

TOWN OF WINTHROP, MAINE

Annual Financial Report

For the Year Ended June 30, 2021

TOWN OF WINTHROP, MAINE
Annual Financial Report
For the Year Ended June 30, 2021

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For the Year Ended June 30, 2021

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Independent Auditor's Report

To the Town Council
Town of Winthrop, Maine

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Winthrop, Maine as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Winthrop, Maine'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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Winthrop, Maine as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules related to the net pension liability and OPEB liability, and the budgetary information for the Town and School Operations, as listed in the table of contents, 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 Town of Winthrop, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements 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 and individual fund financial statements 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 December 24, 2021 on our consideration of the Town of Winthrop, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Winthrop, Maine's 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 Town of Winthrop, Maine's internal control over financial reporting and compliance.



December 24, 2021
South Portland, Maine

BASIC FINANCIAL STATEMENTS

TOWN OF WINTHROP, MAINE
Statement of Net Position
June 30, 2021

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 5,404,363 |
| Investments | 605,147 |
| Receivables: | |
| Accounts | 148,981 |
| Due from other governments | 1,316,707 |
| Taxes and liens | 705,129 |
| Rescue (net of allowance for uncollectible of \$84,549) | 92,786 |
| Prepaid expenses | 55,427 |
| Inventory | 28,302 |
| Capital assets, not being depreciated | 1,751,807 |
| Capital assets, being depreciated | 19,917,020 |
| Total assets | 30,025,669 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources related to pensions | 603,828 |
| Deferred outflows of resources related to OPEB | 594,279 |
| Total deferred outflows of resources | 1,198,107 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 310,176 |
| Accrued payroll and benefits | 1,146,705 |
| Accrued interest | 15,465 |
| Unearned revenues | 45,886 |
| Noncurrent liabilities: | |
| Due within one year | 1,525,575 |
| Due in more than one year | 10,683,797 |
| Total liabilities | 13,727,604 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources related to pensions | 84,722 |
| Deferred inflows of resources related to OPEB | 64,657 |
| Total deferred inflows of resources | 149,379 |
| NET POSITION | |
| Net investment in capital assets | 15,693,504 |
| Restricted: | |
| Nonexpendable permanent fund principal | 453,246 |
| Expendable permanent fund earnings | 193,895 |
| Education | 1,257,895 |
| Fire building | 5,738 |
| TIF district | 191,566 |
| Other programs | 41,689 |
| Unrestricted | (490,740) |
| Total net position | \$ 17,346,793 |

See accompanying notes to basic financial statements.

TOWN OF WINTHROP, MAINE
Statement of Activities
For the Year Ended June 30, 2021

| Functions/programs | Expenses | Program revenues | | |
|--------------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions |
| Governmental activities: | | | | |
| General government | \$ 3,022,974 | 157,861 | 8,199 | - |
| Public works | 1,422,382 | 158,607 | 54,556 | - |
| Public safety | 3,085,664 | 933,427 | 62,728 | 2,091 |
| Public assistance | 27,433 | - | - | - |
| Culture and recreation | 479,389 | 8,835 | 9,905 | 43,705 |
| Unclassified | 10,000 | - | - | - |
| Education | 13,309,138 | 164,707 | 8,463,988 | - |
| School lunch | 463,015 | 5,792 | 328,845 | - |
| Capital maintenance expenses | 402,380 | - | - | - |
| Interest on debt | 166,722 | - | - | - |
| Total governmental activities | 22,389,097 | 1,429,229 | 8,928,221 | 45,796 |

General revenues:

Property taxes

Excise taxes

Interest and costs on taxes

Grants and contributions not restricted to specific programs:

State revenue sharing

Homestead exemption

Other intergovernmental revenues

Unrestricted investment earnings

Miscellaneous revenues

Total general revenues

Change in net position

Net position - beginning, restated

Net position - ending

TOWN OF WINTHROP, MAINE
Balance Sheet
Governmental Funds
June 30, 2021

| | General | School Operations | School Grants | CIP Bond | Town Capital Reserves | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------|------------------|----------------|-----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 4,776,807 | 438,214 | 8,572 | - | - | 180,770 | 5,404,363 |
| Investments | - | - | - | - | - | 605,147 | 605,147 |
| Receivables: | | | | | | | |
| Accounts | 48,870 | 91,797 | - | - | 8,314 | - | 148,981 |
| Due from other governments | 152,090 | - | 1,143,899 | - | - | 20,718 | 1,316,707 |
| Taxes and tax liens | 688,805 | - | - | - | - | - | 688,805 |
| Tax acquired property | 16,324 | - | - | - | - | - | 16,324 |
| Rescue (net of allowance for uncollectible of \$84,549) | 92,786 | - | - | - | - | - | 92,786 |
| Prepaid expenditures | 55,207 | - | - | - | - | 220 | 55,427 |
| Inventory | 17,080 | - | - | - | - | 11,222 | 28,302 |
| Interfund loans receivable | - | 1,351,049 | - | 542,746 | 938,672 | 268,117 | 3,100,584 |
| Total assets | 5,847,969 | 1,881,060 | 1,152,471 | 542,746 | 946,986 | 1,086,194 | 11,457,426 |
| LIABILITIES | | | | | | | |
| Accounts payable and other current liabilities | 175,829 | 117,752 | 15,008 | - | - | 1,587 | 310,176 |
| Accrued payroll and benefits | 208,455 | 908,730 | 20,893 | - | - | 8,627 | 1,146,705 |
| Taxes collected in advance | 39,506 | - | - | - | - | - | 39,506 |
| Deferred revenue | 6,380 | - | - | - | - | - | 6,380 |
| Interfund loans payable | 2,013,157 | - | 1,087,064 | - | - | 363 | 3,100,584 |
| Total liabilities | 2,443,327 | 1,026,482 | 1,122,965 | - | - | 10,577 | 4,603,351 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - property taxes | 263,978 | - | - | - | - | - | 263,978 |
| Total deferred inflows of resources | 263,978 | - | - | - | - | - | 263,978 |
| FUND BALANCES | | | | | | | |
| Nonspendable | 88,611 | - | - | - | - | 464,688 | 553,299 |
| Restricted | - | 854,578 | - | - | 191,566 | 633,197 | 1,679,341 |
| Committed | - | - | 31,162 | 542,746 | 755,420 | - | 1,329,328 |
| Assigned | 424,227 | - | - | - | - | - | 424,227 |
| Unassigned | 2,627,826 | - | (1,656) | - | - | (22,268) | 2,603,902 |
| Total fund balances | 3,140,664 | 854,578 | 29,506 | 542,746 | 946,986 | 1,075,617 | 6,590,097 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 5,847,969 | 1,881,060 | 1,152,471 | 542,746 | 946,986 | 1,086,194 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | | | | 21,668,827 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable revenues in the funds. | | | | | | | 263,978 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds: | | | | | | | |
| Compensated absences payable | | | | | | | (610,236) |
| Premium on bonds | | | | | | | (98,512) |
| Accrued interest | | | | | | | (15,465) |
| Other postemployment benefits liabilities and related deferred inflows and outflows of resources | | | | | | | (3,091,967) |
| Net pension liability and related deferred inflows and outflows of resources | | | | | | | (934,634) |
| Financed purchases | | | | | | | (56,172) |
| Notes payable | | | | | | | (2,084,123) |
| Bonds payable | | | | | | | (4,285,000) |
| Net position of governmental activities | | | | | | | \$ 17,346,793 |

See accompanying notes to basic financial statements.

TOWN OF WINTHROP, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

| | General | School Operations | School Grants | CIP Bond | Town Capital Reserves | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|------------------|--------------------|-----------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | | | |
| Taxes | \$ 13,810,224 | - | - | - | - | - | 13,810,224 |
| Licenses and permits | 152,461 | - | - | - | - | - | 152,461 |
| Intergovernmental | 1,419,453 | 6,148,033 | 2,236,687 | - | - | 411,132 | 10,215,305 |
| Charges for services | 1,100,869 | 49,620 | - | - | - | 15,186 | 1,165,675 |
| Local grants and contributions | - | - | - | - | - | 32,646 | 32,646 |
| Donations | - | - | - | - | - | 53,366 | 53,366 |
| Other | 15,480 | 108,125 | - | - | 57,026 | 2,968 | 183,599 |
| Investment income and interest | 22,176 | 1,794 | - | - | - | 118,227 | 142,197 |
| Total revenues | 16,520,663 | 6,307,572 | 2,236,687 | - | 57,026 | 633,525 | 25,755,473 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 2,017,086 | - | - | - | 63,849 | 37,955 | 2,118,890 |
| Public works | 1,091,633 | - | - | - | - | - | 1,091,633 |
| Public safety | 2,470,351 | - | - | - | - | 75,276 | 2,545,627 |
| Culture and recreation | 392,772 | - | - | - | - | 9,899 | 402,671 |
| Public assistance | 27,433 | - | - | - | - | - | 27,433 |
| Intergovernmental assessments | 807,889 | - | - | - | - | - | 807,889 |
| Unclassified | 10,000 | - | - | - | - | - | 10,000 |
| Education | - | 10,652,883 | 2,245,699 | - | - | 63,092 | 12,961,674 |
| Other programs | - | - | - | - | - | 55,837 | 55,837 |
| MEPERS on-behalf payments | - | 948,753 | - | - | - | - | 948,753 |
| School lunch | - | - | - | - | - | 463,015 | 463,015 |
| Capital outlay | - | - | - | 1,548,819 | 740,679 | 8,539 | 2,298,037 |
| Debt service: | | | | | | | |
| Bond issuance costs | - | - | - | 85,847 | - | - | 85,847 |
| Principal and interest | 715,165 | 687,677 | - | 2,367,916 | - | - | 3,770,758 |
| Total expenditures | 7,532,929 | 12,289,313 | 2,245,699 | 4,002,582 | 804,528 | 713,613 | 27,588,064 |
| Excess (deficiency) of revenues over (under) expenditures | 8,988,334 | (5,981,741) | (9,012) | (4,002,582) | (747,502) | (80,088) | (1,832,591) |
| Other financing sources (uses): | | | | | | | |
| Bond proceeds | - | - | - | 4,075,000 | - | - | 4,075,000 |
| Premium on bond issuance | - | - | - | 108,219 | - | - | 108,219 |
| Transfers from other funds | 75,000 | 6,840,382 | 4,063 | 285,065 | 840,749 | 255,000 | 8,300,259 |
| Transfers to other funds | (8,180,809) | (4,063) | - | (75,000) | - | (40,387) | (8,300,259) |
| Total other financing sources (uses) | (8,105,809) | 6,836,319 | 4,063 | 4,393,284 | 840,749 | 214,613 | 4,183,219 |
| Net change in fund balances | 882,525 | 854,578 | (4,949) | 390,702 | 93,247 | 134,525 | 2,350,628 |
| Fund balances, beginning of year, restated | 2,258,139 | - | 34,455 | 152,044 | 853,739 | 941,092 | 4,239,469 |
| Fund balances, end of year | \$ 3,140,664 | 854,578 | 29,506 | 542,746 | 946,986 | 1,075,617 | 6,590,097 |

See accompanying notes to basic financial statements.

