$4.5 million (of which \$2.2 million was added to the City's airport), disposition of assets totaling \$769k, and depreciation expense of \$2.2 million.

Net Capital Assets				
As of June 30, 2020 and 2019				
	2020	2019	\$ Change	% Change
Land	\$ 1,652,362	\$ 1,601,546	\$ 50,816	3.2%
Construction in progress	3,881,426	3,728,943	152,483	
Land improvements	1,483,344	1,537,672	(54,328)	-3.5%
Buildings and improvements	10,393,512	8,609,604	1,783,908	20.7%
Furniture and fixtures	5,085	11,446	(6,361)	-55.6%
Machinery and equipment	2,329,372	2,373,776	(44,404)	-1.9%
Vehicles	1,867,151	1,526,039	341,112	22.4%
Infrastructure	13,562,885	13,669,336	(106,451)	-0.8%
Totals	<u>\$ 35,175,137</u>	<u>\$ 33,058,362</u>	<u>\$ 2,116,775</u>	6.4%

Debt

During the year, the City issued \$1.9 million in new general obligation bonds and paid down \$1.3 million of principal, ending the year with \$10.2 million of outstanding bonds. Additionally, during the year, the City entered into \$823k of new capital lease obligations, and paid down \$363k on those lease obligations, ending the year with just over \$1.0 million of outstanding lease obligations.

Other types of long-term liabilities for the City include accrued compensated absences and pension and OPEB obligations. These balances vary from year to year based on factors that are generally outside the control of management. Combined, these obligations were \$2.7 million at year end.

**Outstanding Bonds and Leases
As of June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 10,186,897	\$ 9,529,043	\$ 657,854	6.9%
Capital lease obligations	<u>1,013,026</u>	<u>553,945</u>	<u>459,081</u>	82.9%
Total	<u>\$ 11,199,923</u>	<u>\$ 10,082,988</u>	<u>\$ 1,116,935</u>	11.1%

Currently Known Facts, Decisions, and Conditions

Currently, there are no known facts, decisions, or conditions that are expected to have a significant effect on the financial position (net position) or results of operations (revenues, expenses, and other changes in net position).

Requests for Information

The financial report is designed to provide our citizens and other stakeholders with a general overview of the City's finances. If you have questions about this report or need any additional information concerning these financial reports, contact the Finance Department, Attn: Finance Director, 265 Main Street, Old Town, Maine 04468, telephone 207-827-3965.

Statement of Net Position

Statement 1

As of June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,473,781	\$ 1,092,797	\$ 4,566,578
Investments	4,445,371	-	4,445,371
Receivables, net	1,599,872	527,316	2,127,188
Inventories and prepaids	46,139	-	46,139
Interactivity balances	(21,404)	21,404	-
<i>Total current assets</i>	9,543,759	1,641,517	11,185,276
Land	1,472,935	179,427	1,652,362
Construction in progress	-	3,881,426	3,881,426
Depreciable capital assets	36,135,298	16,874,722	53,010,020
Accumulated depreciation	(13,285,798)	(10,082,873)	(23,368,671)
<i>Total capital assets, net of depreciation</i>	24,322,435	10,852,702	35,175,137
Due from RSU # 34	1,317,226	-	1,317,226
Total Assets	35,183,420	12,494,219	47,677,639
Deferred Outflows of Resources			
Pensions and other post-employment benefits	638,943	53,291	692,234
Liabilities			
Accounts payable	319,558	17,376	336,934
Accrued wages and other current liabilities	259,758	20,040	279,798
Accrued interest	73,936	29,461	103,397
Bonds, loans, and leases - due within one year	1,436,329	407,350	1,843,679
<i>Total current liabilities</i>	2,089,581	474,227	2,563,808
Accrued compensated absences	635,043	54,661	689,704
Bonds, loans, and leases - due beyond one year	4,793,325	4,562,919	9,356,244
Pensions and other post-employment benefits	1,861,776	161,445	2,023,221
<i>Total non-current liabilities</i>	7,290,144	4,779,025	12,069,169
Total Liabilities	9,379,725	5,253,252	14,632,977
Deferred Inflows of Resources			
Taxes collected in advance	39,121	-	39,121
Pensions and other post-employment benefits	431,725	35,341	467,066
Total Deferred Inflows of Resources	470,846	35,341	506,187
Net Position			
Net investment in capital assets	18,092,781	5,882,433	23,975,214
Restricted	5,319,225	1,008,386	6,327,611
Unrestricted	2,559,786	368,098	2,927,884
Total Net Position	\$ 25,971,792	\$ 7,258,917	\$ 33,230,709

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

Statement of Activities
For the Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues			Net Program (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General government	\$ 3,896,535	\$ 1,580,168	\$ 148,330	\$ -	\$ (2,168,037)	\$ -	\$ (2,168,037)
Public safety	4,374,900	804,120	50,999	-	(3,519,781)	-	(3,519,781)
Public works	1,663,696	-	-	119,494	(1,544,202)	-	(1,544,202)
Sanitation	519,543	-	-	-	(519,543)	-	(519,543)
Culture and recreation	537,513	6,770	1,509	-	(529,234)	-	(529,234)
Airport	188,369	171,076	-	933,768	916,475	-	916,475
Education	5,259,582	-	-	-	(5,259,582)	-	(5,259,582)
County tax	657,253	-	-	-	(657,253)	-	(657,253)
Other expenditures	109,248	-	-	-	(109,248)	-	(109,248)
Total governmental activities	17,206,639	2,562,134	200,838	1,053,262	(13,390,405)	-	(13,390,405)
Business-type Activities							
Sewer department	1,522,647	1,371,196	-	-	-	(151,451)	(151,451)
Total Primary Government	\$ 18,729,286	\$ 3,933,330	\$ 200,838	\$ 1,053,262	(13,390,405)	(151,451)	(13,541,856)
		General Revenues					
		Property taxes			9,838,480	-	9,838,480
		Excise taxes			1,518,614	-	1,518,614
		Intergovernmental			2,151,360	-	2,151,360
		Other revenues			773,242	15,872	789,114
		Total general revenues			14,281,696	15,872	14,297,568
		Change in Net Position			891,291	(135,579)	755,712
		Beginning Net Position, restated			25,080,501	7,394,496	32,474,997
		Ending Net Position			\$ 25,971,792	\$ 7,258,917	\$ 33,230,709

Balance Sheet

Statement 3

Governmental Funds

As of June 30, 2020

	General Fund	Capital Reserves Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,473,781	\$ -	\$ -	\$ 3,473,781
Investments	2,296,260	-	2,149,111	4,445,371
Taxes receivable, net	501,494	-	-	501,494
Miscellaneous receivables, net	1,098,378	-	-	1,098,378
Inventories and prepaids	46,139	-	-	46,139
Due from other funds	25,628	3,195,742	-	3,221,370
Total Assets	\$ 7,441,680	\$ 3,195,742	\$ 2,149,111	\$ 12,786,533
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 271,130	\$ -	\$ -	271,130
Payable to other governments	48,428	-	-	48,428
Accrued wages	257,591	-	-	257,591
Other current liabilities	2,167	-	-	2,167
Due to other funds	3,217,146	-	25,628	3,242,774
Total liabilities	3,796,462	-	25,628	3,822,090
Deferred Inflows of Resources				
Unavailable property taxes	435,419	-	-	435,419
Taxes collected in advance	39,121	-	-	39,121
Total deferred inflows of resources	474,540	-	-	474,540
Fund Balances				
Nonspendable	69,614	-	-	69,614
Restricted	-	3,195,742	2,123,483	5,319,225
Committed	-	-	-	-
Assigned	941,555	-	-	941,555
Unassigned	2,159,509	-	-	2,159,509
Total fund balances	3,170,678	3,195,742	2,123,483	8,489,903
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,441,680	\$ 3,195,742	\$ 2,149,111	\$ 12,786,533

**Reconciliation of Total Governmental Fund Balances to the
Net Position of Governmental Activities**

Statement 4

As of June 30, 2020

Total governmental fund balances, per Statement 3	\$ 8,489,903
<p>Capital assets are not financial resources and, therefore, are not reported in the governmental funds. They are, however, economic resources of governmental activities and are reported in the Statement of Net Position.</p>	
Net capital assets	24,322,435
<p>Long-term receivables from RSU #34 are not financial resources and, therefore, are not reported in the governmental funds. They are, however, economic resources of governmental activities and are reported in the Statement of Net Position.</p>	
Due from RSU #34	1,317,226
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. They are, however, economic liabilities of governmental activities and are reported in the Statement of Net Position.</p>	
Accrued interest	(73,936)
Accrued compensated absences	(635,043)
Bonds, loans, and leases	(6,229,654)
<p>Balances related to pensions and OPEB are not current financial resources or obligations and are, therefore, not reported in the governmental funds. They are, though, considered economic resources and obligations of governmental activities.</p>	
Deferred outflows of resources for pensions and OPEB	638,943
Deferred inflows of resources for pensions and OPEB	(1,861,776)
Net pension and OPEB liabilities	(431,725)
<p>Taxes that are not expected to be collected within 60 days of the end of the fiscal year and reported as deferred inflows of resources in the governmental funds. They are not, however, considered deferred inflows of resources for governmental activities.</p>	
Unavailable property taxes	<u>435,419</u>
Net position of governmental activities, per Statement 1	<u>\$ 25,971,792</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances

