



Annual Financial Report

June 30, 2016

CONTENTS

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

Combining Nonmajor Fund Schedules – Governmental Funds

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

Independent Auditors' Report

City Council
City of Westbrook
Westbrook, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Westbrook, Maine (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Westbrook, Maine, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the City Council
City of Westbrook, Maine

Other Matters

Required Supplementary Information

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

Other Information

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

The combining nonmajor fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 25, 2017, on our consideration of the City of Westbrook's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Westbrook's internal control over financial reporting and compliance.

Macpage LLC

South Portland, Maine
January 25, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Westbrook, Maine (the City), we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The City's Basic Financial Report has three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

All of the funds of the City are reported using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting is similar to the accounting method used by non-public businesses, in that, revenues and expenditures are recorded in the current year regardless of when the revenue is collected or paid out.

Government-Wide Financial Statements

- Government-wide financial statements report information on all of the non-fiduciary activities of the City's Governmental activities and Business-Type Activities which are normally supported by taxes and intergovernmental revenues.
- The City's financial statements are comprised of a series of statements such as the statement of net position and the statement of activities. These statements provide an overview of the activities of the government as a whole.
- The statement of net position provides a picture of the difference between assets (including infrastructure), deferred outflows of resources and liabilities and deferred inflows of resources. This is called *net position*. The statement of activities provides a look at how the net position has changed from the prior year to the current year. Increases or decreases in net position can show whether the City is improving or deteriorating. Other factors such as changes in the City's property tax base and the condition of the City's capital assets also need to be considered to assess the overall health of the City.

MANAGEMENT'S DISCUSSION & ANALYSIS

Fund Financial Statements

- The fund financial statements provide details of the City's most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Examples of funds within the City's financial statements follow.
- *General Fund* – This is the primary operating fund for the City. Most of the City's basic services are reported in the general fund. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- *Other Governmental Funds* – This is the remaining special revenue funds, capital projects funds and permanent funds that do not meet the criteria for reporting as a major fund.
- *Fiduciary Funds* – These funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City is the trustee, or *fiduciary*, for Trust Funds that are set up primarily as scholarships or funds for people in need. These assets, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

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

THE CITY AS A WHOLE

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

| | Governmental Activities | | Business-Type Activities | |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$ 37,138,089 | \$ 30,466,693 | \$ 9,680,970 | \$ 9,036,784 |
| Capital assets, net | <u>111,136,652</u> | <u>106,593,539</u> | <u>46,692,792</u> | <u>48,251,285</u> |
| Total assets | <u>\$148,274,741</u> | <u>\$137,060,232</u> | <u>\$ 56,373,762</u> | <u>\$ 57,288,069</u> |
| Deferred Outflows of Resources | <u>\$ 7,272,191</u> | <u>\$ 2,692,672</u> | <u>\$ -</u> | <u>\$ -</u> |
| Current liabilities | \$ 7,728,860 | \$ 5,267,364 | \$ 516,545 | \$ 64,521 |
| Noncurrent liabilities | <u>67,636,206</u> | <u>56,174,060</u> | <u>5,242,500</u> | <u>5,549,000</u> |
| Total liabilities | <u>\$ 75,365,066</u> | <u>\$ 61,441,424</u> | <u>\$ 5,759,045</u> | <u>\$ 5,613,521</u> |
| Deferred Inflows of Resources | <u>\$ 3,689,942</u> | <u>\$ 3,543,493</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net investment in capital assets | <u>\$ 60,860,267</u> | <u>\$ 57,127,525</u> | <u>\$ 46,290,292</u> | <u>\$ 47,542,285</u> |
| Restricted | <u>1,035,405</u> | <u>1,142,585</u> | | |
| Unrestricted | <u>14,596,252</u> | <u>16,497,877</u> | <u>4,324,425</u> | <u>4,132,263</u> |
| Total net position | <u>\$ 76,491,924</u> | <u>\$ 74,767,987</u> | <u>\$ 50,614,717</u> | <u>\$ 51,674,548</u> |

MANAGEMENT'S DISCUSSION & ANALYSIS

Current and other assets are substantially all comprised of cash and investments. Capital assets, which include property, plant, equipment, and infrastructure, are generally defined by the City as assets with an initial, individual cost of greater than or equal to \$5,000 (five thousand dollars) and an estimated useful life in excess of one year. Capital assets increased in 2016 as new investments in capital assets exceeded depreciation. The governmental activities increase in total net position is due primarily to revenues raised being consistent with the budget and expenditures were kept below anticipated budget amounts. The business-type activities decrease is primarily due to operating expenses exceeding operating revenues. By far the largest portion of the City's net position reflects its investment in capital assets less any related debt to acquire those assets still outstanding. There was a new general obligation bond issued in the current year, part of which was used for a refunding of existing bonds. Detail of the activity of capital assets and long-term debt can be found in the notes to the financial statements.