TOWN OF WINTHROP, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2021

| | | |
|---|-------------|---------------------|
| Net change in fund balances - total governmental funds (from Statement 4) | \$ | 2,350,628 |
| <p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p> | | |
| <p>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 as depreciation expense. These are the changes in capital asset-related amounts:</p> | | |
| Capital outlays | 3,000,711 | |
| Depreciation | (1,654,615) | 1,346,096 |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in unavailable revenues - property taxes.</p> | | |
| | | (39,224) |
| <p>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. These are the changes in the other liability-related amounts:</p> | | |
| Accrued interest | 61,840 | |
| Accrued compensated absences | (68,837) | |
| Net pension liability, including related deferred inflows and outflows | 26,149 | |
| OPEB liabilities, including related deferred inflows and outflows | 99,725 | 118,877 |
| <p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These are the changes in long-term debt and related amounts:</p> | | |
| Proceeds from bond issuance | (4,075,000) | |
| Principal payments on bonds | 615,000 | |
| Premium received on bonds, less amortization | (98,512) | |
| Principal payments on notes | 2,199,551 | (1,358,961) |
| <p>Financed purchase proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the changes in Financed purchases and related amounts:</p> | | |
| Principal payments on financed purchases | 909,736 | 909,736 |
| Change in net position of governmental activities (see Statement 2) | | \$ 3,327,152 |

See accompanying notes to basic financial statements.

TOWN OF WINTHROP, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

| | Private- purpose Trust Funds |
|-------------------------------------|---|
| ASSETS | |
| Investments | 522,758 |
| Total assets | 522,758 |
| LIABILITIES | |
| Due to Town general fund | - |
| Total liabilities | - |
| NET POSITION | |
| Restricted for: | |
| Individuals and other organizations | 522,758 |
| Total net position | \$ 522,758 |

TOWN OF WINTHROP, MAINE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

| | Private- purpose Trust Funds |
|----------------------------------|---|
| Additions: | |
| Investment income | \$ 101,876 |
| Total additions | 101,876 |
| Deductions: | |
| School scholarships | 11,500 |
| Total deductions | 11,500 |
| Change in net position | 90,376 |
| Net position, beginning of year | 432,382 |
| Net position, end of year | \$ 522,758 |

See accompanying notes to basic financial statements.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Winthrop, Maine was incorporated in 1771 and operates under a Council-Manager form of government, adopted by charter in 1974. The Town of Winthrop, Maine is located a few miles west of Augusta. The Town Council is comprised of seven members elected for staggered three-year terms.

The accounting policies of the Town of Winthrop, Maine conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant of such policies:

A. Reporting Entity

This report includes all funds of the Town. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. The Town made the determination that there are no entities that should be presented as component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among programs, functions, and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for property taxes and one year for all others. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except for the School Department, which is reported in a separate fund, and those funds required to be accounted for in another fund.

The School Operations Fund is the School Department's General Fund and accounts for all of the related revenues and expenditures.

The School Grants Fund is the School Department's grant funds and accounts for all of the related revenues and expenditures.

The CIP Bond Fund is the Town's capital projects fund and accounts for all of the revenues and expenditures related to bond issuances.

Town Capital Reserves account for debt proceeds and amounts committed by the Town Council for capital improvements and asset acquisitions.

Additionally, the Town reports the following fund type:

Fiduciary funds account for assets held by the Town in a trustee capacity on behalf of others. The Town's fiduciary funds include the following fund types:

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Private-purpose trust funds are used to account for resources legally held in trust for the benefit of others.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Equity

Cash and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits and time deposits. Investments are stated at fair value.

Interfund Loans Receivable/Payable - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e., the noncurrent portion of interfund loans).

Inventory - Inventory for the Town and the School Lunch Program consists of fuel, food, and supplies and is valued at the lower of cost (first-in, first-out basis) or market, and is offset with a non-spendable fund balance for inventories. Inventories of the School Lunch Program include the value of the U. S. Department of Agriculture commodities donated to the program.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, etc.), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year and a historical cost of at least \$5,000. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight-line method over the assets' estimated useful lives ranging from three to fifty years.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Inflows and Outflows of Resources - In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds only report a deferred inflow of resources, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension and OPEB liabilities, which include the Town's contributions subsequent to the measurement date, which are recognized as reductions of the net pension and OPEB liabilities in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

Compensated Absences - Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. All vacation and sick time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts 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.

Pensions and Net OPEB Liabilities - For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan), and Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity - Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources that are subject to limitations the government imposes on itself at its highest level of decision-making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town Council has the responsibility for committing fund balance amounts by vote and likewise would be required to modify or rescind those commitments by a similar vote. For assigned fund balance amounts, the Town Manager has the authority to assign unspent budgeted amounts to specific purposes in the General Fund at year-end. The Town Council approves the assigned amounts either before or after year-end.

Should there be multiple sources of funding available for a particular purpose, it is the Town’s policy to expend currently budgeted resources first, and then use other sources in the order of restricted, then committed, then assigned amounts.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses in the reimbursing fund as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Use of Estimates - Preparation of the Town’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Data/Reclassifications - Comparative data for the prior year has been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

Net Position - Net position represents the difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and financed purchases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

A budget is adopted for the General Fund and the School Operations Fund and is adopted on a basis consistent with generally accepted accounting principles (GAAP), except for Maine Public Employees Retirement on-behalf payments. Maine Public Employees Retirement contributions are made by the State of Maine on behalf of the Town of Winthrop School Department. These amounts have not been budgeted in the School Operations Fund and result in a difference in reporting on a budgetary basis of accounting versus reporting under accounting principles generally accepted in the United States of America of \$948,753. These amounts have been included as intergovernmental revenue and education expenditures in the School Operations Fund on Statement 4 (GAAP basis) and on the statement of activities. There is no effect on the fund balance or net position at the end of the year.

B. Deficit Fund Balances

At June 30, 2021, the following funds had deficit fund balances:

Special Revenue Funds:

| | |
|---------------------|-----------|
| COVID 19 grant | \$ 13,062 |
| Alcohol enforcement | 480 |
| Emergency | 6,900 |
| 2019 JAG Byrne | 1,826 |
| School grants | 1,656 |

These fund deficits will be covered by future revenue sources or transfers from the General Fund or School Operations fund.

DEPOSITS

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2021, the Town reported deposits of \$5,404,363 with a bank balance of \$5,984,459. Of the Town's bank balances of \$5,984,459, none was exposed to custodial credit risk as of June 30, 2021.

INVESTMENTS

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

At June 30, 2021, the Town had the following investments and maturities:

| | Fair value | Less than <u>1 year</u> | <u>1-5 years</u> | More than <u>5 years</u> |
|--------------------------|---------------------|----------------------------|------------------|-----------------------------|
| Corporate stock | \$ 439,783 | | not applicable | |
| Mutual funds (1) | 688,122 | | not applicable | |
| Total investments | \$ 1,127,905 | | | |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

INVESTMENTS

(1) Mutual funds are not considered securities and are exempt from credit risk disclosure noted below.

Interest Rate Risk: The Town, in accordance with its investment policy, strives to maximize its return on investments while avoiding assuming unreasonable investment risks.

Credit Risk: Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The Town does not have a formal policy related to credit risk.

Investments have been reported as follows:

| | |
|--------------------------------|----------------------------|
| Reported in governmental funds | \$ 605,147 |
| Reported in fiduciary funds | <u>522,758</u> |
| Total investments | <u>\$ 1,127,905</u> |

PROPERTY TAXES

Property taxes for the current year were committed on August 25, 2020 on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value.

The Town 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 \$136,522 for the year ended June 30, 2021.

The following summarizes the 2021 and 2020 tax levies:

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--|--------------------------|-----------------------|
| Assessed valuation | \$ 597,330,498 | 602,980,439 |
| Tax rate (per \$1,000) | 20.65 | 20.25 |
| Commitment | <u>12,334,875</u> | <u>12,210,354</u> |
| Supplemental taxes assessed | <u>13,223</u> | <u>18,140</u> |
| Total tax levy | 12,348,098 | 12,228,494 |
| Less: Collections and abatements | <u>11,801,782</u> | <u>11,699,529</u> |
| Current year receivables at June 30 | <u>\$ 546,316</u> | <u>528,965</u> |
| Due date(s) | 10/01/2020 | 10/01/2019 |
| | 4/01/2021 | 4/01/2020 |
| Interest rate on delinquent taxes | 8.00% | 9.00% |
| Collection rate | 95.58% | 95.67% |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

| | Balance July 1, <u>2020</u> | <u>Increases</u> | <u>Decreases</u> | Balance June 30, <u>2021</u> |
|--|-----------------------------------|------------------|------------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,228,609 | - | - | 1,228,609 |
| <u>Construction in progress</u> | <u>215,881</u> | <u>327,697</u> | <u>20,380</u> | <u>523,198</u> |
| Total capital assets, not being depreciated | 1,444,490 | 327,697 | 20,380 | 1,751,807 |
| Capital assets, being depreciated | | | | |
| Land improvements | 43,032 | - | - | 43,032 |
| Buildings and building improvements | 27,737,945 | 295,196 | - | 28,033,141 |
| Furniture and fixtures | 41,220 | - | - | 41,220 |
| Machinery and equipment | 3,476,732 | 1,273,640 | - | 4,750,372 |
| Vehicles | 4,534,697 | 1,066,556 | - | 5,601,253 |
| <u>Infrastructure</u> | <u>6,550,587</u> | <u>58,002</u> | <u>-</u> | <u>6,608,589</u> |
| Total capital assets being depreciated: | 42,384,213 | 2,693,394 | - | 45,077,607 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 9,191 | 1,117 | - | 10,308 |
| Buildings and building improvements | 13,435,104 | 719,703 | - | 14,154,807 |
| Furniture and equipment | 40,231 | 165 | - | 40,396 |
| Machinery and equipment | 2,928,741 | 297,850 | - | 3,226,591 |
| Vehicles | 2,918,023 | 438,925 | - | 3,356,948 |
| <u>Infrastructure</u> | <u>4,174,682</u> | <u>196,855</u> | <u>-</u> | <u>4,371,537</u> |
| Total accumulated depreciation | 23,505,972 | 1,654,615 | - | 25,160,587 |
| Total capital assets being depreciated, net | 18,878,241 | 1,038,779 | - | 19,917,020 |
| Governmental activities capital assets, net | \$ 20,322,731 | 1,366,476 | 20,380 | 21,668,827 |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 49,379 |
| Public safety | 540,037 |
| Public works, including depreciation of general infrastructure assets | 330,749 |
| Education | 657,732 |
| Cultural and recreation | 76,718 |
| Total depreciation expense – governmental activities | \$ 1,654,615 |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

