

Federal Compliance Audit

City of Ellsworth, Maine

June 30, 2022



Proven Expertise & Integrity

CITY OF ELLSWORTH, MAINE

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JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Ellsworth
Ellsworth, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ellsworth, Maine, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Ellsworth, Maine's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ellsworth, Maine as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Ellsworth, Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 5 through 12 and 89 through 99 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ellsworth, Maine's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 20-A MRS §6051, Sub-chapter 1(K) of the Maine Revised Statutes as amended and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards 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 September 14, 2023, on our consideration of the City of Ellsworth, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 City of Ellsworth, 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 the City of Ellsworth, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
September 14, 2023

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

(UNAUDITED)

The following management's discussion and analysis of City of Ellsworth, Maine's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the City's financial statements.

Financial Statement Overview

The City of Ellsworth' basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension and OPEB schedules and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the City's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the City's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of City activities. The types of activities presented for the City of Ellsworth are:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the City's basic services are reported in governmental activities, which include general government, public safety, municipal buildings, recreation and culture, education, public works and health and human services.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the City of Ellsworth include the sewer and water departments.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Ellsworth, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the City of Ellsworth can be divided into two categories: governmental funds. proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City of Ellsworth presents five columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The City's major governmental funds are the general fund, education fund, the capital projects fund and the school grants fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general and education funds are the only funds for which the City legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund and the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The City of Ellsworth maintains two proprietary funds, the sewer and water funds. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary funds financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the City. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows - Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pensions, Schedule of

Changes in Net OPEB Liability - MMEHT, Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT, Schedule of Changes in Net OPEB Liability - MEABT, Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT, Schedule of Proportionate Share of the Net OPEB Liability - PLD and SET Plan Schedule of Contributions - OPEB - MMEHT - MEABT - PLD - SET Plan and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the City's governmental activities. The City's total net position for governmental activities increased by \$4,938,224 from \$46,754,623 to \$51,692,847. The City's total business-type activities net position decreased by \$193,153 from \$20,441,598 to \$20,248,445.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased for governmental activities to a deficit balance of \$2,363,271 at the end of this year. Unrestricted net position for business-type activities increased to a deficit balance of \$3,034,847.

Table 1
City of Ellsworth, Maine
Net Position
June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2022</u>	<u>2021 (Restated)</u>	<u>2022</u>	<u>2021 (Restated)</u>
Assets:				
Current assets	\$ 19,543,542	\$ 15,521,799	\$ (2,839,982)	\$ (3,065,867)
Noncurrent assets - restricted cash	-	-	443,972	443,807
Noncurrent assets - capital assets	<u>65,969,773</u>	<u>66,774,177</u>	<u>30,580,384</u>	<u>31,536,408</u>
Total Assets	<u>85,513,315</u>	<u>82,295,976</u>	<u>28,184,374</u>	<u>28,914,348</u>
Deferred Outflows of Resources:				
Deferred outflows related to OPEB	694,235	599,784	-	-
Deferred outflows related to pensions	<u>2,863,733</u>	<u>1,093,895</u>	-	-
Total Deferred Outflows of Resources	<u>3,557,968</u>	<u>1,693,679</u>	-	-
Liabilities:				
Current liabilities	8,612,743	6,812,705	647,781	661,256
Noncurrent liabilities	<u>24,967,623</u>	<u>29,670,043</u>	<u>7,288,148</u>	<u>7,811,494</u>
Total Liabilities	<u>33,580,366</u>	<u>36,482,748</u>	<u>7,935,929</u>	<u>8,472,750</u>
Deferred Inflows of Resources:				
Deferred inflows related to OPEB	553,312	642,429	-	-
Deferred inflows related to pensions	<u>3,218,835</u>	<u>109,855</u>	-	-
Total Deferred Inflows of Resources	<u>3,798,070</u>	<u>752,284</u>	-	-
Net Position:				
Net investment in capital assets	43,862,046	41,764,524	22,839,320	23,201,569
Restricted	10,194,072	8,455,605	443,972	443,807
Unrestricted (Deficit)	<u>(2,363,271)</u>	<u>(3,465,506)</u>	<u>(3,034,847)</u>	<u>(3,203,778)</u>
Total Net Position	<u>\$ 51,692,847</u>	<u>\$ 46,754,623</u>	<u>\$ 20,248,445</u>	<u>\$ 20,441,598</u>