Statement 5

Governmental Funds

For the Year Ended June 30, 2020

	General Fund	Capital Reserves Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 9,854,965	\$ -	\$ -	\$ 9,854,965
Excise taxes	1,518,614	-	-	1,518,614
Charges for services	2,562,134	-	-	2,562,134
Licenses, permits, and fees	175,181	-	-	175,181
Intergovernmental	3,302,044	103,416	-	3,405,460
Investment income	191,981	228	83,300	275,509
Other revenues	250,286	59,315	9,166	318,767
Total revenues	<u>17,855,205</u>	<u>162,959</u>	<u>92,466</u>	<u>18,110,630</u>
Expenditures				
General government	3,410,727	-	-	3,410,727
Public safety	4,504,349	-	-	4,504,349
Public works	2,405,785	-	-	2,405,785
Sanitation	519,543	-	-	519,543
Culture and recreation	578,806	-	-	578,806
Airport	2,500,207	-	-	2,500,207
Education	5,401,782	-	-	5,401,782
County tax	657,253	-	-	657,253
Other expenditures	-	67,368	41,880	109,248
Total expenditures	<u>19,978,452</u>	<u>67,368</u>	<u>41,880</u>	<u>20,087,700</u>
Revenue Surplus (Deficit)	(2,123,247)	95,591	50,586	(1,977,070)
Other Financing Sources (Uses)				
Transfers in	780,985	583,419	-	1,364,404
Transfers out	(583,419)	(780,985)	-	(1,364,404)
Proceeds from bonds and leases	2,732,376	-	-	2,732,376
Proceeds from sales of assets	3,785	-	-	3,785
Net other financing sources (uses)	<u>2,933,727</u>	<u>(197,566)</u>	<u>-</u>	<u>2,736,161</u>
Net Change in Fund Balances	810,480	(101,975)	50,586	759,091
Beginning Fund Balances, restated	<u>2,360,198</u>	<u>3,297,717</u>	<u>2,072,897</u>	<u>7,730,812</u>
Ending Fund Balances	<u>\$ 3,170,678</u>	<u>\$ 3,195,742</u>	<u>\$ 2,123,483</u>	<u>\$ 8,489,903</u>

Reconciliation of Net Change in Fund Balances of Governmental Funds to the Change in Net Position of Governmental Activities

Statement 6

For the Year Ended June 30, 2020

Net change in fund balances of governmental funds, per Statement 5 \$ 759,091

Capital assets acquired during the year are reported as expenditures in the governmental funds, but are not reported as expenses of governmental activities. Instead, they are reported as increases in capital assets in the Statement of Net Position. Conversely, depreciation of capital assets is not an expenditure in the governmental funds, but is reported an expense of governmental activities.

Capital asset acquisitions	4,039,451
Depreciation expense	(1,736,981)

Issuance of new debt is reported as an other financing source in the governmental funds, but is not reported as revenue for governmental activities. Instead, it is reported as increases in long-term debt in the Statement of Net Position. Similarly, repayment of debt principal is reported as an expenditure in the governmental funds, but is not reported as expenses of governmental activities. Instead, it is reported as a reduction in long-term debt in the Statement of Net Position.

Proceeds from bonds and leases	(2,732,376)
Principal payments on bonds and leases	823,734

Changes related to net pension liability, net OPEB liability, and the related deferred inflows and outflows for pensions and OPEB are not recognized as current flows of resources in the the governmental funds, but are recognized as adjustments to expenses of governmental activities.

Change in balances related to pensions	(133,439)
Change in balances related to OPEB	4,524

Taxes not collected within sixty days after year end are not considered available financial resources and, therefore, not reported as revenue in the governmental funds. However, they are reported as revenue in the Statement of Activities.

Change in unavailable property taxes	(16,485)
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Certain expenses and expense adjustments 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.

Change in accrued interest expense	(29,284)
Change in accrued compensated absences	(86,944)

Change in net position of governmental activities, per Statement 2 \$ 891,291

Statement of Net Position

Statement 7

Proprietary Funds

As of June 30, 2020

	<u>Sewer Fund</u>
Assets	
Cash and cash equivalents	\$ 1,092,797
Accounts receivables, net	478,800
Short term notes receivable, net	48,516
Due from other funds	<u>21,404</u>
<i>Total current assets</i>	1,641,517
Land	179,427
Construction in progress	3,881,426
Depreciable capital assets	16,874,722
Accumulated depreciation	<u>(10,082,873)</u>
<i>Total capital assets, net of depreciation</i>	<u>10,852,702</u>
Total Assets	12,494,219
Deferred Outflows of Resources	
Pensions and othe post-employment benefits	53,291
Liabilities	
Accounts payable	17,376
Accrued wages	20,040
Accrued interest	29,461
Long-term debt - due within one year	<u>407,350</u>
<i>Total current liabilities</i>	474,227
Accrued compensated absences	54,661
Long-term debt - due beyond one year	4,562,919
Pensions and other post-employment benefits	<u>161,445</u>
<i>Total non-current liabilities</i>	<u>4,779,025</u>
Total Liabilities	5,253,252
Deferred Inflows of Resources	
Pensions and other post-employment benefits	<u>35,341</u>
Net Position	
Net investment in capital assets	5,882,433
Restricted	1,008,386
Unrestricted	<u>368,098</u>
Total Net Position	<u>\$ 7,258,917</u>

Statement of Revenues, Expenses, and Changes in Net Position

Statement 8

Proprietary Funds

For the Year Ended June 30, 2020

	<u>Sewer Fund</u>
Operating Revenues	
Service charges	\$ 1,347,158
Fees, permits, and other operating revenue	<u>24,038</u>
<i>Total operating revenues</i>	1,371,196
Operating Expenses	
Administration	578,191
Repairs, maintenance, and small equipment	125,200
Water treatment facility	155,783
Sludge disposal	61,675
Depreciation	<u>473,177</u>
<i>Total operating expenses</i>	<u>1,394,026</u>
Net Operating Loss	(22,830)
Non-Operating Revenues (Expenses)	
Interest income	11,367
Other non-operating revenue	4,505
Interest expense	<u>(128,621)</u>
<i>Net non-operating expenses</i>	<u>(112,749)</u>
Change in Net Position	(135,579)
Beginning Net Position, restated	<u>7,394,496</u>
Ending Net Position	<u>\$ 7,258,917</u>

Statement of Cash Flows

Statement 9

Proprietary Funds

For the Year Ended June 30, 2020

	<u>Sewer Fund</u>
Cash Flows from Operating Activities	
Cash received from customers for services	\$ 1,714,985
Cash paid to suppliers for goods and services	(503,419)
Cash paid to employees for wages and benefits	<u>(420,389)</u>
<i>Net cash provided by operating activities</i>	791,177
Cash Flows from Capital and Related Financing Activities	
Repayment of long-term debt	(407,350)
Interest payments	(132,474)
Capital outlays	<u>(287,482)</u>
<i>Net cash used in capital and related financing activities</i>	(827,306)
Cash Flows from Investing Activities	
Receipt of interest	11,367
Other cash inflows	<u>4,505</u>
<i>Net cash provided by investing activities</i>	<u>15,872</u>
Net Increase in Cash	(20,257)
Beginning Cash and Cash Equivalents	<u>1,113,054</u>
Ending Cash and Cash Equivalents	<u>\$ 1,092,797</u>

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities

Net Operating Income	\$ (22,830)
Non-Cash Items in Net Operating Income	
Depreciation expense	473,177
Changes in Operating Assets and Liabilities	
(Increase) decrease in:	
Accounts and other receivables	343,789
(Decrease) increase in:	
Accounts payable	(23,974)
Accrued wages	<u>21,015</u>
Net Cash Provided By Operating Activities	<u>\$ 791,177</u>

Note 1: Summary of Significant Accounting Policies**The Reporting Entity**

The City of Old Town (the “City”) was incorporated on March 30, 1891 under the laws of the State of Maine. The City operates under a Council-Manager form of government and provides the following services: general government administration, public safety, public works, health and welfare, sanitation, airport, wastewater treatment, education, and library.

The City has one component unit, Old Town Development, LLC. Old Town Development is a legally separate organization that has its board appointed by the city council and whose sole member is the City. Therefore, the City reports Old Town Development’s balances and transactions as though they were a part of the City, using the blending method. Old Town Development is member managed.