The following schedule, the statement of activities, focuses on changes in net position of the City's governmental activities.

| | Governmental Activities | | Business-Type Activities | |
|--|-------------------------|----------------------|--------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Program Revenues: | | | | |
| Charges for services | \$ 2,103,905 | \$ 1,969,544 | \$ 4,613,943 | \$ 4,355,138 |
| Operating grants and contributions | <u>25,394,417</u> | <u>25,476,700</u> | <u>4,613,943</u> | <u>4,355,138</u> |
| | <u>27,498,322</u> | <u>27,446,244</u> | <u>4,613,943</u> | <u>4,355,138</u> |
| General Revenues: | | | | |
| Property and other taxes | 37,123,899 | 35,054,003 | | |
| Licenses, permits and fees | 961,439 | 415,798 | | |
| Grants and contributions not restricted to specific programs | 2,450,183 | 2,278,584 | | |
| Investment earnings (loss) | | (411,087) | | |
| Interest income | 30,810 | | | |
| Miscellaneous | 702,374 | 583,883 | | |
| | <u>41,268,705</u> | <u>37,921,181</u> | | |
| Total Revenues | 68,767,027 | 65,367,425 | 4,613,943 | 4,355,138 |
| Program Expenses: | | | | |
| General government | 4,534,444 | 4,433,865 | | |
| Public safety | 7,760,197 | 7,049,382 | | |
| Public works | 5,463,420 | 5,852,472 | | |
| Human services | 932,166 | 593,577 | | |
| Culture and recreation | 1,860,353 | 1,855,165 | | |
| Employee benefits | 3,936,623 | 3,105,042 | | |
| Education | 39,103,371 | 38,308,896 | | |
| Unclassified | 1,778,391 | 1,699,201 | | |
| Interest on debt | 807,578 | 713,758 | | |
| Capital outlay | 866,547 | 737,559 | | |
| Sewer department | | | 5,411,482 | 5,146,613 |
| Parking garage | | | <u>262,292</u> | <u>368,521</u> |
| Total Expenses | 67,043,090 | 64,348,917 | 5,673,774 | 5,515,134 |
| Change in Net Position | 1,723,937 | 1,018,508 | (1,059,831) | (1,159,996) |
| Net Position, Beginning of Year | 74,767,987 | 73,749,479 | 51,674,548 | 52,834,544 |
| Net Position, End of Year | \$ 76,491,924 | \$ 74,767,987 | \$ 50,614,717 | \$ 51,674,548 |

MANAGEMENT'S DISCUSSION & ANALYSIS

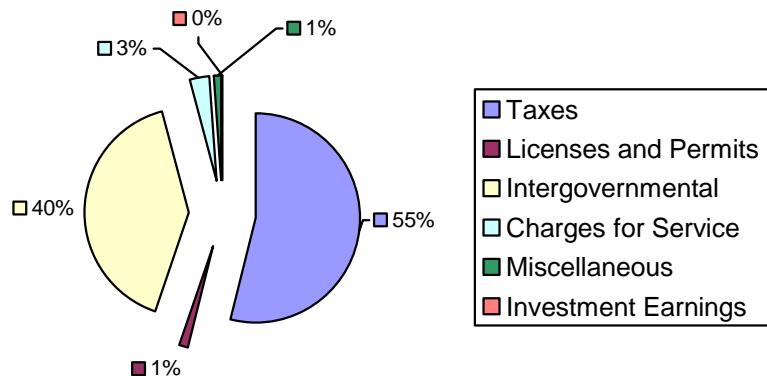
The cost of all governmental activities this year was \$67,043,090, which represents an increase of \$2,694,173 from prior year. Of this amount, Westbrook taxpayers funded \$37,123,899 through property, personal and excise taxes. Municipal and educational departments have continued to aggressively pursue grant revenue to cover programs and services and to help reduce the tax burden to residents.

Special revenue fund program expenses are expenditures from City and School funds, such as the City recreation and school programs, the lunch program and other specifically grant funded programs. These programs are found in the "All Other Governmental Funds" section of this report.

