

City of Old Town

Annual Financial Statements

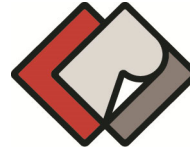
As of and for the Year Ended June 30, 2023

Independently Audited By



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Independent Auditor's Report

To the City Council
City of Old Town, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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, Maine as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town, Maine as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (starting on page 4), 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 of Old Town, Maine'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 February 6, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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's internal control over financial reporting and compliance.

 ADVISORS & ACCOUNTANTS

Royer Advisors and Accountants
Certified Public Accountants
Falmouth, Maine
February 6, 2024



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, 2023. 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 \$277,237. This total net revenue is the combination of net revenue derived from governmental activities totaling \$508,424, and a net deficit from business-type activities of \$231,187.
- The City's total net position at year end was \$39,190,659. This total net position is the combination of the net position of governmental activities totaling \$32,105,209, and the net position of business-type activities totaling \$7,085,450.
- The General Fund's activity during the year resulted in an increase in fund balance of \$1,117,810.
- On a budgetary basis, the General Fund's actual expenditures came in \$1.5 million over budget for the year.
- The General Fund's unassigned fund balance ended the year at \$4,854,447.

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, 2023 and 2022

	2023	2022	\$ Change	% Change
Current and other assets	\$ 19,789,201	\$ 20,161,932	\$ (372,731)	-1.8%
Capital assets, net	<u>36,055,295</u>	<u>34,287,336</u>	<u>1,767,959</u>	5.2%
Total assets	55,844,496	54,449,268	1,395,228	2.6%
Deferred outflows of resources	<u>1,252,874</u>	<u>1,213,054</u>	<u>39,820</u>	3.3%
Current liabilities	3,876,426	3,085,420	791,006	25.6%
Long-term liabilities	<u>13,170,328</u>	<u>11,348,999</u>	<u>1,821,329</u>	16.0%
Total liabilities	17,046,754	14,434,419	2,612,335	18.1%
Deferred inflows of resources	<u>859,957</u>	<u>2,314,481</u>	<u>(1,454,524)</u>	-62.8%
Net investment in capital assets	23,649,851	22,188,582	1,461,269	6.6%
Restricted	11,053,090	12,813,247	(1,760,157)	-13.7%
Unrestricted	<u>4,487,718</u>	<u>3,911,593</u>	<u>576,125</u>	14.7%
Total net position	<u>\$ 39,190,659</u>	<u>\$ 38,913,422</u>	<u>\$ 277,237</u>	0.7%

The table on the previous page is a condensed version of the Statement of Net Position. It is comparative with fiscal year 2023.

For assets, the biggest change was a \$1.3 million decrease in cash and cash equivalents and a \$1.1 million increase in grants and loans receivable. This was a combination of spending prior year loan proceeds, two new loans receivables, and the yearend timing between investments expiring and being reinvested.

Of the new capital assets, \$2.7 million was financed with general obligation bonds. During the year, \$2 million of existing debt was paid down in accordance with debt amortization schedules. 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 \$1.4 million unfavorable effect on the City's net position. That is, absent pension and OPEB obligations, the City's ending net position would be \$1.4 million higher than it is.

Regardless, the City ended the year with total net position of \$39.1 million, of which was an unrestricted net position of \$4.4 million, an increase of \$576k from the year before. Net investment in capital assets increased by \$1.4 million, and restricted net position decreased by \$1.7 million.

The table on the following page is a condensed version of the Statement of Activities. Overall, revenues were up by 13.1% in 2023 compared to 2022. Most of this increase was in intergovernmental grants not specified for any program, which increased by \$718K. In addition other revenue was up by \$2 million due to general obligation bond proceeds.

On the expense side, expenses were up by 24.8% compared to 2022. Here, the largest increase was in the other expenses line increased by 946.9%, or \$3.6 million, of which \$2.6 million was for the CDD landfill closure. The net effect across all expense lines was an increase of \$1.4 million compared to 2022.

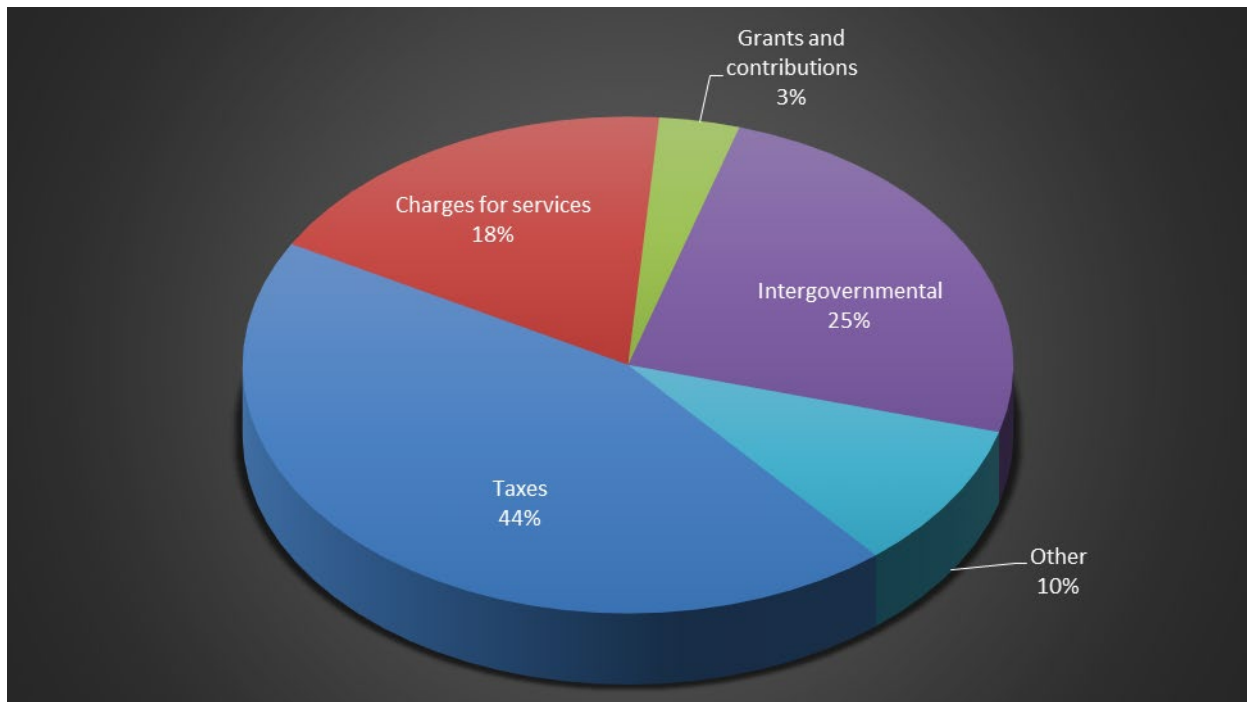
All told, the City had \$277K more in total revenues than in expenses for 2023 resulting in a net increase in the City's net position year over year. This is compared to a \$2.4 million net increase in net position for 2022.

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 44% of total revenues, while intergovernmental is the second largest source at 25% of total revenues. For expenses, Public Safety takes up the largest share at 22% of total City expenses, while General Government and Education are at 14% and 18% respectively of all expenses.