Table 2
City of Ellsworth, Maine
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 3,095,026	\$ 2,796,602	\$ 2,997,694	\$ 2,893,709
Operating grants and contributions	1,546,948	2,916,316	-	-
Capital grants and contributions	-	-	-	-
<i>General Revenues:</i>				
Taxes	23,009,286	22,742,664	-	-
Grants and contributions not restricted to specific programs	17,051,700	14,949,155	-	-
Investment income	(52,291)	188,147	8,102	(6,212)
Other income	679,010	988,693	24,490	5,026
Total Revenues	45,329,679	44,581,577	3,030,286	2,892,523
Expenses				
General government	4,684,019	5,036,426	-	-
Public safety	3,794,040	2,769,443	-	-
Municipal buildings	292,524	303,889	-	-
Recreation and culture	802,144	973,626	-	-
Education	24,849,868	25,069,461	-	-
Public works	3,210,925	2,394,718	-	-
County tax	528,135	517,237	-	-
State of Maine on-behalf payments	1,357,076	2,740,092	-	-
Health and human services	56,663	61,288	-	-
Capital outlay	-	-	-	-
Interest on long-term debt	519,526	683,650	-	-
Wastewater	-	-	2,063,071	2,026,937
Water	-	-	1,160,368	1,036,237
Total Expenses	40,391,455	40,557,999	3,223,439	3,063,174
Change in Net Position	4,938,224	4,023,578	(193,153)	(170,651)
Net Position - July 1, Restated	46,754,623	42,731,045	20,441,598	20,612,249
Net Position - June 30	\$ 51,692,847	\$ 46,754,623	\$ 20,248,445	\$ 20,441,598

Revenues and Expenses

Revenues for the City's governmental activities increased by 1.68%, while total expenses decreased by 0.41%. The largest increase in revenues was in grants and contributions not restricted to specific programs and the largest decrease in expenses was in State of Maine on-behalf payments.

Revenues for the City's business-type activities increased by 4.77%, while total expenses increased by 5.23%.

Financial Analysis of the City's Fund Statements

Governmental funds: The financial reporting focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year and the net resources available for spending.

Table 3
City of Ellsworth, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2022</u>	<u>2021 (Restated)</u>	<u>Change Increase/ (Decrease)</u>
General Fund:			
Nonspendable	\$ 74,872	\$ -	\$ 74,872
Unassigned	7,302,218	6,188,625	1,113,593
Total General Fund	<u>\$ 7,377,090</u>	<u>\$ 6,188,625</u>	<u>\$ 1,188,465</u>
Education Fund:			
Nonspendable	\$ 177,277	\$ 530	\$ 176,747
Restricted	4,261,093	4,450,992	(189,899)
Committed	96,375	-	96,375
Total Education Fund	<u>\$ 4,534,745</u>	<u>\$ 4,451,522</u>	<u>\$ 83,223</u>
Capital Projects Fund:			
Unassigned	\$ (4,681,004)	\$ (4,174,942)	\$ (506,062)
Total Capital Projects Fund	<u>\$ (4,681,004)</u>	<u>\$ (4,174,942)</u>	<u>\$ (506,062)</u>
School Grants:			
Restricted	\$ 1,097,822	\$ 1,085,719	\$ 12,103
Total School Grants	<u>\$ 1,097,822</u>	<u>\$ 1,085,719</u>	<u>\$ 12,103</u>
Nonmajor Funds:			
Special Revenue Funds:			
Nonspendable	\$ 15,850	\$ 29,236	\$ (13,386)
Restricted	3,339,987	1,710,791	1,629,196
Unassigned	(102,838)	(223,361)	120,523
Permanent Funds:			
Nonspendable	636,751	636,751	-
Restricted	590,420	786,316	(195,896)
Total Nonmajor Funds	<u>\$ 4,480,170</u>	<u>\$ 2,939,733</u>	<u>\$ 1,540,437</u>

The changes to total fund balances for the general fund, education fund, capital projects fund and nonmajor funds occurred due to the regular activity of operations.

Budgetary Highlights

There was no difference between the original and final budget for the general fund. There was no difference between the original and final budget for the education fund.

The general fund actual revenues were over budget by \$829,722. This was due to all categories being receipted within or over budgeted amounts with the exception of investment income, other income and sale of City property.