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

Governmental Activities

2016 Statement of Activities Revenues
All Funds



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

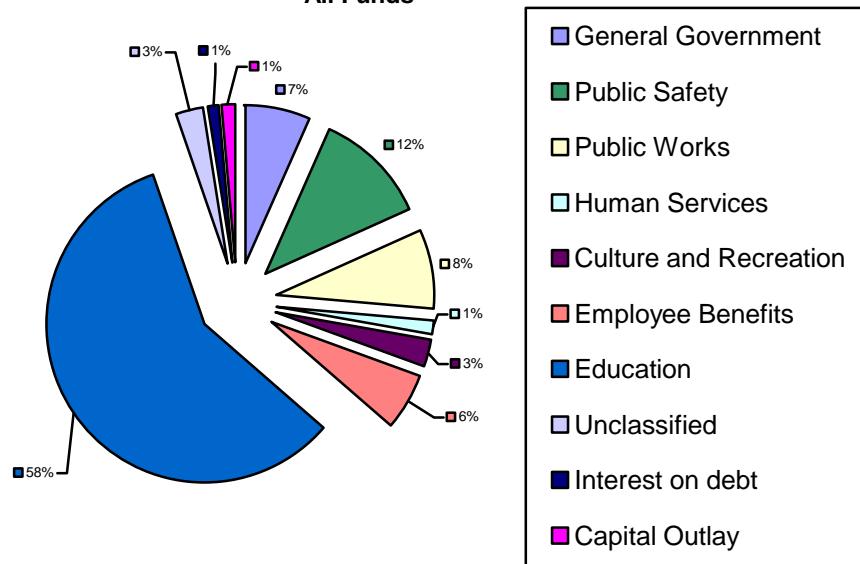
As the revenue chart shows, the major sources of revenue for the City are taxes and intergovernmental revenue.

MANAGEMENT'S DISCUSSION & ANALYSIS

Governmental Activities – Continued

2016 Statement of Activities Expenditures

All Funds



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

FUND FINANCIAL STATEMENTS HIGHLIGHTS

Total governmental fund balance increased by \$14,143,607 for the year ended June 30, 2016. Fund balance for the general fund increased by \$10,469,407 primarily as a result of revenues exceeding expenditures by \$1,213,451, and other financing sources of \$9,992,532 for funds received from Maine Public Employees Retirement System, offset by other financing uses of \$1,443,265 representing transfers out which exceeded transfers in as money was transferred to the tax increment financing district funds, and also based on the City's policy to transfer unassigned fund balance in excess of 20% over the tax commitment to the capital projects funds. Fund balance for other governmental funds increased by \$3,674,200 for the year ended June 30, 2016. The most significant activity contributing to the increase in other governmental fund balance was an increase in capital project fund balance of \$3,533,754 primarily due to proceeds from the issuance of general obligation bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

MANAGEMENT'S DISCUSSION & ANALYSIS

ECONOMIC FACTORS AND THE CITY'S BUDGET

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

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

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2016

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

Statement of Activities

Year Ended June 30, 2016

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

Governmental Funds

Balance Sheet

June 30, 2016

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

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

June 30, 2016

| | |
|---|----------------------|
| Total Governmental Fund Balances | \$ 28,642,325 |
| • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 111,136,652 |
| • Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. | |
| Property taxes | 1,230,091 |
| • Deferred outflows/inflows of resources represent a consumption/acquisition of net position that applies to a future period, therefore will not be recognized as an expenditure or revenue until then, and therefore, are not reported in the funds. | 3,582,249 |
| • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | (463,187) |
| • Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds: | |
| Bonds and notes payable | (53,287,500) |
| Unamortized bond premium | (3,969,888) |
| Capital leases payable | (878,885) |
| Compensated absences | (1,492,888) |
| Liability for hazardous waste-site cleanup | (320,000) |
| Other Post-Employment Benefits (OPEB) liability | (570,828) |
| Net pension liability | <u>(7,116,217)</u> |
| Net Position of Governmental Activities | <u>\$ 76,491,924</u> |

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2016

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

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

Year Ended June 30, 2016

| | |
|---|-------------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ 14,143,607 |
| <hr/> | |
| • Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | |
| Capital outlay purchases | 7,941,047 |
| Depreciation | (3,397,934) |
| Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. However, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position. | |
| | (706,689) |
| • Deferred outflows/inflows of resources represent a consumption/acquisition of net position that applies to a future period, but the change in the balances affects reporting in the financial statements. | 2,469,220 |
| • Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. | |
| Property taxes | 63,637 |
| Investment earnings (loss) from investments held by Maine Public Employees Retirement System | (9,992,532) |
| • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: | |
| Bond proceeds | (10,475,000) |
| Repayments of debt | 4,578,500 |
| Repayments of capital leases | 422,819 |
| • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due, this amount reflects the change in accrued interest. | (4,813) |
| • Some expenses reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: | |
| Decrease in liability for compensated absences | 131,519 |
| Increase in net pension liability | (3,399,999) |
| Increase in OPEB liability | (108,467) |
| Decrease in liability for hazardous waste-site cleanup | 20,000 |
| Amortization of bond premiums | 168,243 |
| Amortization of deferred charge | <u>(129,221)</u> |
| Changes in Net Position of Governmental Activities | \$ 1,723,937 |

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

Year Ended June 30, 2016

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

Proprietary Funds

Statement of Net Position

June 30, 2016

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

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016

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

Proprietary Funds

Statement of Cash Flows

Year Ended June 30, 2016

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

Fiduciary Funds**Statement of Fiduciary Net Position**

June 30, 2016

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

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2016

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

NOTES TO THE FINANCIAL STATEMENTS

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Westbrook, Maine (the City/Government) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (standards and interpretations), constitute GAAP for governmental units. GAAP also includes guidance from the American Institute of Certified Public Accountants in the publication entitled State and Local Governments. The more significant of the City's accounting policies are described below.