Old Town Development was created in 2010 for purposes related to the promotion and facilitation of economic development within the City of Old Town, including, but not limited to, the application for and receipt of grant and/or other funds identified by the Managers and the disbursement of such funds, to own, hold, manage, develop, rehabilitate and/or lease land and buildings located in Old Town, Maine and for such other purposes reasonably related to or ancillary to the foregoing as approved by the Managers.

The accompanying basic financial statements present all accounts and operations of the City. Its accounting policies and financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), applicable to governmental entities, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the City’s significant accounting policies.

Basis of Presentation*Government-Wide Financial Statements*

The government-wide financial statements comprise the Statement of Net Position and the Statement of Activities and report information on all the non-fiduciary activities of the City.

The Statement of Net Position presents the financial condition of the *governmental activities* and *business-type activities* of the City as of the end of the fiscal year. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely primarily on fees for goods and services provided. The Statement of Activities presents the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that clearly identifiable with a specific function. Program revenue includes charges for services, operating grants and contributions that are restricted to meeting the operational requirements of a particular function, and capital grants and contributions. Revenue not categorized as program revenue is reported as general revenue. The comparison of program revenues and direct expenses identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues, and expenditures. The City currently presents two category of funds – *governmental funds* and *proprietary funds*.

Note 1: Summary of Significant Accounting Policies (Continued)

Major individual *governmental funds* are reported as separate columns in the fund financial statements. The City currently maintains the general fund and a capital projects fund as major funds. Remaining non-major governmental funds are aggregated and presented in an “other governmental funds” column. The City currently maintains several non-major permanent funds.

The *General Fund* is the operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Funds are used to account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes. In the fiscal year presented, the Capital Reserve Fund is the only capital projects fund presented and is used to account for the City’s various capital reserve accounts.

Permanent Funds are used to account for activities of the City where certain portion of net assets are intended to be maintained permanently, while the remainder of the net assets may be expended for specific activities. The City’s permanent funds are used to account for Cemetery and Library trust funds.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the statement of net assets. There are two types of proprietary funds: internal service funds and enterprise funds. The City’s only proprietary fund, the Sewer Fund, is an enterprise fund.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Sewer Fund is used to account for the operations of the wastewater treatment plant. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt for the sewer fund. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the fund.

Measurement Focus and Basis of Accounting

Measurement focus refers to which of the City’s resources are being measured. Basis of accounting refers to the timing of the measurements being made, regardless of the measurement focus being applied. That is, basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide financial statements and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. All economic resources and claims on those economic resources are measured, including fixed assets, other non-current assets, and long-term liabilities. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The current financial resources measurement focus excludes from measurement resources such as fixed assets, other non-current assets, and long-term liabilities. Under modified accrual accounting, revenues are recognized when they are both *measurable* and *available*. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due

Interfund Transactions

During the course of normal operations, transactions occur between individual funds. Interfund transactions are classified depending on the nature of the transaction.

Interfund loans are recorded as receivables and payables and are presented as “due from other funds” and “due to other funds,” respectively, on the balance sheets of the fund financial statements. For reporting purposes, current amounts due from and due to the same funds are offset and the net amounts are shown in the respective fund balance sheets. Non-fiduciary interfund loans are eliminated in the government-wide financial statements.

Interfund services provided and used are recorded as revenues in the fund providing the goods or services and as expenditures/expenses in the fund receiving the goods or services. Any unpaid amounts are recorded as receivables and payables and presented in the same manner as interfund loans.

Interfund transfers are flows of assets from one fund to another without equivalent flows of assets in return. Interfund transfers are recorded and are presented as “transfers in” and “transfers out” in the fund financial statements. In the governmental funds, these transfers are reported as other financing sources and uses.

Interfund reimbursements are repayments from funds responsible for particular expenditures/expenses to funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Cash

The City's cash consists of cash on hand and demand deposits.

Investments

Investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables

Accounts receivable include amounts due from local, county state, or federal governments. These intergovernmental receivables are generally collected within 90 days of the end of the fiscal year and are considered fully collectible. As such, no allowance for doubtful accounts is recorded for these types of receivables.

With regard to tax receivables, the City can lien real estate for delinquent real estate property taxes and are generally considered fully collectible. Liens, however, cannot be made against delinquent personal property taxes. Long-overdue personal property taxes are analyzed for their collectability and an allowance for uncollectible accounts is applied to their balance and charged to bad debt expenditures.

Inventories

Inventories of gasoline, diesel and aviation fuel in the general fund are valued at the lower of cost or market value.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements, if applicable. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are stated at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

General fixed assets capitalized have an original cost of \$5,000 or more and over one year of useful life. General infrastructure assets capitalized have an original cost of \$25,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight- line method over the following estimated useful lives in years:

Lamd improvements	20 - 75 years
Buildings and improvements	10 - 75 years
Furniture and fixtures	10 - 25 years
Machinery and equipment	5 - 50 years
Vehicles	3 - 25 years
Infrastructure	15 - 100 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures upon acquisition, not capitalized. Accordingly, depreciation of capital assets is not reported in the fund financial statements.

Accrued Compensated Absences

In the government-wide financial statements and proprietary fund financial statements, liabilities that are attributable to services already rendered are accrued as employees earn the rights to the benefits and are recognized in the period incurred. In the governmental fund financial statements, compensated absences are recognized as related payments come due each period. Pursuant to the terms of the personnel policies, vacation time and sick time is granted in varying amounts according to length of service.

Note 1: Summary of Significant Accounting Policies (Continued)**Long-Term Liabilities**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, proceeds from new debt issuances are presented as other financing sources and payments on debt principal are recorded as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position (government-wide financial statements) and Balance Sheet (fund financial statements) will sometimes report an additional financial statement element called *deferred outflows of resources*. This element represents a consumption of resources that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position (government-wide financial statements) and Balance Sheet (fund financial statements) will sometimes report an additional financial statement element called *deferred inflows of resources*. This element represents an acquisition of resources that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time.

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the City's pension liability, deferred outflows and deferred inflows related to pensions, and pension expense, information about the fiduciary net position of the MainePERS Participating Local Districts (PLD) Plan, and additions to/deductions from the pension plans' fiduciary net positions have been determined on the same basis as they are reported by the pension plans. For purposes of measuring the City's other post-employment benefits (OPEB) liability, deferred outflows and deferred inflows related to OPEB, and OPEB expense, information about the fiduciary net position of the MainePERS Group Life Insurance (GLI) Plan and the Maine Municipal Employees Health Trust (MMEHT) Plan (collectively, the OPEB plans) and additions to/deductions from the OPEB plans' fiduciary net positions have been determined on the same basis as they are reported by the OPEB plans.

For these purposes, the Pension Plan and the OPEB Plans recognize additions when earned and measurable, and deductions when due and payable in accordance with the terms of the statutes. In addition, an estimate is made for group life insurance death benefits incurred before year end but not reported to the GLI OPEB Plan until after year end. Investments of the plans are measured at fair value.

Due to timing differences between audited information about the plans becoming available from MainePERS and MMEHT and the statutorily required deadlines for audited financial statements for the City, the City uses measurement dates from the plans' account balances and activities that are 12 months (MainePERS) and 6 months (MMEHT) prior to the date of the Statement of Net Position. Appropriate adjustments are made to the Statement of Net Position and Statement of Activity to reflect these divergent measurement dates. The use of the different measurement date is allowed under GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Note 1: Summary of Significant Accounting Policies (Continued)

Components of Net Position

Net position in the government-wide Statement of Net Position is required to be classified into the following three components:

Net Investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Capital assets	\$ 58,543,808
Accumulated depreciation	(23,368,671)
Bonds and lease obligations	<u>(11,199,923)</u>
Net investment in capital assets	<u>\$ 23,975,214</u>

Restricted consists of constraints placed on the use of net position which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

Fund Balance

Fund balances in the governmental funds Balance Sheet are required to be classified into five components. Classifications are hierarchical and are based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The components of fund balance are:

Nonspendable includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

Restricted represents those portions of fund equity on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Committed describes the portion of the fund balance that represents resources of which use is constrained by limitations that the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned reflects the amounts constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed.

Unassigned represents amounts that are available for any purpose. The balance of the unassigned fund balance is available to help fund the operations of the subsequent fiscal year.

The City has no formal revenue spending policy for programs with multiple revenue sources. For expenditures where funds from more than one classification could be made, management makes the decision on a case-by-case basis.