INTERFUND BALANCES

Individual interfund receivable, payable, and transfer balances at June 30, 2021 were as follows:

| <u>Fund</u> | <u>Interfund receivables</u> | <u>Interfund payables</u> | <u>Interfund transfers</u> |
|-----------------------------------|----------------------------------|-------------------------------|--------------------------------|
| General Fund | \$ - | 2,013,157 | (8,105,809) |
| School Operations | 1,351,049 | - | 6,836,319 |
| School Grants | - | 1,087,064 | 4,063 |
| CIP Bond | 542,746 | - | 210,065 |
| Town Capital Reserves | 938,672 | - | 840,749 |
| Nonmajor Governmental Funds: | | | |
| Town programs | 15,439 | - | 1,289 |
| Adult education | 67,953 | - | 55,000 |
| School lunch | 157,858 | - | 200,000 |
| Student activities | - | - | (41,676) |
| School reserves | 26,867 | - | - |
| Permanent funds | - | 363 | - |
| Total nonmajor governmental funds | 268,117 | 363 | 214,613 |
| Total | \$ 3,100,584 | 3,100,584 | - |

Certain funds have cash that is co-mingled in centralized cash accounts maintained within the General Fund, the practice of which results in many of the interfund balances listed above.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021 was as follows:

| | Restated Beginning <u>balance</u> | <u>Additions</u> | <u>Reductions</u> | Ending <u>balance</u> | Due within <u>one year</u> |
|---------------------------------|---|------------------|-------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 825,000 | 4,075,000 | 615,000 | 4,285,000 | 825,000 |
| *Notes from direct borrowings | 4,283,674 | - | 2,199,551 | 2,084,123 | 667,617 |
| *Financed purchases | 965,908 | - | 909,736 | 56,172 | 18,000 |
| Bond premium | - | 108,219 | 9,707 | 98,512 | 14,958 |
| Net pension liability | 1,166,247 | 287,493 | - | 1,453,740 | - |
| Other postemployment benefits | 3,313,023 | 308,566 | - | 3,621,589 | - |
| Accrued compensated absences | 541,399 | 68,837 | - | 610,236 | - |
| Governmental activity | | | | | |
| long-term liabilities | \$ 11,095,251 | 4,848,115 | 3,733,994 | 12,209,372 | 1,525,575 |

*Notes and financed purchases are both considered direct borrowings.

LONG-TERM DEBT

Bonds and notes payable at June 30, 2021 is comprised of the following:

| | Amount of <u>Original issue</u> | Interest <u>rate</u> | Final maturity <u>date</u> | Balance end of <u>year</u> |
|-------------------------------|------------------------------------|-------------------------|----------------------------------|----------------------------------|
| Notes from direct borrowings: | | | | |
| 2002 School | \$ 11,455,774 | 3.05%-5.25% | 2023 | 1,145,578 |
| 2011 School QSCB | 1,350,000 | 4.95% | 2029 | 730,545 |
| 2018 Dam project | 260,000 | 2.00%-2.99% | 2029 | 208,000 |
| Total notes | | | | \$ 2,084,123 |
| General obligation bonds: | | | | |
| 2014 General obligation bond | \$ 1,500,000 | 2.00% | 2022 | 210,000 |
| 2021 General obligation bond | 4,075,000 | 1.00-2.00% | 2041 | 4,075,000 |
| Total bonds | | | | \$ 4,285,000 |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all bonds and notes from direct borrowings outstanding at June 30, 2021 are as follows.

| <u>Year</u> | <u>Notes from direct borrowings</u> | | | <u>Bonds</u> | | |
|---------------|-------------------------------------|-----------------|------------------|------------------|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2022 | 667,617 | 25,028 | 692,645 | 825,000 | 66,750 | 891,750 |
| 2023 | 667,617 | 9,367 | 676,984 | 610,000 | 57,763 | 667,763 |
| 2024 | 94,828 | 8,720 | 103,548 | 610,000 | 49,375 | 659,375 |
| 2025 | 94,828 | 8,049 | 102,877 | 565,000 | 39,150 | 604,150 |
| 2026 | 94,828 | 7,352 | 102,180 | 270,000 | 30,800 | 300,800 |
| 2027-2031 | 464,404 | 15,263 | 479,667 | 605,000 | 104,050 | 709,050 |
| 2032-2036 | - | - | - | 400,000 | 60,000 | 460,000 |
| 2037-2041 | - | - | - | 400,000 | 20,000 | 420,000 |
| Totals | \$ 2,084,122 | 73,779 | 2,157,901 | 4,285,000 | 427,888 | 4,712,888 |

The bonds and notes include School debt requirements to be reimbursed by the State of Maine. The State of Maine currently reimburses the Town for a portion of financing costs of school bonds. Continuation of such reimbursements is dependent upon continued appropriations by the State Legislature.

In FY 2021, the Town issued bonds to refund a 2009 general obligation bond, a 2018 note issued through the USDA, and eight financed purchases (leases) issued to acquire four vehicles and various equipment, and to finance various projects. The refinancing of the bonds, note, and financed purchases resulted in a savings of approximately \$406,989 in future debt service payments.

FINANCED PURCHASES (LEASES)

The Town has entered into financed purchase agreements for financing the purchase of equipment, which have been capitalized except for photocopiers, which individually are below the Town's capitalization threshold. These agreements have been recorded in the Town's statement of net position at the present value of the future minimum payments as of the date of their inception.

The following is a schedule of the future minimum payments under the financed purchase agreements, and the present value of the net minimum payments at June 30, 2021:

| | |
|---|------------------|
| Fiscal year ending | |
| <u>June 30,</u> | |
| 2022 | 20,230 |
| 2023 | 20,230 |
| 2024 | <u>20,229</u> |
| Total minimum lease payments | 60,689 |
| Less amounts representing interest | <u>4,517</u> |
| Present value of future minimum lease payments | \$ 56,172 |

Financed purchases are collateralized by the respective equipment financed in the agreements.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

STATUTORY DEBT LIMIT

In accordance with Maine law, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. At June 30, 2021, the Town complied with these limitations.

FUND BALANCES

At June 30, 2021, portions of the Governmental Funds fund balances were assigned, committed or restricted for future periods or classified as nonspendable for specific amounts as follows:

| | <u>Nonspendable</u> | <u>Restricted</u> | <u>Committed</u> | <u>Assigned</u> |
|-----------------------------------|---------------------|-------------------|------------------|-----------------|
| General Fund: | | | | |
| Inventory | \$ 17,080 | - | - | - |
| Prepaid expenditures | 55,207 | - | - | - |
| Tax-acquired property | 16,324 | | | |
| Accrued compensation | - | - | - | 100,000 |
| Future expenditures | - | - | - | 324,227 |
| School Operating: | | | | |
| Education | - | 854,578 | - | - |
| School Grants: | | | | |
| Education | - | - | 31,162 | - |
| CIP Bond: | | | | |
| Capital improvements | - | - | 542,746 | - |
| Town Capital Reserves: | | | | |
| TIF district fund | - | 191,566 | 755,420 | - |
| Nonmajor Governmental Funds: | | | | |
| Town programs | - | 41,689 | - | - |
| Adult education | - | 66,639 | - | - |
| School lunch prepaid expenditures | 220 | - | - | - |
| School lunch inventory | 11,222 | - | - | - |
| School lunch program | - | 172,282 | - | - |
| Student activities | - | 126,087 | - | - |
| School capital reserves | - | 26,867 | - | - |
| Fire building | - | 5,738 | - | - |
| Permanent fund principal | 453,246 | - | - | - |
| Permanent fund income | - | 193,895 | - | - |
| Totals | \$ 553,299 | 1,679,341 | 1,329,328 | 424,227 |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and financed purchases payable and adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2021:

| | |
|---|----------------------|
| Capital assets | \$ 46,829,414 |
| Accumulated depreciation | (25,160,587) |
| General obligation bonds | (4,285,000) |
| Notes from direct borrowings | (2,084,123) |
| Unamortized bond premium | (98,512) |
| Financed purchases | (56,172) |
| <u>Unspent bond proceeds</u> | <u>548,484</u> |
| Net investment in capital assets | \$ 15,693,504 |

TAX INCREMENT FINANCING DISTRICT AND TAX ABATEMENT

Under Maine law, the Town has established a Tax Increment Financing District (TIF) to finance improvements within the Town of Winthrop, Maine. The District specifically encompasses the redevelopment of the Carleton Woolen Mill. The TIF's Development Plan authorized the Town to enter into a Credit Enhancement Agreement (C.E.A.). The C.E.A. is a mechanism to assist the development project by using all or a portion of the incremental property tax revenues generated by the new investment to reimburse the developer for all or a portion of the taxes assessed on the property.

The incremental value is defined as the increase of the current valuation over the original assessed value. The following is a summary of the TIF activity for the year ended June 30, 2021.

| | Original Assessed <u>Value</u> | Current Assessed <u>Value</u> | Captured <u>Value</u> | Captured <u>Tax</u> | Abated <u>Taxes</u> |
|---------------------|--------------------------------------|-------------------------------------|--------------------------|------------------------|------------------------|
| Commerce Center TIF | \$ 478,600 | 4,601,500 | 4,122,900 | 85,138 | 63,849 |

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town carries commercial insurance, either participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association. In addition, the School Department participates in a public entity risk pool, which is sponsored by the Maine School Management Association (MSMA).

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2021.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

NET PENSION LIABILITY

General Information about the Pension Plan

Plan Description - The Town's employees are provided a pension through the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and teaching-certified employees of the Town are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), cost-sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits Provided - The PLD and SET Plans 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. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). For SET members, normal retirement age is 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. 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. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required 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.

PLD Plan - Employees are required to contribute 7.35% or 8.1% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2021 was 7.6% or 10.8% of annual payroll. Contributions to the pension plan from the Town were \$206,797 for the year ended June 30, 2021.

SET Plan - Maine statute requires the State to contribute a portion of the Town's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2021, was 18.49% of annual payroll of which 4.16% of payroll was required from the Town and 14.33% was required from the State. Contributions to the pension plan from the Town were \$227,356 for the year ended June 30, 2021.