The general fund actual expenditures were under budget by \$358,743. All expenditure categories were within or under budget with the exception of general government and unclassified.

The education fund actual revenues were over budget by \$379,265. This was due to all categories being receipted within or over budget.

The education fund actual expenditures were below budget by \$1,169,889. All expenditure categories were within or below budget with the exception of system administration.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the net book value of the capital assets recorded by the City decreased by \$1,744,001 from the prior year. This decrease was the result of capital additions of \$2,300,120 less net disposals of \$281,170 and current year depreciation of \$3,762,951.

Table 4
City of Ellsworth, Maine
Capital Assets (Net of Depreciation)
June 30,

	<u>2022</u>	<u>2021</u> <u>(Restated)</u>
Land	\$ 4,474,804	\$ 4,474,804
Construction in progress	391,284	84,529
Organization costs	9,814	9,814
Buildings and building improvements	58,379,660	60,050,578
Machinery, equipment, furniture and vehicles	14,845,948	15,161,367
Infrastructure	18,448,647	18,513,066
Total	<u>\$ 96,550,157</u>	<u>\$ 98,294,158</u>

Debt

At June 30, 2022, the City had \$29,848,341 in bonds, bond premiums outstanding and notes from direct borrowings payable versus \$33,274,063 last year, a decrease of 11.48%. For additional comparative information on the City's outstanding debt, refer to Note 7 of Notes to Financial Statements.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The City has steadily maintained a sufficient undesignated fund balance to sustain government operations for a period of approximately seven months, while also maintaining significant reserve accounts for future capital and program needs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at 1 City Hall Plaza, Ellsworth, Maine 04605.

STATEMENT A

CITY OF ELLSWORTH, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,181,157	\$ 100	\$ 7,181,257
Investments	2,256,153	381,611	2,637,764
Accounts receivable (net of allowance for uncollectibles):			
Taxes	1,251,770	-	1,251,770
Liens	439,505	65,666	505,171
Other	4,384,415	467,019	4,851,434
Inventory	15,850	8,165	24,015
Prepaid items	252,149	-	252,149
Internal balances	3,762,543	(3,762,543)	-
Total current assets	<u>19,543,542</u>	<u>(2,839,982)</u>	<u>16,703,560</u>
Noncurrent assets:			
Restricted cash	-	432,586	432,586
Restricted accounts receivable	-	11,386	11,386
Capital assets:			
Land and other assets not being depreciated	2,961,851	1,914,051	4,875,902
Infrastructure, buildings, equipment and vehicles net of accumulated depreciation	<u>63,007,922</u>	<u>28,666,333</u>	<u>91,674,255</u>
Total noncurrent assets	<u>65,969,773</u>	<u>31,024,356</u>	<u>96,994,129</u>
TOTAL ASSETS	<u>85,513,315</u>	<u>28,184,374</u>	<u>113,697,689</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	694,235	-	694,235
Deferred outflows related to pensions	<u>2,863,733</u>	-	<u>2,863,733</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,557,968</u>	<u>-</u>	<u>3,557,968</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 89,071,283</u>	<u>\$ 28,184,374</u>	<u>\$ 117,255,657</u>

STATEMENT A (CONTINUED)
CITY OF ELLSWORTH, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,085,080	\$ 85,101	\$ 1,170,181
Accrued expenses	2,561,347	15,349	2,576,696
Accrued interest	152,919	23,986	176,905
Note payable	1,874,322	-	1,874,322
Current portion of long-term obligations	2,939,075	523,345	3,462,420
Total current liabilities	8,612,743	647,781	9,260,524
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	3,225,000	4,405,000	7,630,000
Bond premium payable	113,299	105,131	218,430
Note from direct borrowings payable	15,865,956	2,707,588	18,573,544
Accrued compensated absences	676,459	70,429	746,888
Net OPEB liability	4,601,176	-	4,601,176
Net pension liability	485,733	-	485,733
Total noncurrent liabilities	24,967,623	7,288,148	32,255,771
TOTAL LIABILITIES	33,580,366	7,935,929	41,516,295
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	25,923	-	25,923
Deferred inflows related to OPEB	553,312	-	553,312
Deferred inflows related to pensions	3,218,835	-	3,218,835
TOTAL DEFERRED INFLOWS OF RESOURCES	3,798,070	-	3,798,070
NET POSITION			
Net investment in capital assets	43,862,046	22,839,320	66,701,366
Restricted	10,194,072	443,972	10,638,044
Unrestricted	(2,363,271)	(3,034,847)	(5,398,118)
TOTAL NET POSITION	51,692,847	20,248,445	71,941,292
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 89,071,283	\$ 28,184,374	\$ 117,255,657

See accompanying independent auditor's report and notes to financial statements.