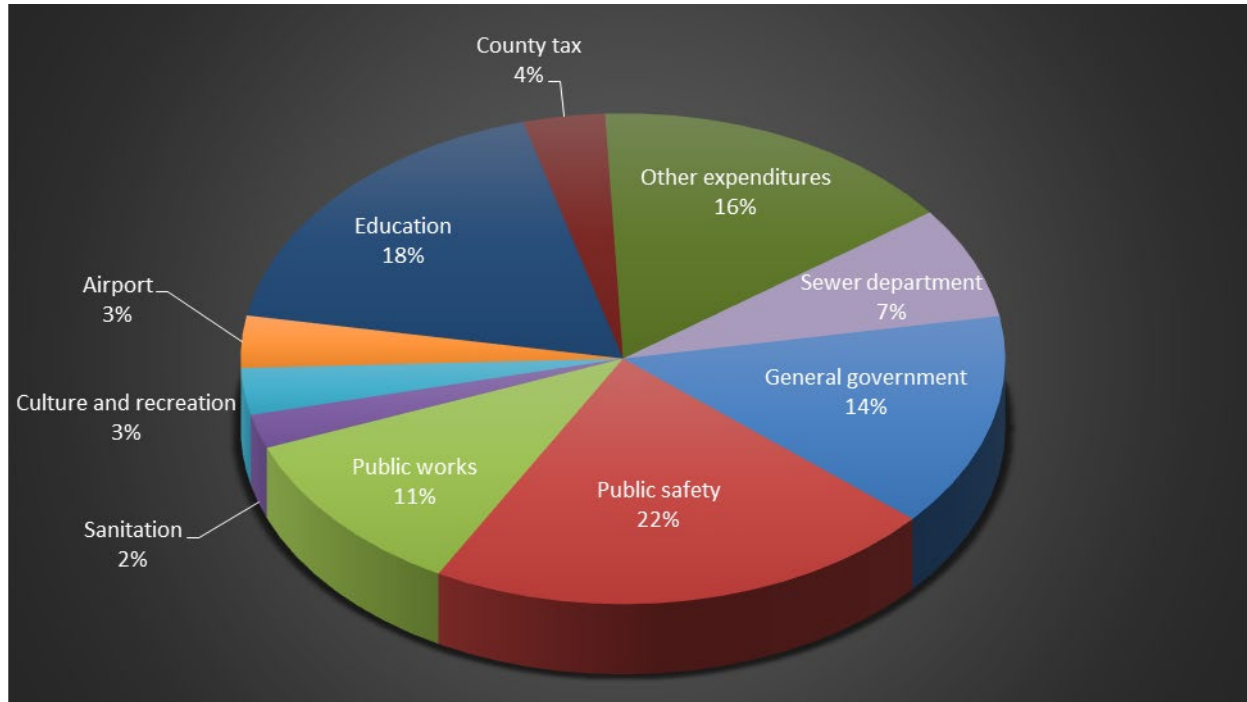
**Condensed Statements of Activities
For the Years Ended June 30, 2023 and 2022**

	2023	2022	\$ Change	% Change
Taxes	\$ 11,424,373	\$ 11,322,843	\$ 101,530	0.9%
Charges for services	4,706,420	4,542,526	163,894	3.6%
Grants and contributions	873,045	1,064,582	(191,537)	-18.0%
Intergovernmental	6,382,531	5,663,850	718,681	12.7%
Other	<u>2,461,874</u>	<u>265,016</u>	<u>2,196,858</u>	829.0%
Total revenues	<u>25,848,243</u>	<u>22,858,817</u>	<u>2,989,426</u>	13.1%
General government	3,607,922	4,852,815	(1,244,893)	-25.7%
Public safety	5,544,454	4,638,139	906,315	19.5%
Public works	2,827,806	2,008,825	818,981	40.8%
Sanitation	571,251	566,721	4,530	0.8%
Culture and recreation	786,210	723,999	62,211	8.6%
Airport	877,459	265,025	612,434	231.1%
Education	4,595,980	4,696,630	(100,650)	-2.1%
County tax	885,755	733,570	152,185	20.7%
Other expenditures	3,985,968	380,756	3,605,212	946.9%
Sewer department	<u>1,888,201</u>	<u>1,630,193</u>	<u>258,008</u>	15.8%
Total expenses	<u>25,571,006</u>	<u>20,496,673</u>	<u>5,074,333</u>	24.8%
Change in net position	<u>\$ 277,237</u>	<u>\$ 2,362,144</u>	<u>\$ (2,084,907)</u>	-88.3%

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 just under \$27 million in fiscal year 2023 – up from \$26.3 million in fiscal year 2022. The majority of this increase was driven by increases in intergovernmental, bond proceeds, and transfers in. Its total expenditures and transfers out for 2023 totaled \$25.9 million, up by about \$40K from 2022. Thus, overall, the increase in fund balance for 2023 was \$1.1 million, which is about a \$669K change from 2022’s \$432K increase in fund balance.

The General Fund’s fund balance ended the year at \$7 million. Of this balance, \$953k is considered *nonspendable* because it is not in a spendable form. \$185k is considered *committed* which is lease proceeds not yet spent. Another \$1.2 million is considered *assigned* because it is the amount being carried forward by management for expenditure in fiscal year 2024. The remaining \$4.8 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 over budget by just over \$1.5 million for the year. Revenues came in over budget by just over \$2.9 million, and other financing sources/uses came in above estimates by just over \$370K. Thus, combined, there was a net variance of over \$1.7 million between the City’s final budgeted deficit of \$660K and its actual budgetary-basis surplus of \$1.1 million.

The City’s original budget was a balanced budget where estimated resource inflows matched budgeted resource outflows of just over \$22.9 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 \$660k. Actual results, however, were that there was a surplus of \$1.1 million mostly due to the various departments coming in well under budget for expenditures and the large variance in final budget to actual revenues.

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 \$576k and transfers in from the general fund were \$1.2 million. The fund transferred out \$921k back to the general fund to cover the expenditures of various capital projects. The fund started the year with just over \$8.4 million and ending the year with just over \$6.6 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 is sewer facilities, equipment, and infrastructure. For 2023, the sewer had total operating revenues of just over \$1.7 million, which was up by about \$50k from the prior year. Operating expenses were up by about \$100k compared to 2022, coming in at just over \$1.6 million. Thus, net operating income for the year was \$20k, compared with 2022’s \$133k net operating income. Overall, the 2023 change in net position for the sewer fund was an decrease of \$231k, ending the year with a net position of just over \$7 million.

Capital Assets

The City’s net capital assets for all activities (governmental and business-type) totaled \$36 million at year end 2023. This is a net increase of \$1.7 million from the prior year. This net increase was a combination of depreciation expense, new lease obligations and long term debt, and three building acquisitions during the year.

**Net Capital Assets
As of June 30, 2023 and 2022**

	2023	2022	\$ Change	% Change
Land	\$ 1,705,580	\$ 1,705,580	\$ -	0.0%
Construction in progress	495,015	117,000	378,015	323.1%
Land improvements	1,174,872	1,277,147	(102,275)	-8.0%
Buildings and improvements	10,688,787	10,046,616	642,171	6.4%
Furniture and fixtures	9,127	1,852	7,275	392.8%
Machinery and equipment	2,376,515	1,909,774	466,741	24.4%
Vehicles	1,232,345	1,318,701	(86,356)	-6.5%
Infrastructure	18,373,054	17,910,666	462,388	2.6%
Totals	<u>\$ 36,055,295</u>	<u>\$ 34,287,336</u>	<u>\$ 1,767,959</u>	5.2%

Debt

During the year, the City issued \$2 million in new general obligation bonds and paid down \$1.8 million of principal, ending the year with \$11.5 million of outstanding bonds. Additionally, during the year, the City entered into \$731k of new capital lease obligations, and paid down \$635k on those lease obligations, ending the year with just over \$944k 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 \$2.8 million at year end.