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

The net pension liabilities were measured as of June 30, 2020, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The Town's proportion of the net pension liabilities for the consolidated PLD and SET plans were based on projections of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

NET PENSION LIABILITY, CONTINUED

PLD Plan - At June 30, 2021, the Town reported a liability of \$1,291,315 for its proportionate share of the net pension liability. At June 30, 2020, the Town's proportion of the PLD Plan was 0.3250%.

SET Plan - At June 30, 2021, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town.

The amount recognized by the Town 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 Town were as follows:

| | |
|--|---------------------|
| Town's proportionate share of the net pension liability | \$ 162,425 |
| State's proportionate share of the net pension liability associated with the Town | 6,737,833 |
| Total | \$ 6,900,258 |

At June 30, 2020, the Town's proportion of the SET Plan was 0.0100%.

For the year ended June 30, 2021, the Town recognized a pension expense of \$207,390 for the PLD Plan and \$983,789 for the SET plan, with revenue of \$783,175 for support provided by the State.

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the PLD Plan from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | 63,292 | - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 84,028 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 13,866 | - |
| Town contributions subsequent to the measurement date | 206,797 | - |
| Total | 367,983 | - |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

NET PENSION LIABILITY, CONTINUED

An amount of \$206,797 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|------------|
| 2022 | \$(36,159) |
| 2023 | 54,442 |
| 2024 | 71,373 |
| 2025 | 71,530 |

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to SET Plan from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 1,755 | - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 6,734 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | - | 84,722 |
| Town contributions subsequent to the measurement date | 227,356 | - |
| Total | \$ 235,845 | 84,722 |

An amount of \$227,356 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|-------------|
| 2022 | \$ (59,386) |
| 2023 | (28,742) |
| 2024 | 5,978 |
| 2025 | 5,917 |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

NET PENSION LIABILITY, CONTINUED

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>PLD Plan</u> | <u>SET Plan</u> |
|---|-----------------|-----------------|
| Inflation | 2.75% | 2.75% |
| Salary increases, per year | 2.75% + merit | 2.75% + merit |
| Investment return, per annum, compounded annually | 6.75% | 6.75% |
| Cost of living benefit increases, per annum | 1.91% | 2.20% |

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Public Equities | 30.0% | 6.0% |
| US government | 7.5% | 2.3% |
| Private equity | 15.0% | 7.6% |
| Real assets: | | |
| Real estate | 10.0% | 5.2% |
| Infrastructure | 10.0% | 5.3% |
| Natural resources | 5.0% | 5.0% |
| Traditional credit | 7.5% | 3.0% |
| Alternative credit | 5.0% | 7.2% |
| Diversifiers | 10.0% | 5.9% |

Discount Rate - The discount rate used to measure the total pension liability was 6.75% for the PLD and SET Plans. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

NET PENSION LIABILITY, CONTINUED

Sensitivity of the Town's proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75% for the PLD Plan and the SET Plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75% for PLD Plan and the SET Plan) or 1 percentage-point higher (7.75% for PLD Plan and the SET Plan) than the current rate:

| <u>PLD Plan</u> | 1% Decrease <u>(5.75%)</u> | Current Discount Rate <u>(6.75%)</u> | 1% Increase <u>(7.75%)</u> |
|--|----------------------------------|--|----------------------------------|
| Town's proportionate share of the net pension liability | \$ 2,713,823 | 1,291,315 | 126,888 |
| | | | |
| <u>SET Plan</u> | 1% Decrease <u>(5.75%)</u> | Current Discount Rate <u>(6.75%)</u> | 1% Increase <u>(7.75%)</u> |
| Town's proportionate share of the net pension liability | \$281,693 | 162,425 | 63,018 |

Pension Plan Fiduciary Net Position - Detailed information about the Consolidated PLD and SET pension plans' fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2021.

OTHER POST EMPLOYMENT BENEFITS – SCHOOL DEPARTMENT HEALTH INSURANCE

General Information about the OPEB Plan

Plan Description - The Town's school department sponsors a post-retirement benefit plan providing health insurance to retiring employees. The plan is a single-employer defined benefit OPEB plan administered by the Maine Education Association Benefits Trust (MEABT). The State Legislature has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided - MEABT provides healthcare insurance benefits for retirees and their dependents. The employee must have participated in the MEABT health plan for the 12 months prior to retirement and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits. The retiree is eligible for a State subsidy of 45% of the blended single premium for the retiree only. Under State laws, the blended premium is determined by blending rates for active members and retired members. The retiree pays 55% of the blended premium rate for coverage selected. Spouses must contribute 100% of the blended premium amounts. Thus, the total premium is paid for by both the State and the retiree and or spouse.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

OTHER POST EMPLOYMENT BENEFITS, SCHOOL DEPARTMENT HEALTH INSURANCE, CONTINUED

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 75 |
| Inactive employee entitled to but not yet receiving benefits | - |
| Active employees | <u>104</u> |
| Total | <u>179</u> |

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Town's total OPEB liability of \$3,289,730 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

| | |
|--|---------------------|
| Balance at June 30, 2020 | \$ 3,007,822 |
| Changes for the year: | |
| Service cost | 18,049 |
| Interest | 104,486 |
| Changes of benefit terms | (247,421) |
| Differences between expected and actual experience | 290,952 |
| Changes in assumptions or other inputs | 197,665 |
| Benefit payments | <u>(81,823)</u> |
| Net changes | <u>281,908</u> |
| Balance at June 30, 2021 | <u>\$ 3,289,730</u> |

Change in assumptions reflects a change in the discount rate from 3.50% to 2.21%. Change of benefit terms relate to the implementation of the Medicare Advantage plan.

For the year ended June 30, 2021, The Town recognized OPEB gain of \$38,101. At June 30, 2021, The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 242,460 | - |
| Changes of assumption or other inputs | 206,147 | - |
| Contributions subsequent to measurement date | <u>82,855</u> | <u>-</u> |
| Total | <u>\$ 531,462</u> | <u>-</u> |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

OTHER POST EMPLOYMENT BENEFITS, SCHOOL DEPARTMENT HEALTH INSURANCE, CONTINUED

\$82,855 is reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | |
|---------------------|-----------|
| 2022 | \$ 86,785 |
| 2023 | 86,785 |
| 2024 | 86,787 |
| 2025 | 106,813 |
| 2026 | 81,437 |

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 actuarial valuation roll forward was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 2.00% |
| Salary increases | 2.75% |
| Discount rate | 2.21% per annum |
| Healthcare cost trend rates - Pre-Medicare | 6.21% for 2021 grading over 18 years to 3.25% |
| Healthcare cost trend rates - Medicare | 0.00% for 2021 grading over 18 years to 3.25% |
| Retirees' share of the benefit related costs | 55% of the blended premium rate with a State subsidy for the remaining 45% of the blended premium rate |

Mortality rates were based on the 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2015 through June 30, 2020.

Discount Rate - The rate used to measure the total OPEB liability was 2.21% per annum. Since the plan is pay as you go and is not funded, the discount rate was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the Town's total OPEB liability calculated using the discount rate of 2.21%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.21%) or 1 percentage-point higher (3.21%) than the current rate.

| | 1% Decrease (1.21%) | Discount Rate (2.21%) | 1% Increase (3.21%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB liability | \$ 3,847,719 | 3,289,730 | 2,835,218 |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

OTHER POST EMPLOYMENT BENEFITS, SCHOOL DEPARTMENT HEALTH INSURANCE, CONTINUED

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Town's total OPEB liability calculated using the healthcare cost trend rates, as well as what the Unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

| | | Healthcare Cost Trend Rates | | |
|----------------------|--------------|--------------------------------|-------------|--|
| | 1% Decrease | | 1% Increase | |
| Total OPEB liability | \$ 2,819,441 | 3,289,730 | 3,868,807 | |

OTHER POST EMPLOYMENT BENEFITS – GROUP TERM LIFE INSURANCE

General Information about the OPEB Plans

Plan Descriptions - The Town sponsors post-retirement benefit plans providing group term life insurance to retiring teachers and other Town employees (hereafter referred to as the GTL Plans). The plans are cost-sharing multiple-employer defined benefit OPEB plans administered by the Maine Public Employees Retirement System (MPERS). The MPERS Board of Trustees has the authority to establish and amend the benefit terms and financing requirements. MPERS issues a publicly available financial report that is available at www.maineopers.org.

Benefits Provided - Under the GTL Plans, MPERS provides basic group life insurance benefits, during retirement, to retirees who participated in the plans prior to retirement for a minimum of 10 years. The level of coverage is initially set to an amount equal to the retirees' average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions - Premium rates are determined for both the PLD and SET Plans by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims.

PLD OPEB Plan - The Town is required to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retirement period. Contributions to the PLD OPEB Plan from the Town were \$2,177 for the year ended June 30, 2021. Employees are not required to contribute to the PLD OPEB Plan.

SET OPEB Plan - The State of Maine is required to remit the total dollar amount of each year's annual required contribution. Contributions to the OPEB plan by the State of Maine on-behalf of the Town were \$20,304 for the year ended June 30, 2021. Employers and employees are not required to contribute to the SET OPEB plan.

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

The net OPEB liabilities for the GTL plans were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by a roll forward of an actuarial valuation as of June 30, 2020. The Town's proportion of the net OPEB liabilities was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

OTHER POST EMPLOYMENT BENEFITS – GROUP TERM LIFE INSURANCE, CONTINUED

PLD OPEB Plan - At June 30, 2021, the Town reported a liability of \$25,482 for its proportionate share of the net OPEB liability. At June 30, 2020, the Town's proportion was 0.1932%.

SET OPEB Plan - At June 30, 2021, the Town reported no liability related to the plan. The State of Maine's proportionate share of the net OPEB liability associated with the Town was \$178,417 as of June 30, 2021. At June 30, 2020, the Town's proportion was 0.00%.

For the year ended June 30, 2021, The Town recognized a gain of \$1,603 for the GTL PLD Plan. For the year ended June 30, 2021, the Town recognized OPEB expense and revenues of \$20,034 for support provided by the State related to the SET OPEB Plan. At June 30, 2021, the Town reported no deferred outflows resources nor deferred inflows of resources related to the SET OPEB Plan. At June 30, 2021, The Town reported deferred outflows of resources and deferred inflows of resources related to the GTL PLD Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 3,145 | - |
| Changes in assumptions | - | 15,507 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 636 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | - | 782 |
| Contributions subsequent to the measurement date | 2,177 | - |
| Total | \$ 5,322 | 16,925 |

\$2,177 is reported as deferred outflows of resources related to the PLD OPEB plans resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. Deferred outflows of resources and deferred inflows of resources related to the PLD OPEB Plan will be recognized in OPEB expense as follows:

| Year ended June 30: | |
|---------------------|-----------|
| 2022 | \$(3,489) |
| 2023 | (3,102) |
| 2024 | (1,496) |
| 2025 | (2,453) |
| 2026 | (3,240) |

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2020 actuarial valuation roll forward for both the PLD and SET OPEB Plans was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | PLD OPEB Plan | SET OPEB Plan |
|---------------------------|---------------|----------------|
| Inflation | 2.75% | 2.75% |
| Salary increases | 2.75% - 9.00% | 2.75% - 14.50% |
| Investment rate of return | 6.75% | 6.75% |

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

OTHER POST EMPLOYMENT BENEFITS – GROUP TERM LIFE INSURANCE, CONTINUED

Mortality rates for both the PLD and SET OPEB plans were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the June 30, 2020 valuations for both the PLD and SET OPEB plans were based on the results of an actuarial experience study conducted for the period June 30, 2015 to June 30, 2020.