Note 1: Summary of Significant Accounting Policies (Continued)**Revenue Recognition**

As described previously, the government-wide financial and fiduciary fund financial statements are reported on the accrual basis of accounting. Under this method, revenue is recognized in the period earned, regardless of the timing of cash flows. Property taxes and special assessments are recognized in the fiscal year for which they are certified for levy; penalties are recognized in the period assessed; interest is recognized in the period earned. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met. Charges for services and other exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are reported on the modified accrual basis of accounting. Under this method, revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes, special assessments, intergovernmental revenue, penalties, interest, and charges for services are susceptible to accrual, given the measurable and available requirement. Excise taxes, licenses, permits, fees, and miscellaneous revenue are not susceptible to accrual because they are not measurable until collected. Such revenue is recorded only when received.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses.

Note 2: Bank Deposits

Custodial credit risk of bank deposits is the risk that, in the event of the bank's failure, the City will not be able to recover the value of its deposits and investments that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk.

As of June 30, 2020, all of the City's deposits were either insured by the FDIC or were collateralized with securities held by the financial institutions, which were in the City's name.

Note 3: Investments

Maine statutes authorize the City to invest in certificates of deposit, repurchase agreements, and other available bank investments. Additionally, the City can invest in direct debt securities obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks and bonds and certificates of deposit.

Note 3: Investments (Continued)

Custodial Credit Risk: Custodial credit risk of investments is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments. The City does not have an investment policy for custodial credit risk. The City's investments are in money market funds, U.S. Agency notes, corporate bonds, stock mutual funds, and common stock, and are not exposed to custodial credit risk as the investments are in the City's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There is no concentration of credit risk policy for the City's investments. At June 30, 2020, there were no investments that represent five percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are excluded from this requirement.

Credit Risk: Credit risk of investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement.

Interest Rate Risk: Interest rate risk of investments is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City does not have a policy related to interest rate risk. The City is required to disclose the interest rate risk of its debt investments as follows:

	<u>Due in Less Than One Year</u>	<u>Due in One to Five Years</u>	<u>No Maturity</u>	<u>Total</u>
U.S. agency notes	\$ 250,781	\$ -	\$ -	\$ 250,781
Corporate bonds	246,392	1,287,798	135,255	1,669,445
Equities	-	-	1,322,949	1,322,949
Mutual funds	-	-	1,193,322	1,193,322
Real estate	-	-	8,874	8,874
Total	<u>\$ 497,173</u>	<u>\$ 1,287,798</u>	<u>\$ 2,660,400</u>	<u>\$ 4,445,371</u>

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments use Level 1 inputs

Note 4: Receivables

Receivable balances are segregated by type and presented in the financial statements net of allowance for uncollectible amounts. The following table disaggregates amounts by activity type and receivable type as of June 30, 2020:

	<u>Gross Receivables</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
<i>Governmental activities</i>			
Taxes receivable	\$ 501,494	\$ -	\$ 501,494
Accounts receivable	1,175,603	(100,700)	1,074,903
Loans Receivable	<u>25,467</u>	<u>(1,992)</u>	<u>23,475</u>
	1,702,564	(102,692)	1,599,872
<i>Business-type activities</i>			
Accounts receivable	551,800	(73,000)	478,800
Loans receivable	<u>53,516</u>	<u>(5,000)</u>	<u>48,516</u>
	<u>605,316</u>	<u>(78,000)</u>	<u>527,316</u>
Total	<u>\$ 2,307,880</u>	<u>\$ (180,692)</u>	<u>\$ 2,127,188</u>

Note 5: Interfund Balances and Transactions

Interfund balances among governmental funds and the proprietary fund at year end were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 25,628	\$ 3,217,146
Capital reserves fund	3,195,742	-
Other governmental funds	-	25,628
Sewer fund (proprietary)	<u>21,404</u>	<u>-</u>
	<u>\$ 3,242,774</u>	<u>\$ 3,242,774</u>

The City's central operating checking account for governmental funds is maintained in the General Fund. Thus, cash inflows and outflows in the other governmental funds creates interfund balances between them and the General Fund. The Sewer Fund maintains its own checking account and transacts most of its cash flows itself, but occasionally has interfund receivables or payables between it and the General Fund.

Interfund transactions for the year were limited to transfers between the General Fund and the Capital Reserves Fund. The General Fund transferred \$583,419 to the Capital Reserves Fund, representing amounts approved to be appropriated and added to the various reserve accounts. The Capital Reserves Fund, in turn, transferred \$780,985 to the General Fund, representing amounts expended out of the General Fund for which the various reserves were authorized to cover the cost of those outlays.

Note 6: Capital Assets

Capital asset activity of governmental activities for the year are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable Capital Assets				
Land	\$ 1,422,119	\$ 50,816	\$ -	\$ 1,472,935
Construction in process	134,999	-	(134,999)	-
Depreciable Capital Assets				
Land improvements	2,013,092	50,486	-	2,063,578
Buildings and improvements	9,526,186	2,199,187	-	11,725,373
Furniture and fixtures	88,768	-	-	88,768
Machinery and equipment	3,017,340	457,654	(153,468)	3,321,526
Vehicles	3,760,000	819,854	(480,927)	4,098,927
Infrastructure	<u>14,240,673</u>	<u>596,453</u>	<u>-</u>	<u>14,837,126</u>
Gross capital assets	34,203,177	4,174,450	(769,394)	37,608,233
Less: Accumulated Depreciation				
Land improvements	475,420	104,814	-	580,234
Buildings	3,346,538	281,094	-	3,627,632
Furniture and fixtures	77,322	6,361	-	83,683
Machinery and equipment	2,346,623	245,047	(153,468)	2,438,202
Vehicles	2,274,666	467,386	(480,927)	2,261,125
Infrastructure	<u>3,662,643</u>	<u>632,279</u>	<u>-</u>	<u>4,294,922</u>
Total accumulated depreciation	<u>12,183,212</u>	<u>1,736,981</u>	<u>(634,395)</u>	<u>13,285,798</u>
Net capital assets	<u>\$ 22,019,965</u>	<u>\$ 2,437,469</u>	<u>\$ (134,999)</u>	<u>\$ 24,322,435</u>

Depreciation expense of governmental activities was charged as a direct expense to programs as follows:

General government	\$ 840,498
Public safety	494,712
Public works	214,638
Culture and recreation	45,425
Airport	<u>141,708</u>
Total	<u>\$ 1,736,981</u>

Depreciation expense for business-type activities was \$473,177.

Note 7: Long-term Liabilities

Activity of the City's general obligation bonds during the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<i>Governmental activities</i>				
2002 public improvement bond	\$ 500,000	\$ -	\$ (125,000)	\$ 375,000
2002 school construction bond	2,263,240	-	(565,810)	1,697,430
2009 city hall bond	775,939	-	(70,539)	705,400
2016 road bond	612,245	-	(122,449)	489,796
2019 road bond	-	530,000	-	530,000
2019 border protection bond	-	<u>1,419,000</u>	-	<u>1,419,000</u>
	4,151,424	1,949,000	(883,798)	5,216,626
<i>Business-type activities</i>				
2002 treatment facility bond	450,000	-	(150,000)	300,000
2003 treatment facility bond	162,500	-	(32,500)	130,000
2003 treatment facility bond	928,571	-	(71,428)	857,143
2007 treatment facility bond	522,285	-	(32,642)	489,643
2016 street project bond	405,230	-	(16,884)	388,346
2017 street project bond	1,259,033	-	(44,964)	1,214,069
2018 pump station bond	<u>1,650,000</u>	-	<u>(58,929)</u>	<u>1,591,071</u>
	<u>5,377,619</u>	-	<u>(407,347)</u>	<u>4,970,272</u>
Total	<u>\$ 9,529,043</u>	<u>\$ 1,949,000</u>	<u>\$ (1,291,145)</u>	<u>\$ 10,186,898</u>

Outstanding bonds for governmental activities were:

Public improvement bond, held by the Maine Municipal Bond Bank, issued in May 2002 for \$2,500,000. It carries a variable interest rate from 3.05% to 5.25%, with annual principal payments of \$125,000 due in November, and semi-annual interest payments due in May and November. The bond matures in November 2022. The portion of principal that is due to be paid within one year is \$125,000.

School construction bond, held by the Maine Municipal Bond Bank, issued in May 2002 for \$11,316,198. It carries a variable interest rate from 3.05% to 5.25%, with annual principal payments of \$565,810 due in November, and semi-annual interest payments due in May and November. The bond matures in November 2022. The portion of principal that is due to be paid within one year is \$565,810.

City hall bond, held by Bangor Savings Bank, issued in September 2009 for \$1,410,825. It carries a variable interest rate from 2.91% to 3.70%, with annual principal payments of \$70,540 due in September, and semi-annual interest payments due in March and September. The bond matures in September 2029. The portion of principal that is due to be paid within one year is \$70,540.

Road bond, held by Bangor Savings Bank, issued in May 2016 for \$1,000,000. It carries an interest rate of 2.15%, with annual principal payments of \$122,449 due in November, and semi-annual interest payments due in May and November. The bond matures in November 2023. The portion of principal that is due to be paid within one year is \$122,449.