Outstanding Bonds and Leases

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 11,461,013	\$ 11,250,852	\$ 210,161	1.9%
Capital lease obligations	<u>944,431</u>	<u>847,902</u>	<u>96,529</u>	11.4%
Total	<u>\$ 12,405,444</u>	<u>\$ 12,098,754</u>	<u>\$ 306,690</u>	2.5%

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.

City of Old Town

Basic Financial Statements

Statement of Net Position
As of June 30, 2023

Statement 1

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,626,421	\$ 1,466,298	\$ 12,092,719
Investments	4,779,432	-	4,779,432
Receivables, net	2,314,878	425,718	2,740,596
Inventories and prepaids	176,454	-	176,454
Interactivity balances	(2,645)	2,645	-
<i>Total current assets</i>	17,894,540	1,894,661	19,789,201
Capital assets:			
Land	1,526,153	179,427	1,705,580
Construction in progress	493,071	1,944	495,015
Depreciable capital assets	43,878,340	20,834,710	64,713,050
Accumulated depreciation	(19,161,993)	(11,696,357)	(30,858,350)
<i>Total capital assets, net of depreciation</i>	26,735,571	9,319,724	36,055,295
Total Assets	44,630,111	11,214,385	55,844,496
Deferred Outflows of Resources			
Pensions and other post-employment benefits	1,165,173	87,701	1,252,874
Liabilities			
Accounts payable	1,589,448	28,607	1,618,055
Accrued wages and other current liabilities	140,389	11,023	151,412
Accrued interest	46,537	22,393	68,930
Bonds, loans, and leases - due within one year	1,780,679	257,350	2,038,029
<i>Total current liabilities</i>	3,557,053	319,373	3,876,426
Accrued compensated absences	822,309	64,723	887,032
Bonds, loans, and leases - due beyond one year	6,726,546	3,640,869	10,367,415
Pensions and other post-employment benefits	1,781,769	134,112	1,915,881
<i>Total non-current liabilities</i>	9,330,624	3,839,704	13,170,328
Total Liabilities	12,887,677	4,159,077	17,046,754
Deferred Inflows of Resources			
Taxes collected in advance	37,688	-	37,688
Pensions and other post-employment benefits	764,710	57,559	822,269
Total Deferred Inflows of Resources	802,398	57,559	859,957
Net Position			
Net investment in capital assets	18,228,346	5,421,505	23,649,851
Restricted	8,891,657	2,161,433	11,053,090
Unrestricted	4,985,206	(497,488)	4,487,718
Total Net Position	\$ 32,105,209	\$ 7,085,450	\$ 39,190,659

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

Statement of Activities
For the Year Ended June 30, 2023

Functions / Programs	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	\$ 3,607,922	\$ 76,822	\$ -	\$ (1,635,721)	\$ -	\$ (1,635,721)
Public safety	5,544,454	259,171	-	(4,316,420)	-	(4,316,420)
Public works	2,827,806	-	103,152	(2,724,654)	-	(2,724,654)
Sanitation	571,251	-	-	(571,251)	-	(571,251)
Culture and recreation	786,210	1,350	-	(776,580)	-	(776,580)
Airport	877,459	-	432,550	(253,069)	-	(253,069)
Education	4,595,980	-	-	(4,595,980)	-	(4,595,980)
County tax	885,755	-	-	(885,755)	-	(885,755)
Other expenditures	3,985,968	-	-	(3,985,968)	-	(3,985,968)
Total governmental activities	23,682,805	337,343	535,702	(19,745,398)	-	(19,745,398)
Business-type Activities						
Sewer department	1,888,201	-	-	-	(246,143)	(246,143)
Total Primary Government	\$ 25,571,006	\$ 337,343	\$ 535,702	(19,745,398)	(246,143)	(19,991,541)
General Revenues						
Property taxes				9,715,777	-	9,715,777
Excise taxes				1,708,596	-	1,708,596
Intergovernmental				6,382,531	-	6,382,531
Other revenues				2,446,918	14,956	2,461,874
Total general revenues				20,253,822	14,956	20,268,778
Change in Net Position				508,424	(231,187)	277,237
Beginning Net Position				31,596,785	7,316,637	38,913,422
Ending Net Position				\$ 32,105,209	\$ 7,085,450	\$ 39,190,659

Balance Sheet

Statement 3

Governmental Funds

As of June 30, 2023

	General Fund	Capital Reserves Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 10,626,421	\$ -	\$ -	\$ 10,626,421
Investments	2,177,440	-	2,601,992	4,779,432
Taxes receivable, net	257,668	-	-	257,668
Miscellaneous receivables, net	2,057,141	69	-	2,057,210
Inventories and prepaids	176,454	-	-	176,454
Due from other funds	363,304	6,608,008	44,892	7,016,204
Total Assets	<u>\$ 15,658,428</u>	<u>\$ 6,608,077</u>	<u>\$ 2,646,884</u>	<u>\$ 24,913,389</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 1,520,555	\$ -	\$ -	\$ 1,520,555
Payable to other governments	68,893	-	-	68,893
Accrued wages	140,389	-	-	140,389
Due to other funds	6,655,545	-	363,304	7,018,849
Total liabilities	8,385,382	-	363,304	8,748,686
Deferred Inflows of Resources				
Unavailable property taxes	237,966	-	-	237,966
Taxes collected in advance	37,688	-	-	37,688
Total deferred inflows of resources	275,654	-	-	275,654
Fund Balances				
Nonspendable	953,453	-	-	953,453
Restricted	-	6,608,077	2,283,580	8,891,657
Committed	-	-	-	-
Assigned	1,189,492	-	-	1,189,492
Unassigned	4,854,447	-	-	4,854,447
Total fund balances	<u>6,997,392</u>	<u>6,608,077</u>	<u>2,283,580</u>	<u>15,889,049</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,658,428</u>	<u>\$ 6,608,077</u>	<u>\$ 2,646,884</u>	<u>\$ 24,913,389</u>

Reconciliation of Total Governmental Fund Balances to the Statement 4
Net Position of Governmental Activities

As of June 30, 2023

Total governmental fund balances, per Statement 3 \$ 15,889,049

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.

Net capital assets 26,735,571

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.

Accrued interest (46,537)

Accrued compensated absences (822,309)

Bonds, loans, and leases (8,507,225)

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.

Deferred outflows of resources for pensions and OPEB 1,165,173

Deferred inflows of resources for pensions and OPEB (1,781,769)

Net pension and OPEB liabilities (764,710)

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.