STATEMENT B

CITY OF ELLSWORTH, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 4,684,019	\$ 111,269	\$ -	\$ -	\$ (4,572,750)	\$ -	\$ (4,572,750)
Public safety	3,794,040	270,363	-	-	(3,523,677)	-	(3,523,677)
Municipal buildings	292,524	-	-	-	(292,524)	-	(292,524)
Recreation and culture	802,144	179,152	-	-	(622,992)	-	(622,992)
Education	24,849,868	2,172,800	-	-	(22,677,068)	-	(22,677,068)
Public works	3,210,925	361,442	189,872	-	(2,659,611)	-	(2,659,611)
County tax	528,135	-	-	-	(528,135)	-	(528,135)
Health and human services	56,663	-	-	-	(56,663)	-	(56,663)
Unclassified	296,535	-	-	-	(296,535)	-	(296,535)
State of Maine on-behalf payments	1,357,076	-	1,357,076	-	-	-	-
Interest on long-term debt	519,526	-	-	-	(519,526)	-	(519,526)
Total governmental activities	<u>40,391,455</u>	<u>3,095,026</u>	<u>1,546,948</u>	<u>-</u>	<u>(35,749,481)</u>	<u>-</u>	<u>(35,749,481)</u>
Business-type activities:							
Wastewater	2,063,071	1,710,483	-	-	-	(352,588)	(352,588)
Water	1,160,368	1,287,211	-	-	-	126,843	126,843
Total business-type activities	<u>3,223,439</u>	<u>2,997,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(225,745)</u>	<u>(225,745)</u>
Total government	<u>\$ 43,614,894</u>	<u>\$ 6,092,720</u>	<u>\$ 1,546,948</u>	<u>\$ -</u>	<u>(35,749,481)</u>	<u>(225,745)</u>	<u>(35,975,226)</u>

STATEMENT B (CONTINUED)
CITY OF ELLSWORTH, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(35,749,481)	(225,745)	(35,975,226)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	20,977,370	-	20,977,370
Excise taxes	2,031,916	-	2,031,916
Grants and contributions not restricted to specific programs	17,051,700	-	17,051,700
Investment income	(52,291)	8,102	(44,189)
Other income	679,010	24,490	703,500
Sale of City property	-	-	-
Transfers	-	-	-
Total general revenues	40,687,705	32,592	40,720,297
Change in net position	4,938,224	(193,153)	4,745,071
NET POSITION - JULY 1, RESTATED	46,754,623	20,441,598	67,196,221
NET POSITION - JUNE 30	<u>\$ 51,692,847</u>	<u>\$ 20,248,445</u>	<u>\$ 71,941,292</u>

See accompanying independent auditor's report and notes to financial statements.

STATEMENT C

CITY OF ELLSWORTH, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Education Fund	Capital Projects Fund	School Grants	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,939,435	\$ 616,929	\$ -	\$ 242,558	\$ 382,235	\$ 7,181,157
Investments	802,122	-	-	390,990	1,063,041	2,256,153
Accounts receivable (net of allowance for uncollectibles):						
Taxes	1,251,770	-	-	-	-	1,251,770
Liens	439,505	-	-	-	-	439,505
Other	82,775	1,315,837	-	2,812,379	173,424	4,384,415
Inventory	-	-	-	-	15,850	15,850
Prepaid items	74,872	177,277	-	-	-	252,149
Due from other funds	10,700,077	5,265,432	-	463,110	3,181,327	19,609,946
TOTAL ASSETS	\$ 19,290,556	\$ 7,375,475	\$ -	\$ 3,909,037	\$ 4,815,877	\$ 35,390,945
LIABILITIES						
Accounts payable	\$ 223,829	\$ 659,683	\$ 26,053	\$ 166,059	\$ 9,456	\$ 1,085,080
Accrued expenses	472,449	1,682,429	-	373,040	33,429	2,561,347
Note payable	1,000,000	-	874,322	-	-	1,874,322
Due to other funds	9,016,345	498,618	3,780,629	2,258,989	292,822	15,847,403
TOTAL LIABILITIES	10,712,623	2,840,730	4,681,004	2,798,088	335,707	21,368,152
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	25,923	-	-	-	-	25,923
Deferred revenues	1,174,920	-	-	13,127	-	1,188,047
TOTAL DEFERRED INFLOWS OF RESOURCES	1,200,843	-	-	13,127	-	1,213,970
FUND BALANCES (DEFICITS)						
Nonspendable	74,872	177,277	-	-	652,601	904,750
Restricted	-	4,261,093	-	1,097,822	3,930,407	9,289,322
Committed	-	96,375	-	-	-	96,375
Assigned	-	-	-	-	-	-
Unassigned	7,302,218	-	(4,681,004)	-	(102,838)	2,518,376
TOTAL FUND BALANCES (DEFICITS)	7,377,090	4,534,745	(4,681,004)	1,097,822	4,480,170	12,808,823
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 19,290,556	\$ 7,375,475	\$ -	\$ 3,909,037	\$ 4,815,877	\$ 35,390,945