Note 7: Long-term Liabilities (Continued)

Road bond, held by Bangor Savings Bank, issued in November 2019 for \$530,000. It carries an interest rate of 2.70%, with annual principal payments of \$106,000 due in November, and semi-annual interest payments due in May and November. The bond matures in November 2024. The portion of principal that is due to be paid within one year is \$106,000.

Border protection bond, held by Camden National Bank, issued in November 2019 for \$1,419,000. It carries an interest rate of 4.89%, with annual principal payments of \$100,000 due in November, and semi-annual interest payments due in May and November. The bond matures in November 2034. The portion of principal that is due to be paid within one year is \$100,000.

Outstanding bonds for business-type activities were:

Treatment facility bond, held by Maine Municipal Bond Bank, issued in May 2002 for \$3,000,000. It carries an interest rate of 2.38%, with annual principal payments of \$150,000 plus interest due in May. The bond matures in May 2022. The portion of principal that is due to be paid within one year is \$150,000.

Treatment facility bond, held by Maine Municipal Bond Bank, issued in November 2003 for \$1,525,290. It carries an interest rate of 1.60%, with annual principal payments of \$32,500 plus interest due in October. The bond matures in October 2023. The portion of principal that is due to be paid within one year is \$32,500.

Treatment facility bond, held by the USDA Rural Development, issued in July 2003 for \$2,000,000. It carries an interest rate of 4.25%, with annual principal payments of \$71,429 due in July, and semi-annual interest payments due in January and July. The bond matures in July 2031. The portion of principal that is due to be paid within one year is \$71,429.

Treatment facility bond, held by the USDA Rural Development, issued in March 2007 for \$914,000. It carries an interest rate of 4.125%, with annual principal payments of \$32,643 due in March, and semi-annual interest payments due in March and September. The bond matures in March 2035. The portion of principal that is due to be paid within one year is \$32,643.

Street project bond, held by the USDA Rural Development, issued in December 2016 for \$439,000. It carries an interest rate of 1.375%, with annual principal payments of \$16,885 due in December, and semi-annual interest payments due in June and December. The bond matures in December 2042. The portion of principal that is due to be paid within one year is \$16,885.

Street project bond, held by the USDA Rural Development, issued in November 2017 for \$1,304,000. It carries an interest rate of 1.875%, with annual principal payments of \$44,966 due in November, and semi-annual interest payments due in May and November. The bond matures in November 2046. The portion of principal that is due to be paid within one year is \$44,966.

Pump station bond, held by the USDA Rural Development, issued in November 2018 for \$1,650,000. It carries an interest rate of 1.75%, with annual principal payments of \$58,929 due in November, and semi-annual interest payments due in May and November. The bond matures in November 2046. The portion of principal that is due to be paid within one year is \$58,929.

Total interest expense for the year was \$168,423 on governmental activities bonds, and \$246,293 on business-type activities bonds.

Note 7: Long-term Liabilities (Continued)

Future maturities of governmental activities bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
Fiscal Year 2021	\$ 1,089,799	\$ 233,902	\$ 1,323,701
Fiscal Year 2022	1,089,799	150,502	1,240,301
Fiscal Year 2023	1,089,799	101,797	1,191,596
Fiscal Year 2024	398,989	71,226	470,215
Fiscal Year 2025	276,540	60,105	336,645
Fiscal Years 2026-2030	852,700	189,229	1,041,929
Fiscal Years 2031-2034	<u>419,000</u>	<u>43,301</u>	<u>462,301</u>
Totals	<u>\$ 5,216,626</u>	<u>\$ 850,062</u>	<u>\$ 6,066,688</u>

Future maturities of business-type activities bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
Fiscal Year 2021	\$ 407,350	\$ 229,225	\$ 636,575
Fiscal Year 2022	407,350	212,158	619,508
Fiscal Year 2023	257,350	195,090	452,440
Fiscal Year 2024	257,350	181,593	438,943
Fiscal Year 2025	224,850	168,095	392,945
Fiscal Years 2026-2030	1,124,251	645,813	1,770,064
Fiscal Years 2031-2035	909,965	348,697	1,258,662
Fiscal Years 2036-2040	603,894	190,833	794,727
Fiscal Years 2041-2045	570,124	86,435	656,559
Fiscal Years 2046-2047	<u>207,785</u>	<u>7,497</u>	<u>215,282</u>
Totals	<u>\$ 4,970,269</u>	<u>\$ 2,265,436</u>	<u>\$ 7,235,705</u>

As of July 1, 2009, the City of Old Town School Department joined Regional School Unit (RSU) #34. As part of the agreement, certain liabilities of the school department were transferred to RSU #34, except for general obligation bonds which remain obligations of the City of Old Town. RSU #34 is obligated to reimburse the City for the annual debt service payments on the school-related bonds of \$1,697,430. This obligation has been recorded as a long-term receivable from RSU #34 on the entity wide statement of net position

Other long-term liabilities include capital lease obligations, accrued compensated absences, net pension obligations, and net other post-employment benefits obligations.

Capital leases are for equipment and vehicles. Amortization expense of \$219,983 was incurred during the year and was included with depreciation expense. The gross cost of leased assets is \$1,455,570 and is included in the capital assets of governmental activities as machinery and equipment (\$116,300) and vehicles (\$1,339,270), and have accumulated depreciation totaling \$334,643.

Interest expense on capital lease obligations totaled \$19,609 for the year.

Note 7: Long-term Liabilities (Continued)

Future minimum lease payments of capital lease obligations are as follows:

Fiscal Year 2021	\$ 379,179
Fiscal Year 2022	341,821
Fiscal Year 2023	186,906
Fiscal Year 2024	88,076
Fiscal Year 2025	<u>88,076</u>
Total future minimum payments	1,084,058
Less: Amounts representing interest	<u>71,030</u>
Present value of future minimum payments	1,013,028
Less: Current portion of lease obligations	<u>346,530</u>
Non-current portion of lease obligations	<u><u>\$ 666,498</u></u>

The changes in other long-term liabilities for the fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<i>Governmental activities</i>				
Capital leases	\$ 553,945	\$ 822,542	\$ (363,459)	\$ 1,013,028
Accrued compensated absences	548,099	86,944	-	635,043
Pensions	1,133,367	133,805	-	1,267,172
Other post-employment benefits	<u>541,819</u>	<u>52,785</u>	-	<u>594,604</u>
	2,777,230	1,096,076	(363,459)	3,509,847
<i>Business-type activities</i>				
Accrued compensated absences	48,262	6,399	-	54,661
Pensions	91,156	4,222	-	95,378
Other post-employment benefits	<u>61,948</u>	<u>4,119</u>	-	<u>66,067</u>
	<u>201,366</u>	<u>14,740</u>	-	<u>216,106</u>
Total	<u><u>\$ 2,978,596</u></u>	<u><u>\$ 1,110,816</u></u>	<u><u>\$ (363,459)</u></u>	<u><u>\$ 3,725,953</u></u>

Note 8: Tax Increment Financing Districts

The City currently has three (3) approved tax increment financing (TIF) districts. The objective of these TIF districts is to stimulate new investment in the community, through various tax increment financing projects. Taxes derived from increased assessed valuation within the districts can be "captured" for approved uses. The City accounts for its portion of the activity of the TIF districts, including captured taxes and expenditures for approved purposes, in a capital reserve fund. The following is a brief description of each district:

Note 8: Tax Increment Financing Districts (Continued)

Labree's Bakery TIF District: This district was established March 24, 2010, for a period of ten (10) years. This district comprises 10.53 acres within the City and has an Original Assessed Value (O.A.V) of \$7,179,400. No municipal projects or programs are funded under this agreement. For tax years 1-2, 80% of the increased value was captured by the City. 100% of this captured value was provided to the company as a Credit Enhancement Agreement (CEA). For tax years 3-5, 100% of the increased value was captured by the City and was returned to the company as a CEA. For tax years 6-7, 80% of the increased value was captured by the City and 100% of this amount was returned to the company in a CEA. The final tax years 8-10 of this district 60% of the increased value was captured by the City and 100% returned to the company.

First Omnibus (aka, Stillwater) TIF District: This TIF district was established March 2, 2015, for a term of 30 years to stimulate new development and investment in the community and to fund City improvements and development programs as allowed by State Statute. The district was originally established to include 25.11 acres within the City. This City later amended the district on February 19, 2019, to include an additional 0.60 acres, bringing the total to 25.71 acres. The total Original Assessed Value (O.A.V.) of this district is \$3,845,700. The district allows for Credit Enhancement Agreements (CEA's) of up to 50% of the total captured assessed value.