Unavailable property taxes 237,966

Net position of governmental activities, per Statement 1 \$ 32,105,209

Statement of Revenues, Expenditures, and Changes in Fund Balances

Statement 5

Governmental Funds

For the Year Ended June 30, 2023

	General Fund	Capital Reserves Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 9,727,741	\$ -	\$ -	\$ 9,727,741
Excise taxes	1,708,596	-	-	1,708,596
Charges for services	3,278,090	-	-	3,278,090
Licenses, permits, and fees	217,807	-	-	217,807
Intergovernmental	7,224,073	103,152	-	7,327,225
Investment income/(expense)	156,456	228	229,967	386,651
Other revenues	<u>1,114,735</u>	<u>649,189</u>	<u>13,046</u>	<u>1,776,970</u>
Total revenues	23,427,498	752,569	243,013	24,423,080
Expenditures				
General government	5,370,981	-	-	5,370,981
Public safety	6,415,090	-	-	6,415,090
Public works	4,033,645	-	-	4,033,645
Sanitation	571,251	-	-	571,251
Culture and recreation	739,626	-	-	739,626
Airport	1,007,822	-	-	1,007,822
Education	5,021,495	-	-	5,021,495
County tax	885,755	-	-	885,755
Other expenditures	<u>-</u>	<u>3,657,887</u>	<u>328,081</u>	<u>3,985,968</u>
Total expenditures	<u>24,045,665</u>	<u>3,657,887</u>	<u>328,081</u>	<u>28,031,633</u>
Revenue Surplus (Deficit)	(618,167)	(2,905,318)	(85,068)	(3,608,553)
Other Financing Sources (Uses)				
Transfers in	794,528	2,154,773	(299,732)	2,649,569
Transfers out	(1,855,041)	(1,079,260)	284,732	(2,649,569)
Proceeds from bonds and leases	2,731,000	-	-	2,731,000
Proceeds from sales of assets	<u>65,490</u>	<u>-</u>	<u>-</u>	<u>65,490</u>
Net other financing sources (uses)	<u>1,735,977</u>	<u>1,075,513</u>	<u>(15,000)</u>	<u>2,796,490</u>
Net Change in Fund Balances	1,117,810	(1,829,805)	(100,068)	(812,063)
Beginning Fund Balances	<u>5,879,582</u>	<u>8,437,882</u>	<u>2,383,648</u>	<u>16,701,112</u>
Ending Fund Balances	<u>\$ 6,997,392</u>	<u>\$ 6,608,077</u>	<u>\$ 2,283,580</u>	<u>\$ 15,889,049</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, 2023

Net change in fund balances of governmental funds, per Statement 5 \$ (812,063)

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	4,887,846
Depreciation expense	(2,506,288)

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	(2,731,000)
Principal payments on bonds and leases	2,021,475

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 governmental funds, but are recognized as adjustments to expenses of governmental activities.

Change in balances related to pensions	(233,767)
Change in balances related to OPEB	(18,912)

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	(11,964)
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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	(6,153)
Change in accrued compensated absences	(80,750)

Change in net position of governmental activities, per Statement 2 \$ 508,424

Statement of Net Position

Statement 7

Proprietary Funds

As of June 30, 2023

	<u>Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,466,298
Accounts receivables, net	418,789
Short term notes receivable, net	6,929
Due from other funds	<u>2,645</u>
<i>Total current assets</i>	1,894,661
Capital assets:	
Land	179,427
Construction in progress	1,944
Depreciable capital assets	20,834,710
Accumulated depreciation	<u>(11,696,357)</u>
<i>Total capital assets, net of depreciation</i>	<u>9,319,724</u>
Total Assets	11,214,385
Deferred Outflows of Resources	
Pensions and other post-employment benefits	87,701
Liabilities	
Current liabilities:	
Accounts payable	28,607
Accrued wages	11,023
Accrued interest	22,393
Long-term debt - due within one year	<u>257,350</u>
<i>Total current liabilities</i>	319,373
Noncurrent liabilities:	
Accrued compensated absences	64,723
Long-term debt - due beyond one year	3,640,869
Pensions and other post-employment benefits	<u>134,112</u>
<i>Total non-current liabilities</i>	<u>3,839,704</u>
Total Liabilities	4,159,077
Deferred Inflows of Resources	
Pensions and other post-employment benefits	<u>57,559</u>
Net Position	
Net investment in capital assets	5,421,505
Restricted	2,161,433
Unrestricted	<u>(497,488)</u>
Total Net Position	<u>\$ 7,085,450</u>

Statement of Revenues, Expenses, and Changes in Net Position

Statement 8

Proprietary Funds

For the Year Ended June 30, 2023

	<u>Sewer Fund</u>
Operating Revenues	
Service charges	\$ 1,628,223
Fees, permits, and other operating revenue	<u>13,835</u>
<i>Total operating revenues</i>	1,642,058
Operating Expenses	
Administration	888,967
Repairs, maintenance, and small equipment	110,332
Water treatment facility	187,171
Sludge disposal	66,549
Depreciation	<u>539,107</u>
<i>Total operating expenses</i>	<u>1,792,126</u>
Net Operating Loss	(150,068)
Non-Operating Revenues (Expenses)	
Interest income	14,398
Other non-operating revenue	558
Interest expense	<u>(96,075)</u>
<i>Net non-operating expenses</i>	<u>(81,119)</u>
Change in Net Position	(231,187)
Beginning Net Position	<u>7,316,637</u>
Ending Net Position	<u><u>\$ 7,085,450</u></u>

Statement of Cash Flows

Statement 9

Proprietary Funds

For the Year Ended June 30, 2023

	<u>Sewer Fund</u>
Cash Flows from Operating Activities	
Cash received from customers for services	\$ 1,783,433
Cash paid to suppliers for goods and services	(671,249)
Cash paid to employees for wages and benefits	<u>(565,262)</u>
<i>Net cash provided by operating activities</i>	546,922
Cash Flows from Capital and Related Financing Activities	
Repayment of long-term debt	(257,350)
Interest payments	(98,112)
Capital outlays	<u>(30,595)</u>
<i>Net cash used in capital and related financing activities</i>	(386,057)
Cash Flows from Investing Activities	
Receipt of interest	14,398
Other cash inflows	<u>558</u>
<i>Net cash provided by investing activities</i>	<u>14,956</u>
Net Increase in Cash	175,821
Beginning Cash and Cash Equivalents	<u>1,290,477</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,466,298</u></u>

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

Net Operating Loss	\$ (150,068)
Non-Cash Items in Net Operating Income	
Depreciation expense	539,107
Changes in Operating Assets and Liabilities	
(Increase) decrease in:	
Accounts and other receivables	141,375
(Decrease) increase in:	
Accounts payable	9,183
Accrued wages	<u>7,325</u>
Net Cash Provided By Operating Activities	<u><u>\$ 546,922</u></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, LLC 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, LLC’s balances and transactions as though they were a part of the City, using the blending method. Old Town Development, LLC is member managed.

Old Town Development, LLC 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, 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:

Land 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	\$ 66,913,645
Accumulated depreciation	(30,858,350)
Bonds and lease obligations	<u>(12,405,444)</u>
Net investment in capital assets	<u>\$ 23,649,851</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, 2023, of the City's \$12,232,959 bank deposits, \$12,029,933 was either insured by the FDIC or were collateralized with securities held by the financial institutions, which were in the City's name. Due to a timing issue with purchasing \$203,026 was not covered.

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, and certain corporate stocks and bonds.