Reporting Entity

The City of Westbrook is a municipal corporation governed by an elected Mayor and seven-member City Council consisting of five members elected by ward and two elected at-large. In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may be financially accountable and, as such, should be included within the City's financial statements. In accordance with GASB Statement No. 14 as amended by GASB Statement No. 61, the City is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading. The City identified one organization as a blended component unit, although legally separate is, in substance, part of the government's operations.

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

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

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

Government-Wide and Fund Financial Statements

Government Wide Financial Statements

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

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

The City reports the following major enterprise funds:

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

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

Fiduciary Funds

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City reports the following fiduciary funds:

Private Purpose Trust Funds account for assets that benefit other entities or individuals.

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

Cash and Investments

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

Fair Value Measurements

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

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

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

Receivables

Management has reviewed property taxes receivable, accounts receivable, intergovernmental receivables and loans receivable for collectibility and has recorded an allowance for uncollectible amounts as is considered necessary. The most significant account needing an allowance is the allowance for uncollectible rescue/ambulance billings receivable for which there is an allowance of \$642,595 at June 30, 2016.

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets and Depreciation

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

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused, sick, vacation, and general leave time at various rates in accordance with union contracts and the City's personnel policy. In the fund financial statements, these amounts for accumulated vacation and vested sick leave are only recorded as a liability if they have matured, for example, as a result of paid time off or employee resignations and retirements as applicable. All accumulated leave is accrued when incurred on the government-wide financial statements.

Deferred Outflows of Resources and Inflows of Resources

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

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item reported in the statement of net position that qualifies for reporting in this category. It is the deferred inflows related to the pension liability as is more fully disclosed in the pension footnote. The City's balance sheet under governmental funds reports one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, if material to the basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Fund Balances

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

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

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

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

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

Unassigned fund balance is fund balance that has not been reported in any other classification. Note that in all governmental funds other than the general fund, amounts expended in excess of resources that do not meet the above categories are classified here – i.e. residual deficits.

The City has no formal revenue spending policy for programs with multiple revenue sources. The Comptroller uses resources in the following hierarchy unless otherwise directed by Statute or the City Council: bond proceeds, federal funds and state funds, local non-City funds, City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

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

Recently Adopted Accounting Pronouncements

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

Recent Accounting Pronouncements

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

The Mayor, with City Council approval, may transfer budgeted amounts between departments. The City Council may, by resolution, appropriate additional amounts but only up to the amount of excess revenues and unencumbered budget surplus remaining after the purpose of the original appropriation has been satisfied. At the end of the fiscal year, all unencumbered appropriations lapse unless specifically continued by resolution of the City Council. No supplementary appropriations of the City's fund balance were made during the year ended June 30, 2016.

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

Notes to Financial Statements

June 30, 2016

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

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

Deficit Fund Equity

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

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

The deficit in the Downtown TIF fund is the result of the amount of tax recovered in the districts being less than the annual debt payments. The City expects future tax amounts will be greater than the annual debt payments as the captured value increases with development.

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

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2016, the City reported deposits of \$41,995,934 with a bank balance of \$41,673,833. Of the City's bank balances of \$41,673,833, \$86,975 was exposed to custodial credit risk as uninsured and uncollateralized; the remainder was covered by the FDIC or is secured by additional collateral pledged on behalf of the City by the respective banking institutions.

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

Investments

Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, commercial paper, repurchase agreements and certain corporate stocks and bonds.

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

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

Notes to Financial Statements

June 30, 2016

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

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

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have an investment policy that addresses concentration of credit risk. As of June 30, 2016, there are no investments representing more than 5% of the total investments.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City has no investments with material exposure to custodial credit risk.

Fair Value

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

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

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

NOTE 4 – PROPERTY TAX

Property taxes for the current year were committed on July 2, 2015 on the assessed value listed as of the previous April 1 for all real and personal property located in the City. All real and personal property taxes were due in four installments, 25% on August 17, 2015, 25% on November 16, 2015, 25% on February 16, 2016, and 25% on May 16, 2016. Interest at the rate of 7% per annum was charged on any amounts remaining unpaid after these respective due dates. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. The assessed value was 100% of the estimated market value and 100% of the 2015 state valuation of \$1,956,329,293.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$412,332 for the year ended June 30, 2016.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first 60 days following the end of the fiscal year have been recorded as revenues. The remaining receivables, in the funds financial statements, have been recorded as a different inflow of resources, unavailable revenue – property taxes.