Within this district the City has entered into a Credit Enhancement Agreement (CEA) with Southstreet Development Company, LLC., for a period of nine (9) years starting with tax year 2019-2020 and ending in the tax year 2028-2029, for property located at 665 Stillwater Avenue. For each of the nine (9) years of this agreement the City will provide 30% of the captured assessed value back to Southstreet Development Company, LLC.

Downtown-Second Omnibus TIF District: This district was established March 6, 2017, for a term of thirty years to stimulate new development and investment in the community and to fund City improvements and development programs as allowed by State Statute. The district comprises 80.21 acres within the City and has a total Original Assessed Value (O.A.V.) of \$36,367,323. The district allows for Credit Enhancement Agreements (CEA's) of up to 50% of the total captured assessed value.

The City has entered into four (4) Credit Enhancement Agreement with DBG, LLC., for a period of ten (10) years beginning with tax year 2020-2021 and ending in the tax year 2030-2031, for properties located at 285 Main Street, 275 Main Street, 277 Main Street & 283 Main Street. For each of the ten (10) years of this agreement the City will provide 50% of the Captured Assessed Value of each property back to DBG, LLC.

Note 9: Components of Fund Balance

The General Fund's fund balance ended the year with a total balance of \$3,170,678. This balance is composed of a *nonspendable* portion of \$69,614 for assets that are not in spendable form, an *assigned* portion of \$941,555 for carry forward amounts, and the remaining *unassigned* balance of \$2,159,509.

The fund balances of the Capital Reserve Fund, Cemetery Fund, Library Fund, and Library Trust are all considered *restricted* because they are to be used for specific purposes and are restricted by resource providers external to the City. Their balances at year end were \$3,195,742, \$990,959, \$921,522, and \$211,002, respectively.

Note 10: Property Taxes

Property taxes (real and personal, except vehicles) are assessed to the owner of record as of April 1st of each year. The fiscal year’s taxes were committed in July. Half of the taxes were due in September and the second half was due in March. Interest is assessed on overdue accounts at 7.00% per year. Tax liens on delinquent taxes may be placed on real property after eight months and within twelve months following the commitment date. The City may foreclose on property if the lien, interest, and costs are not paid within eighteen months from the date the lien is filed.

The City is permitted by statute to levy taxes up to 105% of its net budgeted expenditures for the fiscal year.

Included in the City's tax assessment of \$22.86 per \$1,000 of assessed valuation is \$1.51 which represents the local assessment for county taxes and \$12.40 which represents the local assessment for education. These taxes are collected by the City and forwarded as required by the taxing agency.

The fiscal year 2020 tax levy is summarized as follows:

Real estate valuation	\$ 415,179,250
Personal property valuation	<u>20,509,800</u>
Total valuation	435,689,050
Tax rate (per \$1,000 of valuation)	<u>22.86</u>
Tax commitment	<u><u>\$ 9,959,852</u></u>

The collection rate of current year taxes is calculated as follows:

Original tax commitment	\$ 9,959,852
Supplemental taxes	<u>276,004</u>
Total tax commitment	10,235,856
Less:	
Abatements of current year taxes	397,375
Current year taxes receivable at year end	<u>287,026</u>
Current year tax collections	<u><u>\$ 9,551,455</u></u>
Collection rate of current year taxes	97.1%

Note 11: Risk Management and Contingencies

General

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, and natural disasters for which the City either carries commercial insurance or participates in a public entity risk pool. Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2020.

Note 11: Risk Management and Contingencies (Continued)**Grant Funds**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation

The City is not aware of an existing, pending, or threatened litigation against the City at this time. Consequently, there is no contingent liability recorded or reported in the financial statements.

Note 12: Defined Benefit Pension Plan

The City participates in the MainePERS Participating Local District (PLD) Consolidated Plan, which is a defined benefits pension plan.

General Information about the Pension Plan*Pension Plan Description*

The PLD Consolidated Plan is a multiple-employer cost sharing plan. Eligible employers (districts) are defined in Maine statute. As of June 30, 2019, there were 307 employers in the plan. The Plan is administered by the Maine Public Employees Retirement System (MainePERS).

Pension Benefits

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the Plan, and periodically makes recommendations to the Legislature to amend them. MainePERS's 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 for employees of PLDs). 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 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. MainePERS also provides disability and death benefits which are established by contract with 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 MainePERS's Board of Trustees and is currently 2.69%.

Note 12: Defined Benefit Pension Plan (Continued)*Member and Employer Contributions*

Retirement benefits are funded by contributions from members and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or by MainePERS's Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Financial Reporting

MainePERS issues annual financial reports for the Pension Plan which can be found online at:

<http://www.maineopers.org/Publications/Publications.htm#Annual Reports>

Pension-Related Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions were measured on June 30, 2019, the latest measurement date available, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These amounts are reported on the City's financial statements as of June 30, 2020. The City's deferred outflows of resources related to pensions balance, as of the measurement date, was increased by contributions to pensions made between the measurement date and date of the Statement of Net Position. These amounts were adjusted accordingly as reductions to expenses in the Statement of Activities.

Measured on June 30, 2019, the City reported a liability for its proportionate share of the plans' net pension liability totaling \$1,362,550. The City's proportion of the plans' net pension liability was based on a projection of the City's long-term share of contributions to the plans relative to the projected contributions of all employers, actuarially determined. Measured on June 30, 2019, the City's proportion of the PLD Plan was 0.4476% of the PLD Plan's total net liability which was a decrease of 0.0002% from its proportion measured on June 30, 2018.

For the year ended June 30, 2020, the City recognized total pension expense of \$439,087 for the PLD Plan.

Measured on June 30, 2019, the City 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
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 161,331	\$ -
Difference between projected and actual investment earnings	-	341,286
Changes of assumptions	69,004	-
Changes in proportions	-	37,566
Contributions subsequent to the measurement date	<u>300,724</u>	<u>-</u>
	<u>\$ 531,059</u>	<u>\$ 378,852</u>

Note 12: Defined Benefit Pension Plan (Continued)

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in the Plan.

City contributions to the plans subsequent to the measurement date, totaling \$300,724, are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year 2021	\$	24,864
Fiscal year 2022		(148,713)
Fiscal year 2023		(24,450)
Fiscal year 2024		<u>(218)</u>
	\$	<u>(148,517)</u>

Actuarial Methods and Assumptions

The collective total pension liability for the plans was determined by an actuarial valuation measured as of June 30, 2019, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal cost method is used to develop costs. Under this cost method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member’s projected future benefits, and dividing it by the value, also as of the member’s entry age, of his expected future salary. The normal cost for each employee is the product of his pay and his normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses (i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions) affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Note 12: Defined Benefit Pension Plan (Continued)

Significant Actuarial Assumptions

Investment rate of return	6.75%, compounded annually
Inflation rate	2.75%
Annual salary increases	2.75% to 9.00%
Cost of living benefit increases	1.91%
Mortality rates	For active members and non-disabled retirees, the RP2014 Total Dataset Health Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized in the following table:

	<u>Target Allocations</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	30.0%	6.0%
US government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2019 for the Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 12: Defined Benefit Pension Plan (Continued)

The following table shows how the City’s proportionate share of the Plan’s net pension liabilities (assets) measured as of June 30, 2019, would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 3,103,801	\$ 1,362,550	\$ (266,224)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MainePERS financial report.

Note 13: Other Post-Employment Benefits (OPEB) Plan

The measurement dates for the OPEB plan are six months prior to the date of the Statement of Net Position, as allowed by GASB Statement No 75. Thus, amounts reported for deferred inflows of resources, deferred outflows of resources, and net OPEB liability as of June 30, 2020, were measured as of December 31, 2019.

OPEB Plan Benefits

The City participates in a single-employer OPEB plan available to full-time employees providing for retiree health benefits that is administered by the Maine Municipal Employees Health Trust (MMEHT). To be eligible for the plan, the employee must be at least 55 years of age with at least 5 years of service at retirement. Additionally, the employee must enroll when first eligible and continue coverage without interruption thereafter.

Retirees pay the premium equivalent rate for coverage selected. Retirees pay 100% for both the retirees’ and retirees’ spouses’ premiums. The City pays no portion of the premiums.

The plan provides for medical and prescription drug coverage and life insurance coverage. Non-Medicare retirees are offered the same plans that are available to active employees. Medicare retirees are enrolled in the Retiree Group Companion Plan which includes prescription drug coverage. The plan also provides a \$2,000 life insurance benefit. Retirees who retired after January 1, 2017, have access to purchase dental coverage as well.

OPEB Plan Member Data

As of the measurement date (January 1, 2020), there were 53 active employee members, 5 retiree members, and 1 retiree spouse member in the plan.

Note 13: Other Post-Employment Benefits (OPEB) Plan (Continued)

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

The net OPEB liability, deferred outflows of resources, and deferred inflows of resources as of the measurement date were determined by actuarial valuation of January 1, 2020. The City’s net OPEB liability was \$660,671.