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, 2023, 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	\$ -	\$ 1,191,023	\$ -	\$ 1,191,023
Corporate bonds	-	921,129	134,570	1,055,699
Equities	-	-	1,738,550	1,738,550
Mutual funds	-	-	776,028	776,028
Real estate	-	-	18,132	18,132
Total	<u>\$ -</u>	<u>\$ 2,112,152</u>	<u>\$ 2,667,280</u>	<u>\$ 4,779,432</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, 2023:

	<u>Gross Receivables</u>	<u>Allowance for Uncollectible</u>	<u>Net Receivables</u>
<i>Governmental activities</i>			
Taxes receivable	\$ 257,668	\$ -	\$ 257,668
Accounts receivable	1,330,410	(50,200)	1,280,210
Loans Receivable	<u>777,990</u>	<u>(990)</u>	<u>777,000</u>
	2,366,068	(51,190)	2,314,878
<i>Business-type activities</i>			
Accounts receivable	468,643	(49,854)	418,789
Loans receivable	<u>10,660</u>	<u>(3,731)</u>	<u>6,929</u>
	<u>479,303</u>	<u>(53,585)</u>	<u>425,718</u>
Total	<u>\$ 2,845,371</u>	<u>\$ (104,775)</u>	<u>\$ 2,740,596</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	\$ 363,304	\$ 6,655,545
Capital reserves fund	6,608,008	-
Other governmental funds	44,892	363,304
Sewer fund (proprietary)	<u>2,645</u>	<u>-</u>
	<u>\$ 7,018,849</u>	<u>\$ 7,018,849</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 \$1,855,041 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 \$799,528 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. There was also a transfer from the Cemetery Fund to the General Fund in the amount of \$15,000 to cover approved expenditures. The Capital Reserves Fund also transferred \$299,732 from varying sub-accounts to others within the fund.

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	\$ 1,526,153	\$ -	\$ -	\$ 1,526,153
Construction in process	19,163	481,158	(7,250)	493,071
Depreciable Capital Assets				
Land improvements	2,063,578	-	-	2,063,578
Buildings and improvements	12,212,585	1,122,436	-	13,335,021
Furniture and fixtures	88,768	9,230	-	97,998
Machinery and equipment	3,724,372	1,062,075	(245,376)	4,541,071
Vehicles	4,289,742	300,110	-	4,589,852
Infrastructure	<u>17,337,983</u>	<u>1,912,837</u>	<u>-</u>	<u>19,250,820</u>
Gross capital assets	41,262,344	4,887,846	(252,626)	45,897,564
Less: Accumulated Depreciation				
Land improvements	786,431	102,275	-	888,706
Buildings and improvements	4,218,762	358,776	-	4,577,538
Furniture and fixtures	86,916	1,955	-	88,871
Machinery and equipment	2,801,808	361,167	(245,376)	2,917,599
Vehicles	2,984,567	379,704	-	3,364,271
Infrastructure	<u>6,022,597</u>	<u>1,302,411</u>	<u>-</u>	<u>7,325,008</u>
Total accumulated depreciation	<u>16,901,081</u>	<u>2,506,288</u>	<u>(245,376)</u>	<u>19,161,993</u>
Net capital assets	<u>\$ 24,361,263</u>	<u>\$ 2,381,558</u>	<u>\$ (7,250)</u>	<u>\$ 26,735,571</u>

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

General government	\$ 1,505,411
Public safety	476,558
Public works	255,078
Culture and recreation	46,584
Airport	<u>222,657</u>
Total	<u>\$ 2,506,288</u>

Note 6: Capital Assets (Continued)

Capital asset activity for business-type activities for the year are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable Capital Assets				
Land	\$ 179,427	\$ -	\$ -	\$ 179,427
Construction in process	97,837	1,944	(97,837)	1,944
Depreciable Capital Assets				
Buildings and improvements	5,682,700	-	-	5,682,700
Machinery and equipment	6,680,180	28,651	-	6,708,831
Vehicles	336,791	-	-	336,791
Infrastructure	<u>8,106,388</u>	<u>-</u>	<u>-</u>	<u>8,106,388</u>
Gross capital assets	21,083,323	30,595	(97,837)	21,016,081
Less: Accumulated Depreciation				
Buildings and improvements	3,629,907	121,489	-	3,751,396
Machinery and equipment	5,692,970	262,818	-	5,955,788
Vehicles	323,265	6,762	-	330,027
Infrastructure	<u>1,511,108</u>	<u>148,038</u>	<u>-</u>	<u>1,659,146</u>
Total accumulated depreciation	<u>11,157,250</u>	<u>539,107</u>	<u>-</u>	<u>11,696,357</u>
Net capital assets	<u>\$ 9,926,073</u>	<u>\$ (508,512)</u>	<u>\$ (97,837)</u>	<u>\$ 9,319,724</u>

Depreciation expense for business-type activities was \$539,107.

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	\$ 125,000	\$ -	\$ (125,000)	\$ -
2002 school construction bond	565,810	-	(565,810)	-
2009 city hall bond	564,320	-	(70,540)	493,780
2016 road bond	244,898	-	(122,449)	122,449
2019 road bond	318,000	-	(106,000)	212,000
2019 border protection bond	1,219,000	-	(100,000)	1,119,000
2021 road bond	857,143	-	(142,857)	714,286
2022 general obligation bond	3,201,110	-	(299,834)	2,901,276
	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
	7,095,281	2,000,000	(1,532,490)	7,562,791
<i>Business-type activities</i>				
2003 treatment facility bond	65,000	-	(32,500)	32,500
2003 treatment facility bond	714,287	-	(71,428)	642,858
2007 treatment facility bond	424,359	-	(32,642)	391,717
2016 street project bond	354,571	-	(16,885)	337,686
2017 street project bond	1,124,141	-	(44,964)	1,079,177
2018 pump station bond	<u>1,473,213</u>	<u>-</u>	<u>(58,929)</u>	<u>1,414,284</u>
	<u>4,155,571</u>	<u>-</u>	<u>(257,348)</u>	<u>3,898,222</u>
Total	<u>\$ 11,250,852</u>	<u>\$ 2,000,000</u>	<u>\$ (1,789,838)</u>	<u>\$ 11,461,013</u>

Outstanding bonds for governmental activities were:

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.

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.

Note 7: Long-term Liabilities (Continued)

Road bond, held by Camden National Bank, issued in May 2021 for \$1,000,000. It carries an interest rate of 2.17%, with annual principal payments of \$142,857 due in September, and annual interest payments due in September. The bond matures in September 2027. The portion of principal that is due to be paid within one year is \$142,857.

General obligation bond, held by Bangor Savings Bank, issued in February 2022 for \$3,300,000. It carries an interest rate of 2.25%, with annual principal payments due in June, and annual interest payments due in June. The bond matures in June 2032. The portion of principal that is due to be paid within one year is \$306,561.

General obligation bond, held by Bangor Savings Bank, issued in August 2022 for \$2,000,000. It carries an interest rate of 3.22%, with annual principal payments due in August, and semi-annual interest payments due in August and February. The bond matures in August 2027. The portion of principal that is due to be paid within one year is \$400,000.

Outstanding bonds for business-type activities were:

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 \$71,428 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 \$71,428.

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 \$32,642 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 \$32,642.

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 \$44,964 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 \$44,964.

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.

Note 7: Long-term Liabilities (Continued)

Total interest expense for the year was \$189,610 on governmental activities bonds, and \$98,065 on business-type activities bonds.

Future maturities of governmental activities bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
Fiscal Year 2024	\$ 1,248,407	\$ 204,591	\$ 1,452,998
Fiscal Year 2025	1,133,113	172,884	1,305,997
Fiscal Year 2026	1,034,155	141,407	1,175,562
Fiscal Year 2027	1,041,447	111,145	1,152,592
Fiscal Year 2028	1,048,854	80,768	1,129,622
Fiscal Years 2029-2033	1,937,815	149,755	2,087,570
Fiscal Years 2034-2038	<u>119,000</u>	<u>3,839</u>	<u>122,839</u>
Totals	<u>\$ 7,562,791</u>	<u>\$ 864,389</u>	<u>\$ 8,427,180</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
Fiscal Year 2024	\$ 257,350	\$ 91,056	\$ 348,406
Fiscal Year 2025	224,850	84,048	308,898
Fiscal Year 2026	224,850	77,559	302,409
Fiscal Year 2027	224,850	71,070	295,920
Fiscal Year 2028	224,850	64,581	289,431
Fiscal Years 2029-2033	1,052,822	227,093	1,279,915
Fiscal Years 2034-2038	669,179	120,521	789,700
Fiscal Years 2039-2043	603,893	63,819	667,712
Fiscal Years 2044-2047	<u>415,577</u>	<u>14,995</u>	<u>430,571</u>
Totals	<u>\$ 3,898,222</u>	<u>\$ 814,742</u>	<u>\$ 4,712,963</u>

Note 7: Long-term Liabilities (Continued)

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

Interest expense on capital lease obligations totaled \$25,416 for the year.