Notes to Financial Statements

June 30, 2016

NOTE 4 – PROPERTY TAX – CONTINUED

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

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

The following details the taxes receivable at year-end:

| | |
|---------------------------------|---------------------|
| Taxes receivable - current year | \$ 687,693 |
| Taxes receivable - prior years | <u>837,347</u> |
| Taxes receivable | <u>\$ 1,525,040</u> |

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

As of June 30, 2016, the balances of interfund loans receivable/payable were as follows:

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

Notes to Financial Statements

June 30, 2016

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – CONTINUED

Transfers

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

The following schedule reports transfers within the reporting entity:

| | Transfers In | | |
|-----------------------|--------------|-----------------------------|--------------|
| | General Fund | Nonmajor Governmental Funds | Total |
| Transfers out: | | | |
| Governmental funds: | | | |
| General | | \$ 4,172,169 | \$ 4,172,169 |
| Nonmajor | \$ 2,728,904 | 961,904 | 3,690,808 |
| | <hr/> | <hr/> | <hr/> |
| | \$ 2,728,904 | \$ 5,134,073 | \$ 7,862,977 |

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

Notes to Financial Statements

June 30, 2016

NOTE 6 – CAPITAL ASSETS

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

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

Notes to Financial Statements

June 30, 2016

NOTE 6 – CAPITAL ASSETS – CONTINUED

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

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

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

NOTE 7 – LONG-TERM DEBT

Changes in Long-Term Liabilities

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

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

General Obligation Bonds

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

Subsequently Approved School Construction

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

Notes to Financial Statements

June 30, 2016

NOTE 7 – LONG-TERM DEBT – CONTINUED

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

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

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

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

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

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

| For Year Ending June 30, | Business-Type Activities | | |
|--------------------------|--------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2017 | \$ 306,500 | \$ 180,120 | \$ 486,620 |
| 2018 | 306,500 | 173,298 | 479,798 |
| 2019 | 306,500 | 166,169 | 472,669 |
| 2020 | 306,500 | 158,809 | 465,309 |
| 2021 | 306,500 | 150,224 | 456,724 |
| 2022-2026 | 1,505,000 | 601,045 | 2,106,045 |
| 2027-2031 | 1,485,000 | 307,439 | 1,792,439 |
| 2037-2039 | 720,000 | 45,900 | 765,900 |
| Totals | <u>\$ 5,242,500</u> | <u>\$ 1,783,004</u> | <u>\$ 7,025,504</u> |

Notes to Financial Statements

June 30, 2016

NOTE 7 – LONG-TERM DEBT – CONTINUED

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

The City is subject to a statutory limitation by the State of Maine of its general long-term debt equal to 15% of the State's valuation of the City. Based on a valuation of \$1,873,913,700, the City's debt limit is \$281,087,055. The City's outstanding long-term debt of \$53,287,500 at June 30, 2016 was within the statutory limit.

Conduit Debt and Overlapping Debt

The City has, from time to time, assisted third parties in financing capital activities by participating in conduit debt transactions. The City is not obligated in any manner for this debt and, as a result, has not reported these liabilities or any related assets in the basic financial statements. The outstanding principal balance of conduit debt, as of June 30, 2016, was approximately \$5,688,000. Also, the City is potentially liable for a portion of the June 30, 2016 overlapping debt of Cumberland County, in the amount of \$1,650,410 and the Portland Water District, in the amount of \$7,676,825, should either of these entities default on their debt payments.

Capital Leases

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

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

NOTE 8 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City presently has two landfills, both of which have been closed. Use of the Sandy Hill landfill ceased in 1987 and it has been covered with clay. The City ceased the use of the Rocky Hill Demolition Debris landfill in 1999. Federal and State laws and regulations require that the City continue to perform certain maintenance and monitoring functions at the landfill sites. A liability is being recognized based on the postclosure care costs that will be incurred. The estimated total current cost of the landfill postclosure care has a balance of \$320,000 as of June 30, 2016, which is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2016. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The City annually appropriates an amount for postclosure care costs.

Notes to Financial Statements

June 30, 2016

NOTE 9 – POST-EMPLOYMENT HEALTH CARE

Plan Description

The City is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirement as Maine PERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage. The City does not supplement the cost of this coverage directly, but recognizes the liability for the inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of January 1, 2015, the date of the most recent Actuarial Valuation Report, there were twenty retirees with six spouses, and one hundred thirty three employees.