Changes in the net OPEB liability during the year were as follows:

Beginning balance	\$ 603,768
Changes for the year:	
Service cost	15,195
Interest	24,762
Changes of benefit terms	(13,715)
Differences between expected and actual experience	(51,086)
Changes in assumptions or other inputs	112,061
Benefit payments	<u>(30,314)</u>
Net change	<u>56,903</u>
Ending balance	<u>\$ 660,671</u>

Change in assumptions during the year reflect a change in the discount rate from 4.10% to 2.74%.

For the year ended December 31, 2020, the City recognized OPEB expense of \$35,197.

As of June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,622	\$ 45,410
Changes in assumptions and other inputs	147,758	42,804
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>11,795</u>	<u>-</u>
	<u>\$ 161,175</u>	<u>\$ 88,214</u>

Note 13: Other Post-Employment Benefits (OPEB) Plan (Continued)

City contributions subsequent to the measurement date will be recognized as OPEB expense in the subsequent fiscal year. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows

Fiscal year 2021	\$	8,955
Fiscal year 2022		8,955
Fiscal year 2023		8,955
Fiscal year 2024		8,955
Fiscal year 2025		8,955
Fiscal years thereafter		<u>16,391</u>
	\$	<u>61,166</u>

Actuarial Methods and Assumptions

The Entry Age Normal Actuarial Cost Method was used to value the plan’s actuarial liabilities and to set the normal cost. Under this funding method, a normal cost rate is determined as a level percent of pay for each active plan member and then summed to produce the total normal cost for the plan. An open 30-year amortization period was used. The amortization method is a level dollar amortization method.

The net OPEB liability was actuarially determined used the following methods and assumptions:

Measurement Date	January 1, 2020
Discount Rate	2.74% for the 2020 year-end reporting period 4.10% for the 2019 year-end reporting period
Trend Assumptions	
Non-Medicare Medical	Initial trend of 8.50% applied in FYE 2020 grading over 21 years to 3.53% per annum
Non-Medicare Drug	Initial trend of 8.75% applied in FYE 2020 grading over 21 years to 3.53% per annum.
Medicare Medical	Initial trend of 5.00% applied in FYE 2020 grading over 21 years to 3.53% per annum
Medicare Drug	Initial trend of 8.75% applied in FYE 2020 grading over 21 years to 3.53% per annum
Admin and Claims Expense	3.0% per annum

Rates of mortality are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. As prescribed by the Trust, mortality rates were taken from the assumptions for the MainePERS PLD Consolidated Plan at June 30, 2016.

It is assumed that the current plan and cost-sharing structure remains in place for all future years. It is also assumed that retiree medical contributions will increase at the same rate as incurred claims.

Note 13: Other Post-Employment Benefits (OPEB) Plan (Continued)

Sensitivity

Changes in the discount rate and the healthcare cost trend rate affect the measurement of the City’s net OPEB liability. One percent increases or decreases in the rates would affect the net OPEB liability as follows:

	Discount Rate Sensitivity		
	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 767,417	\$ 660,671	\$ 574,120

	Healthcare Cost Trend Rate Sensitivity		
	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 568,220	\$ 660,671	\$ 778,714

MMEHT OPEB Plan Actuarial Reports

A more detailed actuarial report may be obtained by contacting the City of Old Town’s finance department.

Note 14: Deferred Compensation Plan

The City also provides a 457 Deferred Compensation Plan (defined contribution plan – DCP) and a 401 qualified plan both of which are administered by International City Manager Association (ICMA) Retirement Corporation. Copies of the most recent financial reports may be obtained from the plan administrator.

The City contributes at rates which vary from 0% to 6.5%, depending on the monthly elections and contributions of participants. Employees may elect to contribute up to 25% of earnings, but the City limits its match to 6.5%. The City made matching contributions of \$32,253 and employees elected to defer \$147,002 for a total contribution of \$179,255, for municipal employees.

Note 15: Jointly Governed Organization

The City and various entities in the region have jointly agreed to operate a vocational education school. A separate legal entity known as the United Technologies Center (UTC) was established by State law and is governed by a nine-member board, of which one member represents the City. Complete financial statements for the UTC can be obtained from the United Technologies Center, 200 Hogan Road, Bangor, Maine, 04401.

Note 16: Prior Period Restatements

During the year, management noted prior errors in previously reported balances. The General Fund's fund balance was restated downward by \$200,160 primarily due to errors in classification of activity and balances among governmental funds, while the Capital Reserve Fund's fund balance was restated upward by \$183,663 and the Other Governmental Funds' fund balance was restated upward by \$15,002 for the same reason. The remaining variance between these was \$1,495 from minor items that were not recorded in the prior year. The net position of business-type activities was restated upward by a net of \$258,131 due various balance sheet accounts being overstated or understated at year end fiscal year 2019. And, finally, the net position of governmental activities was restated downward by \$93,786 due to various balance sheet accounts being overstated or understated at year end fiscal year 2019.

Note 17: Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued – the date of the independent auditor's report.

Since June 30, 2020, the City has issued the following new debt:

- General obligation bond for \$1,000,000 with a term of 7 years.
- A bond anticipation note (BAN) for \$3,300,000 that will expire on December 31, 2021. Amounts drawn on the BAN will be converted to a 10-year general obligation bond.
- A capital lease obligation for 4 years with total lease payments of \$129,150.
- A capital lease obligation for 3 years with total lease payments of \$63,027

The City received America Rescue Plan Act (ARPA) funds in the amount of \$392,416 from the federal government. This is the first half of the total amount awarded to the City. Amounts are restricted by law for specific uses.

Budgetary Comparison Schedule

Schedule 1

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 9,779,021	\$ 9,779,021	\$ 9,854,965	\$ 75,944
Excise taxes	1,507,500	1,507,500	1,518,614	11,114
Charges for services	2,320,320	2,320,320	2,562,134	241,814
Licenses, permits, and fees	128,870	128,870	175,181	46,311
Intergovernmental	2,095,054	3,151,995	3,302,044	150,049
Investment income	52,000	52,000	191,981	139,981
Other revenues	475,030	475,030	250,286	(224,744)
Total revenues	16,357,795	17,414,736	17,855,205	440,469
Expenditures				
General government	3,618,863	4,620,145	3,410,727	1,209,418
Public safety	4,084,363	4,467,905	4,504,349	(36,444)
Public works	1,600,174	2,567,216	2,405,785	161,431
Sanitation	528,910	528,910	519,543	9,367
Culture and recreation	663,127	670,609	578,806	91,803
Airport	305,175	2,704,943	2,500,207	204,736
Education	5,401,782	5,401,782	5,401,782	-
County tax	657,253	657,253	657,253	-
Total expenditures	16,859,647	21,618,763	19,978,452	1,640,311
Revenue Surplus (Deficit)	(501,852)	(4,204,027)	(2,123,247)	2,080,780
Other Financing Sources (Uses)				
Transfers in	741,852	741,852	780,985	39,133
Transfers out	(265,000)	(591,183)	(583,419)	7,764
Proceeds from bonds and leases	-	2,732,376	2,732,376	-
Proceeds from sales of assets	25,000	25,000	3,785	(21,215)
Net other financing	501,852	2,908,045	2,933,727	25,682
Change in Fund Balance	\$ -	\$ (1,295,982)	\$ 810,480	\$ 2,106,462

Schedule of Proportionate Share of Net Pension Liability

Schedule 2

MainePERS Participating Local Districts Consolidated Plan

Employer ID: P0111

As of the Last Six Measurement Dates*

	2020	2019	2018	2017	2016
A City's proportion	0.445768%	0.447431%	0.472471%	0.457773%	0.419077%
B City's share	\$ 1,362,550	\$ 1,224,520	\$ 1,934,467	\$ 2,432,289	\$ 1,337,051
C Covered payroll	\$ 3,687,969	\$ 3,434,500	\$ 3,451,334	\$ 3,342,432	\$ 3,246,713
D Payroll percentage	36.95%	35.65%	56.05%	72.77%	41.18%
E Net position %	90.60%	91.14%	86.43%	81.61%	88.27%

	2015	20XX	20XX	20XX	20XX
A City's proportion	0.393519%				
B City's share	\$ 605,552				
C Covered payroll	\$ 3,148,994				
D Payroll percentage	19.23%				
E Net position %	94.10%				

- A** The City's proportion of the Plan's total net pension liability.
- B** The City's proportionate share of the Plan's total net pension liability.
- C** The City's covered-employee payroll for the fiscal year.
- D** The City's proportionate share (B) as a percentage of its covered-employee payroll (C).
- E** The Plan's fiduciary net position as a percentage of the Plan's total pension liability.