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 12,808,823
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, net of accumulated depreciation	65,969,773
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	1,174,920
Deferred grant revenue	13,127
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	694,235
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	2,863,733
Long-term obligations shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(3,690,000)
Bond premium payable	(113,299)
Note from direct borrowings payable	(18,304,428)
Accrued compensated absences	(712,062)
Accrued interest	(152,919)
Net OPEB liability	(4,601,176)
Net pension liability	(485,733)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(553,312)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(3,218,835)</u>
Net position of governmental activities	<u>\$ 51,692,847</u>

See accompanying independent auditor's report and notes to financial statements.

STATEMENT E

CITY OF ELLSWORTH, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Education Fund	Capital Projects Fund	School Grants	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 22,996,239	\$ -	\$ -	\$ -	\$ -	\$ 22,996,239
Intergovernmental revenue	2,951,455	10,536,124	-	2,857,724	2,253,345	18,598,648
Charges for services	885,936	2,131,100	-	-	77,990	3,095,026
Investment income	1,145	-	-	-	(53,436)	(52,291)
Other revenues	342,853	42,172	-	238,150	55,835	679,010
TOTAL REVENUES	27,177,628	12,709,396	-	3,095,874	2,333,734	45,316,632
EXPENDITURES						
Current:						
General government	4,437,375	-	-	-	319,669	4,757,044
Public safety	3,575,034	-	-	-	18,894	3,593,928
Municipal buildings	227,007	-	-	-	-	227,007
Recreation and culture	798,166	-	-	-	1,445	799,611
Education	-	20,003,009	-	3,084,704	1,333,541	24,421,254
Public works	1,753,249	-	-	-	-	1,753,249
County tax	528,135	-	-	-	-	528,135
Health and human services	56,663	-	-	-	-	56,663
Unclassified	154,075	-	-	-	142,460	296,535
State of Maine on-behalf payments	-	1,357,076	-	-	-	1,357,076
Capital outlay	-	-	1,786,062	-	-	1,786,062
Debt service:						
Principal	990,595	1,911,781	-	-	-	2,902,376
Interest	218,946	300,580	-	-	-	519,526
TOTAL EXPENDITURES	12,739,245	23,572,446	1,786,062	3,084,704	1,816,009	42,998,466
EXCESS OF REVENUES OVER (UNDER)						
EXPENDITURES	14,438,383	(10,863,050)	(1,786,062)	11,170	517,725	2,318,166
OTHER FINANCING SOURCES (USES)						
Transfers in	-	11,125,819	1,280,000	933	1,022,712	13,429,464
Transfers (out)	(13,249,918)	(179,546)	-	-	-	(13,429,464)
TOTAL OTHER FINANCING SOURCES (USES)	(13,249,918)	10,946,273	1,280,000	933	1,022,712	-
NET CHANGE IN FUND BALANCES (DEFICITS)	1,188,465	83,223	(506,062)	12,103	1,540,437	2,318,166
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	6,188,625	4,451,522	(4,174,942)	1,085,719	2,939,733	10,490,657
FUND BALANCES (DEFICITS) - JUNE 30	\$ 7,377,090	\$ 4,534,745	\$ (4,681,004)	\$ 1,097,822	\$ 4,480,170	\$ 12,808,823

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, 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, 2022