Benefits Provided

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

Funding Policy

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

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB expense for the fiscal year 2016 was calculated, based on the annual required contribution of the City (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The City's annual OPEB cost for the fiscal year ended June 30, 2016, including the amount actually contributed to the plan and the change in the City's net OPEB obligation using the level funding amortization method, is as follows:

| | |
|--|------------|
| Normal cost | \$ 60,674 |
| Amortization of unfunded liability | 93,009 |
| Interest | 3,044 |
| | <hr/> |
| Annual required contribution | 156,727 |
| Interest on net OPEB contribution | 18,494 |
| Adjustment to annual required contribution | (26,738) |
| | <hr/> |
| Annual OPEB cost | 148,483 |
| Contributions made | (40,016) |
| 2016 OPEB liability expense | 108,467 |
| | <hr/> |
| Net OPEB Obligation (NOO), beginning | 462,361 |
| Net OPEB Obligation (NOO), ending | \$ 570,828 |
| | <hr/> |

Notes to Financial Statements

June 30, 2016

NOTE 9 – POST-EMPLOYMENT HEALTH CARE - CONTINUED

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

| Fiscal Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------------|------------------------|--|------------------------|
| 2016 | \$ 148,483 | 26.94% | \$ 570,828 |
| 2015 | \$ 150,520 | 24.13% | \$ 462,361 |
| 2014 | \$ 129,836 | 6.93% | \$ 348,165 |

The funded status of the plan as of June 30, 2016 was as follows:

| | |
|---|---------------------|
| Actuarial Accrued Liability | \$ 1,672,651 |
| Actuarial Value of Plan Assets | |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$ 1,672,651</u> |

| | |
|---|-------------|
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | 0% |
| Covered Payroll of Active Plan Members | \$8,278,486 |
| UAAL as a Percentage of Covered Payroll | 20.2% |

Methods of Assumptions

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

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

| | |
|------------------------------------|-----------------------|
| Valuation Date | January 1, 2015 |
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Level Dollar Open |
| Amortization Period | 30 Years |
| Asset Valuation Method | N/A |
| Actuarial Assumptions | |
| Discount Rate | 4.00% |
| Rate of Salary Increases | 3.00% |
| Ultimate Rate of Medical Inflation | 4.25% |

Notes to Financial Statements

June 30, 2016

NOTE 10 – PENSION PLANS

Plan Descriptions

The City contributes to the Maine Public Employees Retirement System as part of the State Employee and Teacher Plan (the Teacher Plan) and also the Participating Local District Consolidated Plan (the PLD plan) or (the Plans) which are cost sharing multiple employer defined benefit pension plans. The Plans were established as the administrator of a public employee retirement system under the Laws of the State of Maine. Within the City of Westbrook, the School Department's teaching certified employees, plus other qualified educators, are eligible to participate in the Teacher Plan. The Teacher Plan covers 231 participating employers. The City's Police, Fire/Rescue and certain other City employees and the City's school custodians, school lunch personnel, and other non-teacher personnel, including some educational technicians (Ed Techs), central office employees, and secretarial employees have the option to participate in the PLD Plan. The PLD Plan covers 289 participating employers.

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

| | Teachers | PLD |
|---|----------------|---------------|
| Current participants: Vested and non-vested | 40,016 | 10,870 |
| Terminated participants: Vested | 7,511 | 2,112 |
| Terminated participants: Inactive due refunds | 36,810 | 6,341 |
| Retirees and beneficiaries receiving benefits | <u>33,260</u> | <u>8,581</u> |
| | <u>117,597</u> | <u>27,904</u> |

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

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

For the year ended June 30, 2016, the City's total payroll for all employees was \$32,264,501. Total covered payroll was \$17,364,382 for the Teacher Plan and \$6,797,421 for the PLD Plan. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Notes to Financial Statements

June 30, 2016

NOTE 10 – PENSION PLANS - CONTINUED

Contributions

The contribution requirements of the Teacher Plan members are defined by law or the Plan's Board. Teacher Plan members of the City of Westbrook school department are required to contribute 7.65% of covered compensation to the Teacher Plan. Employee contributions are deducted from the employee's wages or salary and remitted by the City of Westbrook's school department to the Teacher Plan on a monthly basis. The State is statutorily required to contribute 10.02% of annual Teacher wages, excluding wages covered by grants, which pays for the unfunded liability for the teachers. Employer contribution rates are determined through actuarial valuations. The School Department's required contribution rate for the year ended June 30, 2016, was 3.36% percent of annual Teacher payroll, plus 10.02% for grant fund wages, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year (normal cost contributions). The Westbrook School Department's contributions to the Teacher Plan for the year ended June 30, 2016 were \$561,938.

The contribution requirements of the PLD Plan members are defined by law or the Plan's Board. Employees of the City of Westbrook and school department, other than Police and Fire/Rescue, are required to contribute 7.5% of covered compensation to the PLD Plan. The Police and Fire/Rescue required contribution rate for the year ended June 30, 2016 was between 7.5%-9%. The contributions are deducted from the employee's wages or salary and remitted by the City of Westbrook to the Plan on a monthly basis. Employer contribution rates are determined through actuarial valuations. The City of Westbrook's contribution rate for school and city employees, other than Police and Fire/Rescue, for the year ended June 30, 2016, was 8.9% percent of annual payroll. The Police and Fire/Rescue contribution rate for the year ended June 30, 2016 was between 8.9%-14%. The contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City of Westbrook's contributions to the Plan for the year ended June 30, 2016 were \$762,842.