The long-term expected rate of return on both the PLD and SET OPEB plan investments was determined using a building-block method which best estimates ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce 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 |
|--------------------------|-------------------|--|
| Public equities | 70.0% | 6.0% |
| Real estate | 5.0% | 5.2% |
| Traditional credit | 16.0% | 3.0% |
| US Government Securities | 9.0% | 2.3% |

Discount Rate - The rate used to measure the net OPEB liability for the PLD OPEB Plan was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plans fiduciary net position was projected to be available to make all projected OPEB payments for current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The rate used to measure the net OPEB liability for the SET OPEB Plan was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plans fiduciary net position was projected to be available to make all projected OPEB payments for current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the OPEB Liabilities to Changes in the Discount Rates - The following presents the Town's net OPEB liability related to the PLD Plan calculated using the discount rate, as well as what the Town's net OPEB liability would be if they were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|-----------------|----------------|------------------|----------------|
| GTL PLD (6.75%) | 18,379 | 25,482 | 34,319 |

OPEB Plan Fiduciary Net Position - Detailed information about the GTL plans' fiduciary net position is available in a separately issued MPERS financial report.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – TOWN

General Information about the OPEB Plan

Plan Description - The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees (hereafter referred to as the Health Plan). The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided - Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the Health Plan benefit terms:

| | |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 1 |
| Inactive employee entitled to but not yet receiving benefits | - |
| Active employees | 30 |
| Total | 31 |

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

The Town's total Health Plan OPEB liability of \$306,377 was measured as of January 1, 2021, and was determined by an actuarial valuation as of January 1, 2020.

Changes in the Total Health Plan OPEB Liability

| | |
|--|------------------|
| | Total |
| | OPEB |
| | <u>Liability</u> |
| Balance at June 30, 2020 | \$ 260,602 |
| Changes for the year: | |
| Service cost | 23,353 |
| Interest | 7,741 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions or other inputs | 17,596 |
| Benefit payments | (2,915) |
| Net changes | 45,775 |
| Balance at June 30, 2021 | \$ 306,377 |

Change in assumptions reflects a change in the discount rate from 2.47% to 2.12%.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – TOWN, CONTINUED

For the year ended June 30, 2021, The Town recognized OPEB expense of \$30,345 related to the Health Plan. At June 30, 2021, The Town reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | 47,732 |
| Changes of assumption or other inputs | 52,161 | - |
| Contributions subsequent to measurement date | 5,334 | - |
| Total | \$ 57,495 | 47,732 |

\$5,334 is reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | |
|---------------------|----------|
| 2022 | \$ (707) |
| 2023 | (707) |
| 2024 | (707) |
| 2025 | 3,619 |
| 2026 | 2,931 |

Actuarial Assumptions - The total OPEB liability in the January 1, 2020 measurement for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 2.00% per annum |
| Salary increases | 2.75% per annum |
| Discount rate | 2.12% per annum |
| Healthcare cost trend rates | 8.55% for 2020, decreasing to 3.28% for 2040 |
| Retirees' share of the benefit related costs | 100% of projected health insurance premiums |

Mortality rates for the Health Plan were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the January 1, 2020 valuation for the Health Plan were based on the results of an actuarial experience study for the period June 30, 2015 through June 30, 2020.

Discount Rate - The rate used to measure the total OPEB liability for the Health plan was 2.12% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – TOWN, CONTINUED

Sensitivity of the Total Health Plan OPEB Liability to Changes in the Discount Rate - The following presents the Town's total OPEB liability related to the Health Plan calculated using the discount rate of 2.12% as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.12%) or 1 percentage-point higher (3.12%) than the current rate:

| | 1% Decrease (1.12%) | Discount Rate (2.12%) | 1% Increase (3.12%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB liability | \$ 353,129 | 306,377 | 267,842 |

Sensitivity of the Total Health Plan OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Town's total OPEB liability related to the Health Plan calculated using the healthcare cost trend rates, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|----------------------|-------------|--------------------------------|-------------|
| Total OPEB liability | \$ 264,340 | 306,377 | 358,352 |

RETIREMENT PLANS

Deferred Compensation Plans

The Town of Winthrop, Maine offers all its employees not participating in Maine Public Employees Retirement System a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets are not included in the Town's financial statements.

The Town also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 403. The plan, available to all School Department employees as a part of the collective bargaining agreement, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Assets of the plan are placed in a trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statement.

TOWN OF WINTHROP, MAINE
Notes to Basic Financial Statements

PRIOR PERIOD ADJUSTMENTS AND NEW PRONOUNCEMENT

For the fiscal year ended June 30, 2021, the Town has elected to implement Statement No. 84 of the Government Accounting Standards Board – *Fiduciary Activities*. As a result of implementing GASB Statement No. 84, the School Unit has restated beginning net position of the governmental activities and beginning fund balance in the Nonmajor governmental funds to account for certain activities that were previously reported as fiduciary funds. Net position and fund balance were increased as of July 1, 2020 by \$170,234 related to student activity funds.

In 2021, the Town determined there were other postemployment benefits (OPEB) related to the Town’s health insurance plan that were not reported in the prior fiscal year. The Town’s Net Position was restated for the OPEB liability and related deferred inflows and deferred outflows of resources as of July 1, 2020.

Amounts previously reported have been restated as follows:

| | Governmental Activities Net Position (Stmt. 2) | Other Governmental Fund Balance (Stmt. 4) |
|---|---|---|
| As previously reported | \$ 14,121,010 | 770,858 |
| Town health OPEB liability and related deferred inflows and deferred outflows | (271,603) | - |
| Student activities previously reported as fiduciary funds | 170,234 | 170,234 |
| Fund balance, net position as restated | \$ 14,019,641 | 941,092 |

SUBSEQUENT EVENTS

In June 2021, the Town Council approved financed purchase agreements for the purchase of multiple vehicles and equipment totaling \$892,850. The financed purchase agreements will be issued in FY 2022.

In August 2021, the School Department issued a financed purchase agreement with Apple Inc. for \$154,410 to purchase computer hardware. The lease has a four year term and bears an interest rate of 0%.

TOWN OF WINTHROP, MAINE
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2021

| | Budgeted amounts | | Actual | Variance with final budget positive (negative) |
|--|------------------|-------------|------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 13,552,375 | 13,552,375 | 13,810,224 | 257,849 |
| Licenses and permits | 132,780 | 132,780 | 152,461 | 19,681 |
| Intergovernmental | 1,155,086 | 1,155,086 | 1,419,453 | 264,367 |
| Charges for services | 1,106,390 | 1,106,390 | 1,100,869 | (5,521) |
| Other | 15,000 | 15,000 | 15,480 | 480 |
| Investment income | 4,000 | 4,000 | 22,176 | 18,176 |
| Total revenues | 15,965,631 | 15,965,631 | 16,520,663 | 555,032 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,231,844 | 2,386,350 | 2,017,086 | 369,264 |
| Public works | 1,109,918 | 1,146,918 | 1,091,633 | 55,285 |
| Public safety | 2,611,031 | 2,615,581 | 2,470,351 | 145,230 |
| Culture and recreation | 408,903 | 416,890 | 392,772 | 24,118 |
| Public assistance | 38,736 | 38,736 | 27,433 | 11,303 |
| Intergovernmental assessments | 807,889 | 807,889 | 807,889 | - |
| Unclassified | - | 10,000 | 10,000 | - |
| Debt service | 651,501 | 724,410 | 715,165 | 9,245 |
| Total expenditures | 7,859,822 | 8,146,774 | 7,532,329 | 614,445 |
| Excess (deficiency) of revenues over (under) expenditures | 8,105,809 | 7,818,857 | 8,988,334 | 1,169,477 |
| Other financing sources (uses): | | | | |
| Utilization of fund balance | - | 286,952 | - | (286,952) |
| Transfers to school funds | (7,053,706) | (7,053,706) | (7,053,706) | - |
| Transfers from special revenue funds | 75,000 | 75,000 | 75,000 | - |
| Transfers to capital project funds | (1,127,103) | (1,127,103) | (1,127,103) | - |
| Total other financing sources | (8,105,809) | (7,818,857) | (8,105,809) | (286,952) |
| Net change in fund balance | - | - | 882,525 | 882,525 |
| Fund balance, beginning of year | | | 2,258,139 | |
| Fund balance, end of year | \$ | | 3,140,664 | |

TOWN OF WINTHROP, MAINE
Required Supplementary Information, Continued
School Operations
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual | Variance positive (negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
| Revenues: | | | | |
| State education subsidy | \$ 5,030,189 | 5,030,189 | 5,038,580 | 8,391 |
| Medicare reimbursements | 145,000 | 145,000 | 120,370 | (24,630) |
| State agency clients | - | - | 40,330 | 40,330 |
| Tuition | 25,000 | 25,000 | 49,620 | 24,620 |
| Gate receipts | 5,000 | 5,000 | - | (5,000) |
| Interest | - | - | 1,794 | 1,794 |
| Miscellaneous | 33,000 | 33,000 | 108,125 | 75,125 |
| Total revenues | 5,238,189 | 5,238,189 | 5,358,819 | 120,630 |
| Expenditures: | | | | |
| Current: | | | | |
| Regular instruction | 4,484,077 | 4,484,077 | 4,353,615 | 130,462 |
| Special education instruction | 2,162,550 | 2,072,550 | 1,930,685 | 141,865 |
| Other instruction | 391,046 | 376,046 | 277,154 | 98,892 |
| Student and staff support | 1,087,461 | 1,087,461 | 1,047,464 | 39,997 |
| System administration | 445,203 | 445,203 | 388,314 | 56,889 |
| School administration | 781,174 | 816,174 | 811,277 | 4,897 |
| Transportation | 702,870 | 667,870 | 532,512 | 135,358 |
| Facilities maintenance | 1,292,375 | 1,382,375 | 1,305,951 | 76,424 |
| Other | 6,000 | 6,000 | 5,911 | 89 |
| Debt service | 684,139 | 699,139 | 687,677 | 11,462 |
| Total expenditures | 12,036,895 | 12,036,895 | 11,340,560 | 696,335 |
| Excess (deficiency) of revenues over (under) expenditures | (6,798,706) | (6,798,706) | (5,981,741) | 816,965 |
| Other financing sources (uses): | | | | |
| Transfer from Town | 6,798,706 | 6,798,706 | 6,798,706 | - |
| Transfers from other funds | - | - | 41,676 | 41,676 |
| Transfers to other funds | - | - | (4,063) | (4,063) |
| Total other financing sources (uses) | 6,798,706 | 6,798,706 | 6,836,319 | 37,613 |
| Net change in fund balance | - | - | 854,578 | 854,578 |
| Fund deficit, beginning of year | | | - | |
| Fund balance, end of year | \$ | | 854,578 | |