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

Fiscal Year 2024	\$ 560,976
Fiscal Year 2025	426,043
Fiscal Year 2026	<u>1,095</u>
Total future minimum payments	988,114
Less: Amounts representing interest	<u>43,683</u>
Present value of future minimum payments	944,431
Less: Current portion of lease obligations	<u>532,272</u>
Non-current portion of lease obligations	<u>\$ 412,159</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	\$ 847,902	\$ 731,000	\$ (634,468)	\$ 944,431
Accrued compensated absences	741,559	80,750	-	822,309
Pensions	(139,763)	1,397,890	-	1,258,127
Other post-employment benefits	<u>559,001</u>	<u>-</u>	<u>(35,359)</u>	<u>523,642</u>
	2,008,699	2,209,640	(669,827)	3,548,509
<i>Business-type activities</i>				
Accrued compensated absences	58,823	5,900	-	64,723
Pensions	(10,520)	-	105,218	94,698
Other post-employment benefits	<u>42,075</u>	<u>-</u>	<u>(2,661)</u>	<u>39,414</u>
	<u>90,378</u>	<u>5,900</u>	<u>102,557</u>	<u>198,835</u>
Total	<u>\$ 2,099,077</u>	<u>\$ 2,215,540</u>	<u>\$ (567,270)</u>	<u>\$ 3,747,344</u>

Note 8: Tax Increment Financing Districts

The City currently has five (5) 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:

First Omnibus (aka, Stillwater) TIF District: This TIF district was established March 2, 2015, for a term of thirty (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. The 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. The CEA was transferred to ENI 671 Stillwater Avenue LLC when they purchased the 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 the property owner.

Downtown-Second Omnibus TIF District: This district was established March 6, 2017, for a term of thirty (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 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.

Great Works TIF District: This district was established June 16, 2020, for a term of thirty (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 comprises 459.34 acres within the City and has a total Original Assessed Value (O.A.V.) of \$17,512,700. The district allows for Credit Enhancement Agreements (CEA's) of up to 50% of the total captured assessed value.

Black Bear Omnibus TIF District: This district was established April 6, 2023, for a term of thirty (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 comprises 110.35 acres within the City and has a total Original Assessed Value (O.A.V.) of \$2,040,300. The district allows for Credit Enhancement Agreements (CEA's) of up to 50% of the total captured assessed value.

Gilman Falls Omnibus TIF District: This district was established April 7, 2023, for a term of thirty (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 comprises 493.67 acres within the City and has a total Original Assessed Value (O.A.V.) of \$8,794,600. The district allows for Credit Enhancement Agreements (CEA's) of up to 50% of the total captured assessed value.

Note 9: Components of Fund Balance

The General Fund’s fund balance ended the year with a total balance of \$6,997,392. This balance is composed of a *nonspendable* portion of \$953,453 for assets that are not in spendable form, an *assigned* portion of \$1,189,492 for carry forward amounts, and the remaining *unassigned* balance of \$4,854,447.

The yearend fund balances of the Capital Reserve Fund (\$6,608,077), Cemetery Fund (\$899,463), Library Fund (\$1,165,518), and Library Trust (\$218,599) are all considered *restricted* because they are to be used for specific purposes and are restricted by resource providers external to the City.

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 August. Half of the taxes were due in September and the second half was due in March. Interest is assessed on overdue accounts at 4.00% 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 \$21.00 per \$1,000 of assessed valuation is \$1.91 which represents the local assessment for county taxes and \$11.47 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 2023 tax levy is summarized as follows:

Real estate valuation	\$438,989,719
Personal property valuation	<u>24,078,100</u>
Total valuation	463,067,819
Tax rate (per \$1,000 of valuation)	<u>21.00</u>
Tax commitment	<u><u>\$ 9,724,424</u></u>

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

Original tax commitment	\$ 9,724,424
Supplemental taxes	<u>19,243</u>
Total tax commitment	9,743,667
Less:	
Abatements of current year taxes	27,890
Current year taxes receivable at year end	<u>126,362</u>
Current year tax collections	<u><u>\$ 9,589,415</u></u>
Collection rate of current year taxes	98.7%

Note 11: Overlapping Debt

The City's proportionate share of Penobscot County's and Maine Regional School Unit No. 34's bonded debt are not reported in the City's financial statements. Debt service is included in the annual County and School assessments to the City. The City's share is \$21,873, or 4.79%, of Penobscot County's outstanding debt of \$456,690, and \$874,500, or 77%, of Maine Regional School Unit No. 34's outstanding bonded debt of \$1,135,714.

Note 12: 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, 2023.

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 13: 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, 2022, there were 311 employers in the plan. The Plan is administered by the Maine Public Employees Retirement System (MainePERS).

Note 13: Defined Benefit Pension Plan (Continued)*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 1.52%.

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/(asset), deferred inflows of resources and deferred outflows of resources related to pensions were measured on June 30, 2022, 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, 2023. 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, 2022, the City reported a liability for its proportionate share of the plans' net pension liability/(asset) totaling \$1,352,825. The City's proportion of the plans' net pension liability/(asset) 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, 2022, the City's proportion of the PLD Plan was 0.508896% of the PLD Plan's total net liability/(asset) which was an increase of 0.041296% from its proportion measured on June 30, 2021.

Note 13: Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2023, the City recognized total pension expense of \$439,191 for the PLD Plan.

Measured on June 30, 2022, 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
Difference between expected and actual experience	\$ 251,413	\$ -
Difference between projected and actual investment earnings	-	567,788
Changes of assumptions	274,577	-
Changes in proportions	84,515	-
Contributions subsequent to the measurement date	<u>494,685</u>	<u>-</u>
	<u>\$ 1,105,190</u>	<u>\$ 567,788</u>

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 plan subsequent to the measurement date, totaling \$494,685, 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 2023	\$ 216,675
Fiscal year 2024	(87,899)
Fiscal year 2025	(352,742)
Fiscal year 2026	<u>266,683</u>
	<u>\$ 42,717</u>

Actuarial Methods and Assumptions

The collective total pension liability/(asset) for the plans was determined by an actuarial valuation measured as of June 30, 2022, 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.

Note 13: Defined Benefit Pension Plan (Continued)

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.

Significant Actuarial Assumptions

Investment rate of return	6.50%, compounded annually
Inflation rate	2.75%
Annual salary increases	2.75% to 11.48%
Cost of living benefit increases	1.91%
Mortality rates	Based on the 2010 Public Plan General Benefits – Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The long-term expected rate of return on 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, 2022, are summarized in the following table:

	<u>Long-term Expected Real Rate of Return</u>
Public equities	6.0%
US government	2.3%
Private equity	7.6%
Real assets	
Real estate	5.2%
Infrastructure	5.3%
Natural resources	5.0%
Traditional credit	3.2%
Alternative credit	7.4%
Diversifiers	5.9%

Note 13: Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the collective total pension liability was 6.5% for 2022 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.