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

Teacher Plan

At June 30, 2016, the City of Westbrook School Department reported a liability for its proportionate share of the net pension liability that reflected a reduction of State pension support provided to the City of Westbrook School Department. The amount recognized by the City of Westbrook School Department as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City of Westbrook School Department, were as follows:

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Westbrook School Department's proportion of the net pension liability was based on a projection of the School Department's long-term share of contributions relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the School Department's proportion was 0.099 percent, which was an increase of 0.012 from its proportion measured as of June 30, 2014.

Notes to Financial Statements

June 30, 2016

NOTE 10 – PENSION PLANS - CONTINUED

For the year ended June 30, 2016, the School Department recognized pension expense of \$702,023 and revenue of \$2,180,900 for support provided by the State. In addition, the School Department reported deferred outflows of resources and deferred inflows of resources from the following sources:

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

The \$561,938 of deferred outflows of resources resulting from the School Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense (reduction in expense) as follows:

| Years ending June 30, | |
|-----------------------|--------------------------|
| 2017 | \$ 168,021 |
| 2018 | 11,545 |
| 2019 | (43,635) |
| 2020 | 70,577 |
| Total | <u>\$ 206,508</u> |

PLD Plan

At June 30, 2016, the City and the City School Department reported a liability of \$5,782,057 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City and the City School Department's proportion of the net pension liability was based on a projection of the City and the City School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City and the City School Department's proportion was 1.81%, which was a decrease of 0.04% from its proportion measured as of June 30, 2014.

Notes to Financial Statements

June 30, 2016

NOTE 10 – PENSION PLANS - CONTINUED

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 233,458 | \$ 742,608 |
| Changes of assumptions | 510,979 | |
| Net difference between projected and actual earnings on Plan investments | 1,784,555 | 2,221,392 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 263,969 | 358,781 |
| Contributions subsequent to the measurement date | 762,842 | |
| Total | \$ 3,555,803 | \$ 3,322,781 |

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

| Years ending June 30, | |
|-----------------------|---------------------|
| 2017 | \$ (289,443) |
| 2018 | (289,443) |
| 2019 | (397,073) |
| 2020 | 446,139 |
| Total | \$ (529,820) |

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2010.

Notes to Financial Statements

June 30, 2016

NOTE 10 – PENSION PLANS - CONTINUED

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

| Asset Class | Target Allocation % | Long-term Expected Real Rate of Return |
|-------------------|---------------------|--|
| Fixed income | 25% | 0.7 % |
| U.S. equities | 20% | 5.2 % |
| Non-U.S. equities | 20% | 5.5 % |
| Real estate | 10% | 3.7 % |
| Infrastructure | 10% | 4.0 % |
| Private equity | 10% | 7.6 % |
| Hard Assets | 5% | 4.8 % |
| Total | 100% | |

Discount Rate

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

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

Teacher Plan

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

| | Discount rate | City School Department's proportionate share of net pension liability |
|-----------------------|---------------|---|
| 1% decrease | 6.125% | \$ 2,335,798 |
| Current discount rate | 7.125% | \$ 1,334,160 |
| 1% increase | 8.125% | \$ 499,911 |

Notes to Financial Statements

June 30, 2016

NOTE 10 – PENSION PLANS - CONTINUED

PLD Plan

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

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

Plan Fiduciary Net Position

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

On-Behalf Payments

The State of Maine makes a contribution to the Maine Public Employees Retirement System Teachers Fund for the teachers of the City's School Department. The actual payment, which is made by the State, is determined by an actuary for the entire teachers' fund. The Maine Public Employees Retirement System estimates the payment made on-behalf of the City School Department to approximate 10.02% of the qualified teachers' salaries, plus an additional 2.56% for health insurance. For the year ended June 30, 2016, the total amount of on-behalf payments was approximately \$2,039,000 and was recognized in the fund financial statements. The amount of on-behalf payments recognized in the government wide financial statements for pension expense was approximately \$865,000.

NOTE 11 – OTHER INFORMATION

Risk Management

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

As of the date of this report, there are no unpaid claims outstanding, nor is the City aware of any potential claims, which have been incurred yet remain unreported and which should be recorded at June 30, 2016.