TOWN OF WINTHROP, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee
and Teacher Plan (SET)

| | Last 10 Fiscal Years** | | | | |
|--|------------------------|------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| PLD Plan | | | | | |
| Town's proportion of the net pension liability | \$ 0.3250% | 0.3070% | 0.3243% | 0.3721% | 0.3548% |
| Town's proportionate share of the net pension liability | 1,291,315 | 938,274 | 887,637 | 1,523,311 | 1,885,416 |
| Town's covered payroll | 1,913,281 | 1,719,181 | 1,587,426 | 1,980,662 | 1,867,628 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 67.49% | 54.58% | 55.92% | 76.91% | 100.95% |
| Plan fiduciary net position as a percentage of the total pension liability | 88.35% | 90.62% | 91.14% | 86.43% | 81.61% |
| SET Plan | | | | | |
| Town's proportion of the net pension liability | 0.0100% | 0.0156% | 0.0216% | 0.0162% | 0.0089% |
| Town's proportionate share of the net pension liability | 162,425 | 227,973 | 291,196 | 235,180 | 157,586 |
| State's proportionate share of the net pension liability associated with the Town | 6,737,833 | 6,393,844 | 6,038,512 | 6,661,567 | 8,412,797 |
| Total | \$ 6,900,258 | 6,621,817 | 6,329,708 | 6,896,747 | 8,570,383 |
| | | | | | |
| Town's covered payroll | \$ 5,485,611 | 5,759,284 | 5,762,791 | 5,733,226 | 5,364,890 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 2.96% | 3.96% | 5.05% | 4.10% | 2.94% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.03% | 82.73% | 82.90% | 80.78% | 76.21% |

* The amounts presented for each fiscal year were determined as of the prior fiscal year.

**Only seven years of information available.

TOWN OF WINTHROP, MAINE
Required Supplementary Information, Continued

Schedule of Town Contributions – Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee
and Teacher Plan (SET)

| | Last 10 Fiscal Years* | | | | |
|---|-----------------------|-------------|-------------|-------------|-------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| PLD Plan | | | | | |
| Contractually required contribution | \$ 206,797 | 195,293 | 180,514 | 160,330 | 187,280 |
| Contributions in relation to the contractually required contribution | (206,797) | (195,293) | (180,514) | (160,330) | (187,280) |
| Contribution deficiency (excess) | \$ - | - | - | - | - |
| Town's covered payroll | 1,980,936 | 1,913,281 | 1,719,181 | 1,587,426 | 1,980,662 |
| Contributions as a percentage of covered payroll | 10.44% | 10.21% | 10.50% | 10.10% | 9.46% |
| SET Plan | | | | | |
| Contractually required contribution | 227,356 | 228,198 | 228,644 | 259,113 | 213,497 |
| Contributions in relation to the contractually required contribution | (227,356) | (228,198) | (228,644) | (259,113) | (213,497) |
| Contribution deficiency (excess) | \$ - | - | - | - | - |
| Town's covered payroll | \$ 5,465,284 | 5,485,611 | 5,759,284 | 5,762,791 | 5,733,226 |
| Contributions as a percentage of covered payroll | 4.16% | 4.16% | 3.97% | 4.50% | 3.72% |

* Only seven years of information available.

TOWN OF WINTHROP, MAINE
Required Supplementary Information, Continued

Schedule of Changes in the Town's Total Health Plan (MEABT) OPEB Liability and Related Ratios
Last 10 Fiscal Years*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------------|------------------|------------------|
| Total OPEB Liability | | | |
| Service cost | \$ 18,049 | 14,884 | 16,208 |
| Interest | 104,486 | 107,910 | 102,751 |
| Changes of benefit terms | (247,421) | - | - |
| Differences between expected and actual experience | 290,952 | - | - |
| Changes of assumptions or other inputs | 197,665 | 152,267 | (120,172) |
| Benefit payments | (81,823) | (80,676) | (77,888) |
| Net change in total OPEB Liability | 281,908 | 194,385 | (79,101) |
| Total OPEB liability - beginning | 3,007,822 | 2,813,437 | 2,892,538 |
| Total OPEB liability - ending | \$ 3,289,730 | 3,007,822 | 2,813,437 |
| Covered-employee payroll | \$ 4,456,964 | 6,198,444 | 6,032,549 |
| Total OPEB liability as a percent of covered-employee payroll | 73.81% | 48.53% | 46.64% |

**Only three years of information available.*

TOWN OF WINTHROP, MAINE
Required Supplementary Information, Continued

Schedule of Changes in the Town's Total Health Plan (MMEHT) OPEB Liability and Related Ra
Last 10 Fiscal Years*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-------------------|----------------|----------------|
| Total OPEB Liability | | | |
| Service cost | \$ 23,353 | 14,435 | 15,810 |
| Interest | 7,741 | 9,624 | 8,170 |
| Changes of benefit terms | - | (5,102) | - |
| Differences between expected and actual experience | - | (33,484) | - |
| Changes of assumptions or other inputs | 17,596 | 56,520 | (22,085) |
| Benefit payments | (2,915) | (3,349) | (3,220) |
| Net change in total OPEB Liability | 45,775 | 38,644 | (1,325) |
| Total OPEB liability - beginning | 260,602 | 221,958 | 223,283 |
| Total OPEB liability - ending | \$ 306,377 | 260,602 | 221,958 |
| Covered-employee payroll | \$ 1,384,968 | 1,308,494 | 1,308,494 |
| Total OPEB liability as a percent of covered-employee payroll | 22.12% | 19.92% | 16.96% |

**Only four years of information available.*

TOWN OF WINTHROP, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net OPEB Liability – Life Insurance
Last 10 Fiscal Years*

| <u>PLD OPEB Plan</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|--------------------|--------------------|
| Town's proportion of the net OPEB liability | 0.1932% | 0.2084% | 0.1983% | 0.1486% |
| Town's proportionate share of the net OPEB liability | \$ 25,482 | 44,599 | 40,057 | 33,607 |
| Town's covered-employee payroll | 1,913,281 | 1,791,181 | 1,587,426 | 1,587,426 |
| Town's proportionate share of the net OPEB liability as percentage of its covered payroll | 1.33% | 2.49% | 2.52% | 2.12% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 55.40% | 43.18% | 43.92% | 47.42% |
| <u>SET OPEB Plan</u> | | | | |
| Town's proportion of the net OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% |
| Town's proportionate share of the net OPEB liability | - | - | - | - |
| State's proportionate share of the net OPEB liability associated with the Town | 178,417 | 232,460 | 176,057 | 172,538 |
| Total | \$ 178,417 | 232,460 | 176,057 | 172,538 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 49.51% | 49.22% | 48.04% | 47.29% |

Schedule Town's Contributions - Net OPEB Liability - Life Insurance
Last 10 Fiscal Years*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| <u>PLD OPEB Plan</u> | | | | |
| Contractually required contribution | \$ 2,177 | 2,294 | 2,121 | 2,084 |
| Contributions in relation to the contractually required contribution | (2,177) | (2,294) | (2,121) | (2,084) |
| Contribution deficiency (excess) | \$ - | - | - | - |
| Town's covered-employee payroll | \$ 1,980,636 | 1,913,281 | 1,791,181 | 1,587,426 |
| Contributions as a percentage of covered-employee payroll | 0.11% | 0.12% | 0.12% | 0.13% |

* Only four years of information available.

* The amounts presented for each fiscal year were determined as of the prior fiscal year.

TOWN OF WINTHROP, MAINE
Notes to Required Supplementary Information

Net Pension Liabilities

Changes of Benefit Terms (Pension) - None

Changes of Assumptions (Pension) - The following are changes in actuarial assumptions used in the most recent valuations:

| | <u>2020</u> | <u>2018</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--------------------------------|---------------|-------------|-------------|-------------|-------------|
| Discount rate - PLD | 6.750% | 6.750% | 6.875% | 7.125% | 7.250% |
| Discount rate - SET | 6.750% | 6.750% | 6.875% | 7.125% | 7.125% |
| Inflation rate | 2.75% | 2.75% | 2.75% | 3.50% | 3.50% |
| Salary increases - PLD | 2.75% + merit | 2.75-9.00% | 2.75-9.00% | 3.50-9.50% | 3.50-9.50% |
| Salary increases - SET | 2.75% + merit | 2.75-14.50% | 2.75-14.50% | 3.50-13.50% | 3.50-13.50% |
| Cost of living increases - PLD | 1.91% | 1.91% | 2.20% | 2.55% | 3.12% |
| Cost of living increases | 2.20% | 2.20% | 2.20% | 2.55% | 2.55% |

Mortality rates:

In 2015, mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. In 2016 and going forward, mortality rates were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table.

School Department Health Insurance OPEB Liability

Changes of Benefit Terms (OPEB – Health Insurance):

In FY 2021, MEABT moved the Medicare Companion Plan to a Medicare Advantage Plan.

Changes of Assumptions (OPEB – Health Insurance) - The following are changes in actuarial assumptions used in the most recent valuations:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|
| | 2.21% | 3.50% | 3.87% | 3.58% |

Town Health Insurance OPEB Liability

Changes of Benefit Terms (OPEB – Health Insurance) - None

Changes of Assumptions (OPEB – Health Insurance) - The following are changes in actuarial assumptions used in the most recent valuations:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| | 2.12% | 2.74% |

Net OPEB Liabilities - Group Term Life

Changes of Benefit Terms - None

Changes of Assumptions (OPEB)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------|-------------|-------------|-------------|
| <u>Discount Rate</u> | | | |
| PLD Plan | 6.75% | 4.98% | 5.41% |
| SET Plan | 6.75% | 6.75% | 6.88% |

* These schedules are intended to show information for ten years, but only the years in which changes occurred have been displayed. Additional years' information will be displayed as it becomes available.