The following table shows how the City’s proportionate share of the Plan’s net pension liabilities (assets) measured as of June 30, 2022, would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 3,996,631	\$ 1,352,825	\$ (832,374)

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 14: 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, 2023, were measured as of December 31, 2022.

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, 2023), there were 50 active employee members, 3 retiree members, and 1 retiree spouse member in the plan.

Note 14: 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, 2023. The City's net OPEB liability was \$563,056.

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

Beginning balance	\$ 601,076
Changes for the year:	
Service cost	29,417
Interest	12,834
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(65,186)
Benefit payments	<u>(15,085)</u>
Net change	<u>(38,020)</u>
Ending balance	<u>\$ 563,056</u>

Change in assumptions during the year reflect a change in the discount rate from 2.06% to 3.72%.

For the year ended December 31, 2022, the City recognized OPEB expense of \$36,779.

As of June 30, 2023, 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	\$ 809	\$ 170,762
Changes in assumptions and other inputs	137,974	83,719
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>8,901</u>	<u>-</u>
	<u>\$ 147,684</u>	<u>\$ 254,481</u>

Note 14: 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 2024	\$ (5,472)
Fiscal year 2025	(5,472)
Fiscal year 2026	(5,472)
Fiscal year 2027	(13,766)
Fiscal year 2028	(7,652)
Fiscal years thereafter	<u>(77,864)</u>
	<u>\$ (115,698)</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, 2023
Discount Rate	3.72% for the 2023 year-end reporting period 2.06% for the 2022 year-end reporting period
Trend Assumptions	
Non-Medicare Medical	Initial trend of 6.25% applied in FYE 2022 grading over 21 years to 3.53% per annum
Non-Medicare Drug	Initial trend of 13.10% applied in FYE 2022 grading over 21 years to 3.53% per annum.
Medicare Medical	Initial trend of 5.00% applied in FYE 2022 grading over 21 years to 3.53% per annum
Medicare Drug	Initial trend of 9.90% applied in FYE 2022 grading over 21 years to 3.53% per annum
Admin and Claims Expense	3.0% per annum

Rates of mortality are based on 112.1% and 118.5% of the 2010 Public Plan General Benefits – Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95, and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

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 14: 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	\$ 657,291	\$ 563,056	\$ 486,475

	Healthcare Cost Trend Rate Sensitivity		
	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 473,295	\$ 563,056	\$ 679,535

MMEHT OPEB Plan Actuarial Reports

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

Note 15: 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 \$46,537 and employees elected to defer \$167,837 for a total contribution of \$214,374, for municipal employees.

Note 16: 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 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, 2023, the City has issued the following new debt:

- A bond anticipation note (BAN) in the amount of \$4,500,000 that the City expects will be rolled into permanent financing in the fall of 2025 when the BAN matures.

Budgetary Comparison Schedule

Schedule 1

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 10,629,157	\$ 9,724,424	\$ 9,727,741	\$ 3,317
Excise taxes	1,514,400	1,514,400	1,708,596	194,196
Charges for services	2,686,336	2,686,336	3,278,090	591,754
Licenses, permits, and fees	146,870	146,870	217,807	70,937
Intergovernmental	5,390,539	6,121,680	7,224,073	1,102,393
Investment income/(expense)	52,000	52,000	156,456	104,456
Other revenues	<u>222,384</u>	<u>222,384</u>	<u>1,114,735</u>	<u>892,351</u>
Total revenues	20,641,686	20,468,094	23,427,498	2,959,404
Expenditures				
General government	5,719,958	5,584,892	5,370,981	213,911
Public safety	6,030,098	6,030,098	6,415,090	(384,992)
Public works	2,150,710	2,769,210	4,033,645	(1,264,435)
Sanitation	631,126	631,126	571,251	59,875
Culture and recreation	858,036	861,327	739,626	121,701
Airport	469,292	469,292	1,007,822	(538,530)
Education	5,262,440	5,262,440	5,021,495	240,945
County tax	<u>885,755</u>	<u>885,755</u>	<u>885,755</u>	<u>-</u>
Total expenditures	<u>22,007,415</u>	<u>22,494,140</u>	<u>24,045,665</u>	<u>(1,551,525)</u>
Revenue Surplus (Deficit)	(1,365,729)	(2,026,046)	(618,167)	1,407,879
Other Financing Sources (Uses)				
Transfers in	1,943,279	1,943,279	794,528	(1,148,751)
Transfers out	(602,550)	(602,550)	(1,855,041)	(1,252,491)
Proceeds from bonds and leases	-	-	2,731,000	2,731,000
Proceeds from sales of assets	<u>25,000</u>	<u>25,000</u>	<u>65,490</u>	<u>40,490</u>
Net other financing	<u>1,365,729</u>	<u>1,365,729</u>	<u>1,735,977</u>	<u>370,248</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ (660,317)</u>	<u>\$ 1,117,810</u>	<u>\$ 1,778,127</u>

Schedule of Proportionate Share of Net Pension Liability

Schedule 2

MainePERS Participating Local Districts Consolidated Plan

Employer ID: P0111

As of the Last Eight Measurement Dates*

	2023	2022	2021	2020	2019
A City's proportion	0.508896%	0.467643%	0.461097%	0.445768%	0.447431%
B City's share	\$ 1,352,825	\$ (150,283)	\$ 1,831,998	\$ 1,362,550	\$ 1,224,520
C Covered payroll	\$ 4,990,274	\$ 3,797,390	\$ 3,909,809	\$ 3,812,103	\$ 3,687,969
D Payroll percentage	27.11%	-3.96%	46.86%	35.74%	33.20%
E Net position %	93.26%	100.86%	88.35%	90.60%	91.14%

	2018	2017	2016	2015	20XX
A City's proportion	0.472471%	0.457773%	0.419077%	0.393519%	
B City's share	\$ 1,934,467	\$ 2,432,289	\$ 1,337,051	\$ 605,552	
C Covered payroll	\$ 3,434,500	\$ 3,451,334	\$ 3,342,432	\$ 3,246,713	
D Payroll percentage	56.32%	70.47%	40.00%	18.65%	
E Net position %	86.43%	81.61%	88.27%	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 Eight Measurement Dates*

	2023	2022	2021	2020	2019
A Required	\$ 494,685	\$ 404,560	\$ 320,756	\$ 300,724	\$ 278,658
B Actual	<u>494,685</u>	<u>404,560</u>	<u>320,756</u>	<u>300,724</u>	<u>278,658</u>
C Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D Covered payroll	\$ 4,990,274	\$ 3,797,390	\$ 3,909,809	\$ 3,812,103	\$ 3,687,969
E Payroll percentage	9.91%	10.65%	8.20%	7.89%	7.56%

	2018	2017	2016	2015	20XX
A Required	\$ 249,340	\$ 242,355	\$ 214,808	\$ 171,304	
B Actual	<u>249,340</u>	<u>242,355</u>	<u>214,808</u>	<u>171,304</u>	
C Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
D Covered payroll	\$ 3,434,500	\$ 3,451,334	\$ 3,342,432	\$ 3,246,713	
E Payroll percentage	7.26%	7.02%	6.43%	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 Five Measurement Dates*