Contingent Liabilities

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

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

Notes to Financial Statements

June 30, 2016

NOTE 12 – FUND BALANCE AND NET POSITION

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

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

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable adding back any unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's net position invested in capital assets, net of related debt was calculated as follows at June 30, 2016:

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

REQUIRED SUPPLMENTARY INFORMATION

Required Supplementary Information - Schedule of Funding Progress

June 30, 2016

| Other Post-Employment Benefits | | | | | | | | |
|--------------------------------|--------------------------|---------------------------|-----------------------------------|--------------|--------------|-----------------|--|--|
| Fiscal Year | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio | Covered Payroll | Unfunded AAL as a % of Covered Payroll | |
| 2016 | January 1, 2015 | \$0 | \$ 1,672,651 | \$ 1,672,651 | 0% | \$ 8,278,486 | 20.2% | |
| 2015 | January 1, 2015 | \$0 | \$ 1,672,651 | \$ 1,672,651 | 0% | \$ 8,278,486 | 20.2% | |
| 2014 | January 1, 2013 | \$0 | \$ 1,453,010 | \$ 1,453,010 | 0% | \$ 8,037,365 | 18.0% | |
| 2013 | January 1, 2013 | \$0 | \$ 1,453,010 | \$ 1,453,010 | 0% | \$ 8,037,365 | 18.0% | |
| 2012 | January 1, 2011 | \$0 | \$ 1,821,745 | \$ 1,821,745 | 0% | \$ 7,803,267 | 23.3% | |
| 2011 | January 1, 2011 | \$0 | \$ 1,821,745 | \$ 1,821,745 | 0% | \$ 7,803,267 | 23.3% | |

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

June 30, 2016

Maine Public Employees Retirement System

Teacher Plan

| Fiscal Year | Actuarial Valuation Date | Town Proportion of the Net Pension Liability | Town's Proportionate Share of the Net Pension Liability | State's Proportionate Share of the Net Pension Liability | Total Net Pension Liability | Covered Employee Payroll | Town Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-------------|--------------------------|--|---|--|-----------------------------|--------------------------|--|--|
| 2016 | 06-30-2015 | 0.099% | \$1,334,160 | \$19,029,949 | \$20,364,109 | \$17,364,382 | 7.68% | 81.18% |
| 2015 | 06-30-2014 | 0.087% | \$ 934,691 | \$14,716,914 | \$15,651,605 | \$16,836,599 | 5.55% | 83.91% |

PLD Plan

| Fiscal Year | Actuarial Valuation Date | Proportion of the Net Pension Liability | Proportionate Share of the Net Pension Liability | Covered Employee Payroll | Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-------------|--------------------------|---|--|--------------------------|---|--|
| 2016 | 06-30-2015 | 1.81% | \$5,782,057 | \$6,797,421 | 85.06% | 88.27% |
| 2015 | 06-30-2014 | 1.85% | \$2,841,527 | \$7,056,623 | 40.27% | 94.10% |

Required Supplementary Information - Schedule of Contributions

June 30, 2016

Maine Public Employees Retirement System

Teachers Plan

| Fiscal Year | Actuarial Valuation Date | Contractually Required Contributions | Contributions Relative to Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a Percentage of Covered Employee Payroll |
|-------------|--------------------------|--------------------------------------|--|----------------------------------|--------------------------|---|
| 2016 | 06-30-2015 | \$561,938 | \$561,938 | \$0 | \$17,364,382 | 3.24% |
| 2015 | 06-30-2014 | \$604,585 | \$604,585 | \$0 | \$16,836,599 | 3.59% |

PLD Plan

| Fiscal Year | Actuarial Valuation Date | Contractually Required Contributions | Contributions Relative to Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a Percentage of Covered Employee Payroll |
|-------------|--------------------------|--------------------------------------|--|----------------------------------|--------------------------|---|
| 2016 | 06-30-2015 | \$762,842 | \$762,842 | \$0 | \$6,797,421 | 11.22% |
| 2015 | 06-30-2014 | \$771,553 | \$771,553 | \$0 | \$7,056,623 | 10.93% |

COMBINING NONMAJOR FUND SCHEDULES - GOVERNMENTAL AND FIDUCIARY FUND

Non-Major Governmental Funds

Combining Balance Sheet

Tax Increment Financing District Funds

June 30, 2016

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

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Tax Increment Financing District Funds

Year Ended June 30, 2016

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

Non-Major Governmental Funds

Combining Balance Sheet

Open Space Funds

June 30, 2016

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

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Open Space Funds

Year Ended June 30, 2016

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

Non-Major Governmental Funds

Combining Balance Sheet

Revolving Loan Funds

June 30, 2016

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

Non-Major Governmental Funds

Combining Balance Sheet

Capital Projects - Reserve Funds

June 30, 2016

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

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Projects - Reserve Funds

Year Ended June 30, 2016

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

Non-Major Governmental Funds

Combining Balance Sheet

Miscellaneous Special Revenue Funds

June 30, 2016

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

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Miscellaneous Special Revenue Funds

Year Ended June 30, 2016

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

Non-Major Governmental Funds**Combining Balance Sheet****Capital Projects Funds**

June 30, 2016

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

Non-Major Governmental Funds**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances****Capital Projects Funds****Year Ended June 30, 2016**

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

Non-Major Governmental Funds

Combining Balance Sheet

Permanent Funds

June 30, 2016

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

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Permanent Funds

Year Ended June 30, 2016

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

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2016

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

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2016

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