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS**

TOWN OF WINTHROP, MAINE
General Fund
Balance Sheets
June 30, 2021

| | 2021 | 2020 |
|---|---------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 4,776,807 | 3,595,888 |
| Accounts receivable | 48,870 | 54,577 |
| Due from other governments | 152,090 | 146,906 |
| Ambulance receivables, net of allowance of \$84,549 | 92,786 | 75,514 |
| Taxes and tax liens | 688,805 | 628,220 |
| Tax acquired property | 16,324 | 39,032 |
| Prepaid expenditures | 55,207 | 4,643 |
| Inventory | 17,080 | 2,912 |
| Total assets | \$ 5,847,969 | 4,547,692 |
| LIABILITIES | | |
| Accounts payable and other current liabilities | 175,829 | 156,633 |
| Accrued payroll and benefits | 208,455 | 161,630 |
| Taxes collected in advance | 39,506 | - |
| Unearned revenue | 6,380 | - |
| Interfund loans payable | 2,013,157 | 1,668,088 |
| Total liabilities | 2,443,327 | 1,986,351 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue - property taxes | 263,978 | 303,202 |
| Total deferred inflows of resources | 263,978 | 303,202 |
| FUND BALANCE | | |
| Nonspendable | 88,611 | 7,555 |
| Assigned | 424,227 | 231,946 |
| Unassigned | 2,627,826 | 2,018,638 |
| Total fund balance | 3,140,664 | 2,258,139 |
| Total liabilities, deferred inflows of resources, and fund balance | \$ 5,847,969 | 4,547,692 |

TOWN OF WINTHROP, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2021
(with comparative actual amounts for the year ended June 30, 2020)

| | 2021 | | Variance positive (negative) | 2020 Actual |
|--|-------------------|-------------------|------------------------------------|-------------------|
| | Revised budget | Actual | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 12,334,875 | 12,335,010 | 135 | 12,182,289 |
| Supplemental taxes | - | 13,223 | 13,223 | 18,140 |
| Change in deferred taxes | - | 39,224 | 39,224 | 123,798 |
| Excise taxes | 1,167,500 | 1,357,936 | 190,436 | 1,199,301 |
| Interest and lien costs | 50,000 | 64,831 | 14,831 | 58,371 |
| Total taxes | 13,552,375 | 13,810,224 | 257,849 | 13,581,899 |
| Licenses and permits: | | | | |
| Town clerk fees | 29,675 | 44,035 | 14,360 | 36,601 |
| Licenses and permits | 18,105 | 23,559 | 5,454 | 24,619 |
| Cable franchise fees | 85,000 | 84,867 | (133) | 84,263 |
| Total licenses and permits | 132,780 | 152,461 | 19,681 | 145,483 |
| Intergovernmental: | | | | |
| State revenue sharing | 461,406 | 722,297 | 260,891 | 510,755 |
| Homestead revenue | 544,154 | 544,154 | - | 378,152 |
| BETE reimbursement | 74,625 | 74,697 | 72 | 52,215 |
| Local roads reimbursement | 57,500 | 54,556 | (2,944) | 58,372 |
| Cobboosee water district contributions | - | - | - | 54,750 |
| Other intergovernmental reimbursements | 17,401 | 23,749 | 6,348 | 29,345 |
| Total intergovernmental | 1,155,086 | 1,419,453 | 264,367 | 1,083,589 |
| Charges for services: | | | | |
| Police department fees | 93,585 | 90,683 | (2,902) | 82,660 |
| Fire department fees | 500 | 174 | (326) | 928 |
| Ambulance fees | 830,955 | 842,570 | 11,615 | 825,727 |
| Recreation fees | 35,750 | 8,835 | (26,915) | 43,064 |
| Solid waste fees | 138,450 | 150,890 | 12,440 | 110,939 |
| Cemetery fees | 7,150 | 7,717 | 567 | 7,288 |
| Total charges for services | 1,106,390 | 1,100,869 | (5,521) | 1,070,606 |
| Other revenues: | | | | |
| Sale of assets | 500 | - | (500) | 2,000 |
| Miscellaneous | 14,500 | 15,480 | 980 | 39,506 |
| Total other revenues | 15,000 | 15,480 | 480 | 41,506 |
| Investment income: | | | | |
| Investment earnings | 4,000 | 22,176 | 18,176 | 15,273 |
| Total investment income | 4,000 | 22,176 | 18,176 | 15,273 |
| Total revenues | 15,965,631 | 16,520,663 | 555,032 | 15,938,356 |

TOWN OF WINTHROP, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

| | 2021 | | Variance positive (negative) | 2020 Actual |
|--------------------------------------|-------------------|------------------|------------------------------------|------------------|
| | Revised budget | Actual | | |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Town Council | \$ 6,485 | 2,903 | 3,582 | 2,413 |
| Elections | 24,350 | 17,041 | 7,309 | 10,599 |
| Town manager | 121,095 | 101,883 | 19,212 | 100,124 |
| Clerk/tax collector | 154,890 | 146,280 | 8,610 | 136,742 |
| Assessing and 911 | 68,615 | 53,392 | 15,223 | 56,450 |
| Finance | 124,267 | 125,325 | (1,058) | 119,761 |
| Code enforcement | 66,904 | 66,130 | 774 | 62,068 |
| Planning board | 12,125 | 3,847 | 8,278 | 1,422 |
| Zoning board of appeals | 750 | 11 | 739 | 63 |
| Administrative services | 1,525,341 | 1,437,878 | 87,463 | 1,314,410 |
| Accrued compensated absences | 145,006 | 45,006 | 100,000 | - |
| TIF district | - | - | - | 62,616 |
| Overlay/abatements | 136,522 | 17,390 | 119,132 | 28,679 |
| Total general government | 2,386,350 | 2,017,086 | 369,264 | 1,895,347 |
| Public works: | | | | |
| General public works | 604,122 | 564,904 | 39,218 | 532,612 |
| Solid waste disposal | 480,931 | 462,767 | 18,164 | 417,604 |
| Mill Dam | 2,500 | 485 | 2,015 | - |
| Cemetery maintenance | 53,965 | 51,667 | 2,298 | 45,164 |
| Landfill buildings/Annabessacook | 5,400 | 11,810 | (6,410) | 5,596 |
| Total public works | 1,146,918 | 1,091,633 | 55,285 | 1,000,976 |
| Public safety: | | | | |
| Police department | 800,093 | 767,923 | 32,170 | 748,475 |
| Communications center | 275,005 | 244,975 | 30,030 | 258,736 |
| Fire department | 179,354 | 195,936 | (16,582) | 173,765 |
| Ambulance | 1,081,379 | 1,016,905 | 64,474 | 1,015,604 |
| Other public safety | 279,750 | 244,612 | 35,138 | 270,289 |
| Total public safety | 2,615,581 | 2,470,351 | 145,230 | 2,466,869 |
| Cultural and recreation: | | | | |
| Library | 319,871 | 319,996 | (125) | 297,625 |
| Recreation | 84,150 | 67,821 | 16,329 | 93,857 |
| Norcross point park | 12,869 | 4,955 | 7,914 | - |
| Total cultural and recreation | 416,890 | 392,772 | 24,118 | 391,482 |
| Public assistance: | | | | |
| General assistance | 28,236 | 16,915 | 11,321 | 23,352 |
| Social services | 10,500 | 10,518 | (18) | 7,904 |
| Total public assistance | 38,736 | 27,433 | 11,303 | 31,256 |

TOWN OF WINTHROP, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

| | 2021 | | Variance positive (negative) | 2020 Actual |
|--|-------------------|------------------|------------------------------------|------------------|
| | Revised budget | Actual | | |
| Expenditures, continued | | | | |
| Current continued: | | | | |
| Intergovernmental assessments | 807,889 | 807,889 | - | 736,749 |
| Unclassified | 10,000 | 10,000 | - | 5,000 |
| Debt service (excluding School Department) | | | | |
| Principal | 571,374 | 571,374 | - | 796,098 |
| Interest | 153,036 | 143,791 | 9,245 | 84,512 |
| Total debt service | 724,410 | 715,165 | 9,245 | 880,610 |
| Total expenditures | 8,146,774 | 7,532,329 | 614,445 | 7,408,289 |
| Excess (deficiency) of revenues over (under) expenditures | 7,818,857 | 8,988,334 | 1,169,477 | 8,530,067 |
| Other financing sources (uses): | | | | |
| Utilization of fund balance | 286,952 | - | (286,952) | - |
| Transfers to school funds | (7,053,706) | (7,053,706) | - | (7,753,931) |
| Transfer from special revenue funds | 75,000 | 75,000 | - | 18,074 |
| Transfer to special revenue funds | - | - | - | - |
| Transfer to capital projects funds | (1,127,103) | (1,127,103) | - | (1,007,510) |
| Total other financing sources (uses) | (7,818,857) | (8,105,809) | (286,952) | (8,743,367) |
| Net change in fund balance | - | 882,525 | 882,525 | (213,300) |
| Fund balance, beginning of year | | 2,258,139 | | 2,471,439 |
| Fund balance, ending of year | \$ | 3,140,664 | | 2,258,139 |