**Date headers reflect the reporting fiscal year, but measurement dates are twelve months prior. This schedule is intended to show information for ten years. However, ten years has not yet passed since implementation of GASB 68.*

Schedule of Employer Contributions

Schedule 3

MainePERS Participating Local Districts Consolidated Plan

Employer ID: P0111

As of the Last Six Measurement Dates*

	2020	2019	2018	2017	2016
A Required	\$ 300,724	\$ 278,658	\$ 249,340	\$ 242,355	\$ 214,808
B Actual	<u>300,724</u>	<u>278,658</u>	<u>249,340</u>	<u>242,355</u>	<u>214,808</u>
C Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D Covered payroll	\$ 3,812,103	\$ 3,687,969	\$ 3,434,500	\$ 3,451,334	\$ 3,342,432
E Payroll percentage	7.89%	7.56%	7.26%	7.02%	6.43%

	2015	20XX	20XX	20XX	20XX
A Required	\$ 171,304				
B Actual	<u>171,304</u>				
C Deficiency (Excess)	<u>\$ -</u>				
D Covered payroll	\$ 3,246,713				
E Payroll percentage	5.28%				

- A** The City's contractually required contributions to the Plan.
- B** The City's actual contributions to the Plan.
- C** The City's deficiency (excess) of actual contributions (B) from (over) required contributions (A).
- D** The City's covered-employee payroll for the fiscal year.
- E** The City's contributions as a percentage of its covered-employee payroll.

**Date headers reflect both the reporting fiscal year and the measurement date.
This schedule is intended to show information for ten years. However, ten years has not yet passed since implementation of GASB 68.*

Schedule of Changes to the OPEB Liability

Schedule 4

MMEHT Health Insurance OPEB Plan
As of the Last Three Measurement Dates*

	2020	2019	2018	20XX	20XX
Service cost	\$ 15,195	\$ 17,360	\$ 14,360		
Interest	24,762	22,398	21,124		
Changes of benefits	(13,715)	-	-		
Experience differences	(51,086)	-	2,435		
Assumption changes	112,061	(55,034)	72,220		
Benefit payments	<u>(30,314)</u>	<u>(29,148)</u>	<u>(12,727)</u>		
Net Change	56,903	(44,424)	97,412		
Beginning OPEB liability	<u>603,768</u>	<u>648,192</u>	<u>550,780</u>		
Ending OPEB liability	<u>\$ 660,671</u>	<u>\$ 603,768</u>	<u>\$ 648,192</u>		
Covered payroll	\$ 2,888,447	\$ 2,348,020	\$ 2,348,020		
Payroll percentage	22.87%	25.71%	27.61%		
	20XX	20XX	20XX	20XX	20XX

Service cost
Interest
Changes of benefits
Experience differences
Assumption changes
Benefit payments
Net Change

Beginning OPEB liability
Ending OPEB liability

Covered payroll
Payroll percentage

**Date headers reflect the reporting fiscal year, but measurement dates are six months prior.
This schedule is intended to show information for ten years. However, ten years has not yet passed since implementation of GASB 75.*

Note 1: Budgetary Accounting

Budgets are adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary integration is employed as a management control device during the year for the General Fund. Generally, appropriations for the General Fund lapse at year end, except for balances approved to be carried forward by City Council. The budget is presented on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles (US GAAP).

Note 2: Original and Final Budget Variances

The original budget is the original appropriated budget in place at the beginning of the fiscal year. Changes to the budget during the fiscal year are the result of expenditures from reserve funds, grants, or other donations for their designated purposes, expenditures of proceeds from general obligation bonds or new capital lease obligations, or as a result of changes adopted by the City Council.

Note 3: Over-Expended Budget Lines

For fiscal year 2020, the Public Safety line was over-expended by \$36,444, or 0.8% of its total final budget.

Note 4: Changes in Assumptions and Methods for Pensions and OPEB

There were no significant changes in the assumptions and methods used for actuarial calculations for the MainePERS Pension Plan.

The only significant changes in the assumptions and methods used for actuarial calculations was the MEABT OPEB Plan's change in the discount rate from 3.87% to 3.50%, and the MMEHT OPEB Plan's change in the discount rate from 4.10% to 2.74%.

Budgetary Comparison Schedule

Schedule 5

Sewer Fund ▪ Budgetary Basis

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues				
Service charges	\$ 788,400	\$ 788,400	\$ 1,347,158	\$ 558,758
Fees, permits, and other revenue	13,100	13,100	24,038	10,938
<i>Total operating revenues</i>	<u>801,500</u>	<u>801,500</u>	1,371,196	569,696
Operating Expenses				
Administration	657,678	657,678	578,191	79,487
Repairs and maintenance	126,000	126,000	67,123	58,877
Water treatment facility	206,500	206,500	155,783	50,717
Sludge disposal	59,950	59,950	61,675	(1,725)
Capital outlays	269,716	1,332,452	345,559	986,893
Repayment of debt principal	408,500	408,500	407,350	1,150
<i>Total operating expenses</i>	<u>1,728,344</u>	<u>2,791,080</u>	<u>1,615,681</u>	<u>1,175,399</u>
Net Operating Income	(926,844)	(1,989,580)	(244,485)	1,745,095
Non-Operating Revenues (Expenses)				
Interest income	5,000	5,000	11,367	6,367
Other non-operating revenue	2,800	2,800	4,505	1,705
Interest expense	(151,100)	(151,100)	(128,621)	22,479
<i>Net non-operating expenses</i>	<u>(143,300)</u>	<u>(143,300)</u>	<u>(112,749)</u>	<u>30,551</u>
Change in Net Position	<u>\$ (1,070,144)</u>	<u>\$ (2,132,880)</u>	<u>\$ (357,234)</u>	<u>\$ 1,775,646</u>

Schedule of Changes in Reserve Balances

Schedule 6

Capital Projects Fund

For the Year Ended June 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance
TIF district	\$ 177,516	\$ 257,236	\$ (173,947)	\$ 260,805
Old Town Development LLC	326,566	12,833	-	339,399
Economic development	114,219	53,368	(62,552)	105,035
IT equipment	152,754	25,940	(38,256)	140,438
Heavy equipment	738,153	-	(265,300)	472,853
Highway block grant	68,316	103,416	(75,000)	96,732
City facilities	434,232	16,138	(100,930)	349,440
Municipal trash	792,913	-	-	792,913
Airport hanger	389,837	230,908	(65,000)	555,745
Garford account	19,892	-	(17,723)	2,169
Smoke detectors	1,535	450	-	1,985
Police evidence	16,104	19,105	(17,375)	17,834
Forfeitures	2,962	6,131	(3,868)	5,225
Riverfest	19,154	12,870	(26,663)	5,361
Parade and bicentennial	4,967	6,676	(1,739)	9,904
Skateboard park	38,177	57	-	38,234
Clerk book restore	420	-	-	420
Bicycle coalition	-	1,250	-	1,250
	<u>\$ 3,297,717</u>	<u>\$ 746,378</u>	<u>\$ (848,353)</u>	<u>\$ 3,195,742</u>

Combining Balance Sheets
 Other Governmental Funds
 As of June 30, 2020

Schedule 7

	Cemetery Fund	Library Fund	Library Trust	Total
Assets				
Investments	\$ 1,005,959	\$ 929,184	\$ 213,968	\$ 2,149,111
Total Assets	<u>\$ 1,005,959</u>	<u>\$ 929,184</u>	<u>\$ 213,968</u>	<u>\$ 2,149,111</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ 15,000	\$ 7,662	\$ 2,966	\$ 25,628
Fund Balances				
Restricted	<u>990,959</u>	<u>921,522</u>	<u>211,002</u>	<u>2,123,483</u>
Total Liabilities and Fund Balances	<u>\$ 1,005,959</u>	<u>\$ 929,184</u>	<u>\$ 213,968</u>	<u>\$ 2,149,111</u>

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

Schedule 8

Other Governmental Funds

For the Year Ended June 30, 2020

	Cemetery Fund	Library Fund	Library Trust	Total
Revenues				
Investment income	\$ 41,962	\$ 31,452	\$ 9,886	\$ 83,300
Other revenues	<u>-</u>	<u>9,166</u>	<u>-</u>	<u>9,166</u>
Total revenues	41,962	40,618	9,886	92,466
Expenditures				
Other expenditures	<u>17,527</u>	<u>22,417</u>	<u>1,936</u>	<u>41,880</u>
Net Change in Fund Balances	24,435	18,201	7,950	50,586
Beginning Fund Balances, restated	<u>966,524</u>	<u>903,321</u>	<u>203,052</u>	<u>2,072,897</u>
Ending Fund Balances	<u><u>\$ 990,959</u></u>	<u><u>\$ 921,522</u></u>	<u><u>\$ 211,002</u></u>	<u><u>\$ 2,123,483</u></u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City Council
City of Old Town, Maine

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Old Town's basic financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Old Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Old Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Old Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
October 15, 2021