	2023	2022	2021	2020	2019
Service cost	\$ 29,417	\$ 31,157	\$ 26,802	\$ 15,195	\$ 17,360
Interest	12,834	15,762	18,511	24,762	22,398
Changes of benefits	-	-	-	(13,715)	-
Experience differences	-	(174,020)	-	(51,086)	-
Assumption changes	(65,186)	28,336	42,686	112,061	(55,034)
Benefit payments	<u>(15,085)</u>	<u>(24,893)</u>	<u>(23,936)</u>	<u>(30,314)</u>	<u>(29,148)</u>
Net Change	(38,020)	(123,658)	64,063	56,903	(44,424)
Beginning OPEB liability	<u>601,076</u>	<u>724,734</u>	<u>660,671</u>	<u>603,768</u>	<u>648,192</u>
Ending OPEB liability	<u>\$ 563,056</u>	<u>\$ 601,076</u>	<u>\$ 724,734</u>	<u>\$ 660,671</u>	<u>\$ 603,768</u>
Covered payroll	\$ 2,856,984	\$ 2,856,984	\$ 2,888,447	\$ 2,888,447	\$ 2,348,020
Payroll percentage	19.71%	21.04%	25.09%	22.87%	25.71%
	2018	20XX	20XX	20XX	20XX
Service cost	\$ 14,360				
Interest	21,124				
Changes of benefits	-				
Experience differences	2,435				
Assumption changes	72,220				
Benefit payments	<u>(12,727)</u>				
Net Change	97,412				
Beginning OPEB liability	<u>550,780</u>				
Ending OPEB liability	<u>\$ 648,192</u>				
Covered payroll	\$ 2,348,020				
Payroll percentage	27.61%				

**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 2023, the Public Safety line was over-expended by \$384,992 or 6.4%, the Public Works line was over-expended by \$1,264,435 or 45.6%, and the Airport line was over-expended by \$538,530 or 100.1% of their total final budgets.

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 change in the assumptions and methods used for actuarial calculations was the MMEHT OPEB Plan's change in the discount rate from 2.06% to 3.72%.

Budgetary Comparison Schedule

Schedule 5

Sewer Fund ▪ Budgetary Basis

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues				
Service charges	\$ 1,634,011	\$ 1,634,011	\$ 1,628,223	\$ (5,788)
Fees, permits, and other revenue	13,100	13,100	13,835	735
<i>Total operating revenues</i>	<u>1,647,111</u>	<u>1,647,111</u>	<u>1,642,058</u>	<u>(5,053)</u>
Operating Expenses				
Administration	1,329,358	2,500,960	888,967	1,611,993
Repairs and maintenance	136,970	136,970	110,332	26,638
Water treatment facility	223,100	223,100	187,171	35,929
Sludge disposal	94,750	94,750	66,549	28,201
Capital outlays	-	-	30,595	(30,595)
Repayment of debt principal	-	-	257,350	(257,350)
<i>Total operating expenses</i>	<u>1,784,178</u>	<u>2,955,780</u>	<u>1,540,964</u>	<u>1,414,816</u>
Net Operating Income	(137,067)	(1,308,669)	101,094	1,409,763
Non-Operating Revenues (Expenses)				
Transfers in (out)	239,267	239,267	-	(239,267)
Interest income	5,000	5,000	14,398	9,398
Other non-operating revenue	2,800	2,800	558	(2,242)
Interest expense	(110,000)	(110,000)	(96,075)	13,925
<i>Net non-operating expenses</i>	<u>137,067</u>	<u>137,067</u>	<u>(81,119)</u>	<u>21,081</u>
Change in Net Position	<u>\$ -</u>	<u>\$ (1,171,602)</u>	<u>\$ 19,975</u>	<u>\$ 1,191,577</u>

Schedule of Changes in Reserve Balances

Schedule 6

Capital Projects Fund

For the Year Ended June 30, 2023

	Beginning Balance	Revenues and Transfers In	Expenditures and Transfers Out	Ending Balance
TIF district	\$ 538,690	\$ 454,156	\$ (720,839)	\$ 272,007
Housing reserve	150,000	-	-	150,000
Old Town Development LLC	176,434	787,882	(794,441)	169,875
Economic development	3,967	3,171	-	7,138
Projects reserve	2,955,926	1,339,060	(2,665,354)	1,629,632
IT equipment	120,438	-	-	120,438
Heavy equipment	1,027,270	-	-	1,027,270
Highway block grant	297,084	103,152	-	400,236
City facilities	1,010,065	3,000	(54,700)	958,365
Municipal trash	792,913	-	(252,000)	540,913
Airport hanger	432,888	167,267	(198,525)	401,630
ARPA funds	785,743	-	-	785,743
Garford account	(21)	-	-	(21)
Smoke detectors	2,147	-	(218)	1,929
Police evidence	50,857	10,465	(2,030)	59,292
Forfeitures	22,912	5,907	(7,237)	21,582
Riverfest	16,677	32,600	(41,803)	7,474
Parade and bicentennial	8,624	625	-	9,249
Skateboard park	38,348	57	-	38,405
Clerk book restore	420	-	-	420
Dog park	5,250	-	-	5,250
Bicycle coalition	1,250	-	-	1,250
	<u>\$ 8,437,882</u>	<u>\$ 2,907,342</u>	<u>\$ (4,737,147)</u>	<u>\$ 6,608,077</u>

Combining Balance Sheets
Other Governmental Funds
 As of June 30, 2023

Schedule 7

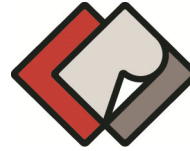
	Cemetery Fund	Library Fund	Library Trust	Total
Assets				
Investments	\$ 1,233,145	\$ 1,150,248	\$ 218,599	\$ 2,601,992
Due from other funds	<u>-</u>	<u>41,532</u>	<u>3,360</u>	<u>44,892</u>
Total Assets	<u><u>\$ 1,233,145</u></u>	<u><u>\$ 1,191,780</u></u>	<u><u>\$ 221,959</u></u>	<u><u>\$ 2,646,884</u></u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ 333,682	\$ 26,262	\$ 3,360	\$ 363,304
Fund Balances				
Restricted	<u>899,463</u>	<u>1,165,518</u>	<u>218,599</u>	<u>2,283,580</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,233,145</u></u>	<u><u>\$ 1,191,780</u></u>	<u><u>\$ 221,959</u></u>	<u><u>\$ 2,646,884</u></u>

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

Schedule 8

Other Governmental Funds
For the Year Ended June 30, 2023

	Cemetery Fund	Library Fund	Library Trust	Total
Revenues				
Investment income/(loss)	\$ 115,695	\$ 108,398	\$ 5,874	\$ 229,967
Other revenues	<u>-</u>	<u>13,046</u>	<u>-</u>	<u>13,046</u>
Total revenues	115,695	121,444	5,874	243,013
Expenditures				
Transfer out	15,000	-	-	15,000
Other expenditures	<u>306,565</u>	<u>19,497</u>	<u>2,019</u>	<u>328,081</u>
Total expenditures	321,565	19,497	2,019	343,081
Net Change in Fund Balances	(205,870)	101,947	3,855	(100,068)
Beginning Fund Balances	<u>1,105,333</u>	<u>1,063,571</u>	<u>214,744</u>	<u>2,383,648</u>
Ending Fund Balances	<u><u>\$ 899,463</u></u>	<u><u>\$ 1,165,518</u></u>	<u><u>\$ 218,599</u></u>	<u><u>\$ 2,283,580</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, 2023, 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 February 6, 2024.

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.

Royer ADVISORS & ACCOUNTANTS

Royer Advisors and Accountants
Certified Public Accountants
Falmouth, Maine
February 6, 2024