TOWN CAPITAL RESERVES

TOWN OF WINTHROP, MAINE
Town Capital Reserves
Capital Projects Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

| | Fund balances beginning of year | Other revenues | Capital outlay | Other Expenditures | Transfers | Fund balances end of year |
|------------------------------|--|-------------------|-------------------|-----------------------|----------------|------------------------------------|
| Landfill closing | \$ 4,254 | - | - | - | - | 4,254 |
| Community mural project | 450 | - | - | - | - | 450 |
| Fire truck reserve | 10,465 | 13,086 | - | - | - | 23,551 |
| Sweeper reserve | 120,751 | - | - | - | - | 120,751 |
| Development fund (TIF) | 136,294 | - | - | 63,849 | 119,121 | 191,566 |
| Downtown development | 8,281 | - | - | - | - | 8,281 |
| Skate park | 4,393 | - | - | - | - | 4,393 |
| Mt. Pisgah trail reserve | 1,992 | - | - | - | - | 1,992 |
| Maranacook dam repairs | 75,144 | 235 | 441 | - | 702 | 75,640 |
| Radio dig upgrade | 69,025 | - | - | - | - | 69,025 |
| Commerce center TIF district | 33,983 | - | - | - | (33,983) | - |
| Tennis court reserve | 4,500 | - | - | - | 5,000 | 9,500 |
| Mapping GIS | 6,780 | - | 1,339 | - | 1,000 | 6,441 |
| PD painting and repair | 38,000 | - | - | - | - | 38,000 |
| Pavement/overlay | 68,703 | - | 413,165 | - | 397,907 | 53,445 |
| Police vehicle | - | - | - | - | 5,000 | 5,000 |
| Phone system | 7,500 | - | 7,399 | - | - | 101 |
| Transfer station furnace | 12,000 | - | - | - | - | 12,000 |
| Sidewalk/crosswalk | 82,000 | - | 46,325 | - | 25,000 | 60,675 |
| Drainage/culvert | - | - | 25,000 | - | 25,000 | - |
| School building assessment | 40,056 | - | 13,521 | - | - | 26,535 |
| Town office computers/server | 9,548 | - | 15,070 | - | 12,000 | 6,478 |
| Town-wide revaluation | 25,000 | - | - | - | - | 25,000 |
| Norcross repairs | 20,000 | - | - | - | 75,000 | 95,000 |
| Library repairs | 9,620 | 43,705 | 81,430 | - | 32,000 | 3,895 |
| PD computer upgrades | 20,000 | - | 33,365 | - | 20,000 | 6,635 |
| Spillman mobile forms | 20,000 | - | - | - | 9,500 | 29,500 |
| Rec door | - | - | - | - | 9,500 | 9,500 |
| PD Camera | - | - | - | - | 8,000 | 8,000 |
| Phone system | - | - | - | - | 10,000 | 10,000 |
| PD Security | - | - | - | - | 12,000 | 12,000 |
| FD Extradicts | - | - | 22,465 | - | 30,000 | 7,535 |
| School building security | 25,000 | - | 13,845 | - | 10,000 | 21,155 |
| Manikin | - | - | 9,312 | - | 10,000 | 688 |
| Turtle Run | - | - | 58,002 | - | 58,002 | - |
| Total | \$ 853,739 | 57,026 | 740,679 | 63,849 | 840,749 | 946,986 |

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF WINTHROP, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2021

| | Special Revenue Funds | | | | Capital Project Funds | |
|--|-----------------------|--------------------|-----------------|--------------------------|-----------------------|-------------------|
| | Town Programs | Adult Education | School Lunch | School Activity Funds | School Capital | Fire Buildings |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | - | 6,588 | 126,087 | - | 5 |
| Investments | - | - | - | - | - | |
| Due from other governments | 3,982 | - | 16,736 | - | - | |
| Prepaid expenditures | - | - | 220 | - | - | |
| Inventory | - | - | 11,222 | - | - | |
| Interfund loans receivable | 15,439 | 67,953 | 157,858 | - | 26,867 | |
| Total assets | \$ 19,421 | 67,953 | 192,624 | 126,087 | 26,867 | 5 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | - | - | 1,587 | - | - | |
| Accrued payroll and benefits | - | 1,314 | 7,313 | - | - | |
| Interfund loans payable | - | - | - | - | - | |
| Total liabilities | - | 1,314 | 8,900 | - | - | |
| Fund balances: | | | | | | |
| Nonspendable | - | - | 11,442 | - | - | |
| Restricted earnings | - | - | - | - | - | |
| Other restricted | 41,689 | 66,639 | 172,282 | 126,087 | 26,867 | 5 |
| Unassigned | (22,268) | - | - | - | - | |
| Total fund balances (deficits) | 19,421 | 66,639 | 183,724 | 126,087 | 26,867 | 5 |
| Total liabilities and fund balances | \$ 19,421 | 67,953 | 192,624 | 126,087 | 26,867 | 5 |

TOWN OF WINTHROP, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

| | Special Revenue Funds | | | | Capital Project | |
|--|-----------------------|--------------------|------------------|--------------------------|-------------------|----|
| | Town Programs | Adult Education | School Lunch | School Activity Funds | School Capital | Bu |
| Revenues: | | | | | | |
| Intergovernmental | \$ 56,385 | 25,902 | 328,845 | - | - | |
| Charges for services | - | 6,962 | 2,824 | - | - | |
| Local grants and contributions | 32,646 | - | - | - | - | |
| Donations | - | - | - | 53,366 | - | |
| Miscellaneous | - | - | 2,968 | - | - | |
| Investment income | - | - | - | - | - | |
| Total revenues | 89,031 | 32,864 | 334,637 | 53,366 | - | |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 30,604 | - | - | - | - | |
| Public safety | 75,276 | - | - | - | - | |
| Education | - | 63,092 | - | - | - | |
| School lunch | - | - | 463,015 | - | - | |
| Culture and recreation | 9,899 | - | - | - | - | |
| Other programs | - | - | - | 55,837 | - | |
| Capital outlay | - | - | - | - | - | |
| Total expenditures | 115,779 | 63,092 | 463,015 | 55,837 | - | |
| Excess (deficiency) of revenues over (under) expenditures | (26,748) | (30,228) | (128,378) | (2,471) | - | |
| Other financing sources (uses): | | | | | | |
| Transfers from other funds | - | 55,000 | 200,000 | - | - | |
| Transfers to other funds | 1,289 | - | - | (41,676) | - | |
| Total other financing sources (uses) | 1,289 | 55,000 | 200,000 | (41,676) | - | |
| Net change in fund balances | (25,459) | 24,772 | 71,622 | (44,147) | - | |
| Fund balances, beginning of year, restated | 44,880 | 41,867 | 112,102 | 170,234 | 26,867 | |
| Fund balances, end of year | \$ 19,421 | 66,639 | 183,724 | 126,087 | 26,867 | |

SCHEDULES

TOWN OF WINTHROP, MAINE
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

| | | Fund balances beginning of year | Program revenues | Program expenditures | Transfers | Fund balances end of year |
|---------------------|-------------------------------------|--|---------------------|-------------------------|--------------|------------------------------------|
| Town programs: | | | | | | |
| 2001 | Snowmobile grant | \$ - | 9,880 | 9,880 | - | - |
| 2002 | Winthrop cares | 4,869 | - | 536 | - | 4,333 |
| 2003 | Police drug forfeiture | 6,299 | - | 360 | - | 5,939 |
| 2004 | Summer concert | 2,574 | - | 19 | - | 2,555 |
| 2005 | Winthrop community coalition | 4,400 | - | - | - | 4,400 |
| 2006 | Trail committee project | 2,468 | - | - | - | 2,468 |
| 2007 | Winthrop plays outside | - | 25 | - | - | 25 |
| 2012 | Byrne radio equipment grant | - | 2,091 | 2,091 | - | - |
| 2013 | Insurance | - | 6,108 | 6,108 | - | - |
| 2014 | Library | 45 | - | - | - | 45 |
| 2016 | Volunteer fire fighters association | - | 1,425 | 1,425 | - | - |
| 2017 | MLOD | (398) | - | - | 398 | - |
| 2018 | Sestercenten | - | 4,470 | 3,840 | - | 630 |
| 2019 | COVID 19 grant | 3,096 | 110 | 16,268 | - | (13,062) |
| 2020 | MMA safety grant | (920) | 920 | - | - | - |
| 2021 | Pedal power | 1,392 | 670 | 1,823 | - | 239 |
| 2022 | EMS Covid 19 grant | 21,055 | - | - | - | 21,055 |
| 2023 | Keep Maine healthy | - | 54,184 | 54,184 | - | - |
| 2025 | Alocohol Enforcement | - | 800 | 1,280 | - | (480) |
| 2026 | Ed Mcd PD | - | 1,519 | 2,410 | 891 | - |
| 2027 | Emergency | - | - | 6,900 | - | (6,900) |
| 2028 | Election Sup | - | 2,029 | 2,029 | - | - |
| 2030 | 2019 JAG Byrne | - | - | 1,826 | - | (1,826) |
| 2031 | Traffic Safe | - | 4,800 | 4,800 | - | - |
| Total Town programs | | 44,880 | 89,031 | 115,779 | 1,289 | 19,421 |
| Total | | \$ 44,880 | 89,031 | 115,779 | 1,289 | 19,421 |

TOWN OF WINTHROP, MAINE
Nonmajor Permanent Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

| | Principal | Earnings | Fund balances beginning of year | Revenues | | | Program expenditures | Pr |
|-----------------------|-------------------|---------------|--|-------------------|----------------------|--------------|-------------------------|----|
| | | | | Other Revenues | Investment Income | | | |
| Town Permanent Funds: | | | | | | | | |
| N. Tuttle Needy | \$ 2,541 | 1,264 | 3,805 | - | 804 | - | | |
| Cemetery trust | 446,463 | 73,491 | 519,954 | 5,400 | 115,869 | 7,351 | 4 | |
| H. Johnson Fund | 1,566 | 1,375 | 2,941 | - | 609 | - | | |
| I. Bonney Fund | 2,676 | 1,537 | 4,213 | - | 897 | - | | |
| Total | \$ 453,246 | 77,667 | 530,913 | 5,400 | 118,179 | 7,351 | 4 | |

TOWN OF WINTHROP, MAINE
Private-purpose Trust Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

| | Net position beginning of year | Investment Income | Scholarships | Net position end of year |
|---|---|----------------------|---------------|-----------------------------------|
| School Department Scholarships: | | | | |
| Alice Whiting | \$ 2,295 | 541 | - | 2,836 |
| Avis Cadwell | 25,820 | 6,216 | - | 32,036 |
| Bud Clough | 6,670 | 1,683 | - | 8,353 |
| Charlie Rollins | 818 | 185 | - | 1,003 |
| Del Bisonette | 9,733 | 2,328 | 500 | 11,561 |
| George F. Wilson | 4,862 | 1,175 | - | 6,037 |
| Harry and Flora May Davis | 9,187 | 2,312 | - | 11,499 |
| Helena Bisonette Seamans | 9,322 | 2,293 | - | 11,615 |
| Herbert e. Wadsworth | 97,238 | 22,149 | - | 119,387 |
| Nellie Tuttle Valedictorian | 1,155 | 402 | - | 1,557 |
| P. Daniel Coyne | 4,596 | 1,389 | 1,000 | 4,985 |
| Pam Webb | 6,871 | 1,651 | - | 8,522 |
| Rockwood memorial library | 1,891 | 392 | - | 2,283 |
| Ron Cross | 14,662 | 3,511 | - | 18,173 |
| Stanley A. Kazney | 209,767 | 48,808 | 3,000 | 255,575 |
| Thomas Calagni | 3,547 | 956 | 500 | 4,003 |
| Walter A. Taylor | 3,990 | 1,478 | - | 5,468 |
| Helen A. Griffin | 9,685 | 2,263 | - | 11,948 |
| Marshall Hills | 3,060 | 726 | - | 3,786 |
| Frank Parker | 7,213 | 1,418 | 6,500 | 2,131 |
| Total School Department Scholarships | 432,382 | 101,876 | 11,500 | 522,758 |
| Total | \$ 432,382 | 101,876 | 11,500 | 522,758 |