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 2,318,166</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset acquisitions	2,040,467
Capital asset disposals	(123,422)
Depreciation expense	<u>(2,721,449)</u>
	<u>(804,404)</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:	
Taxes and liens receivable	<u>13,047</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>1,864,289</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	
	<u>2,901,926</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>(3,019,863)</u>
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 governmental funds:	
Accrued compensated absences	174,673
Accrued interest	31,406
Net OPEB liability	(296,415)
Net pension liability	<u>1,755,399</u>
	<u>1,665,063</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 4,938,224</u></u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

	Enterprise Funds		
	Wastewater	Water	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 100	\$ 100
Investments	363,535	18,076	381,611
Accounts receivable (net of allowance for uncollectibles)	278,136	188,883	467,019
Liens receivable	65,666	-	65,666
Inventory	8,165	-	8,165
Due from other funds	-	106,476	106,476
Total current assets	<u>715,502</u>	<u>313,535</u>	<u>1,029,037</u>
Noncurrent assets:			
Restricted cash	432,586	-	432,586
Restricted accounts receivable	11,386	-	11,386
Capital assets:			
Land and easement	-	1,693,299	1,693,299
Construction in progress	192,969	17,969	210,938
Organization costs	-	9,814	9,814
Infrastructure, buildings, equipment and vehicles net of accumulated depreciation	18,256,415	10,409,918	28,666,333
Total noncurrent assets	<u>18,893,356</u>	<u>12,131,000</u>	<u>31,024,356</u>
TOTAL ASSETS	<u>\$ 19,608,858</u>	<u>\$ 12,444,535</u>	<u>\$32,053,393</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 78,356	\$ 6,745	\$ 85,101
Accrued payroll and related liabilities	7,635	7,714	15,349
Accrued interest	17,111	6,875	23,986
Due to other funds	3,869,019	-	3,869,019
Current portion of long-term obligations	379,586	143,759	523,345
Total current liabilities	<u>4,351,707</u>	<u>165,093</u>	<u>4,516,800</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Accrued compensated absences	30,999	39,430	70,429
Bonds payable	4,405,000	-	4,405,000
Premium on bonds payable	105,131	-	105,131
Notes from direct borrowings payable	1,290,627	1,416,961	2,707,588
Total noncurrent liabilities	<u>5,831,757</u>	<u>1,456,391</u>	<u>7,288,148</u>
TOTAL LIABILITIES	<u>10,183,464</u>	<u>1,621,484</u>	<u>11,804,948</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	12,269,040	10,570,280	22,839,320
Restricted	443,972	-	443,972
Unrestricted	(3,287,618)	252,771	(3,034,847)
TOTAL NET POSITION (DEFICIT)	<u>9,425,394</u>	<u>10,823,051</u>	<u>20,248,445</u>
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	<u>\$ 19,608,858</u>	<u>\$ 12,444,535</u>	<u>\$32,053,393</u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Enterprise Funds</u>		
	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1,710,483	\$ 1,287,211	\$ 2,997,694
Other	1,005	23,485	24,490
TOTAL OPERATING REVENUES	<u>1,711,488</u>	<u>1,310,696</u>	<u>3,022,184</u>
OPERATING EXPENSES			
Salaries	416,488	501,919	918,407
Contract services	169,693	151,549	321,242
Supplies, maintenance and repairs	237,141	125,562	362,703
Insurance	11,548	9,534	21,082
Utilities	256,240	90,629	346,869
Depreciation	802,972	238,530	1,041,502
Other	-	19,441	19,441
TOTAL OPERATING EXPENSES	<u>1,894,082</u>	<u>1,137,164</u>	<u>3,031,246</u>
OPERATING INCOME (LOSS)	<u>(182,594)</u>	<u>173,532</u>	<u>(9,062)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	48,619	1	48,620
Interest expense	(168,989)	(23,204)	(192,193)
Investment gains/(losses)	(40,518)	-	(40,518)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(160,888)</u>	<u>(23,203)</u>	<u>(184,091)</u>
CHANGE IN NET POSITION	(343,482)	150,329	(193,153)
NET POSITION - JULY 1, RESTATED	<u>9,768,876</u>	<u>10,672,722</u>	<u>20,441,598</u>
NET POSITION - JUNE 30	<u>\$ 9,425,394</u>	<u>\$ 10,823,051</u>	<u>\$ 20,248,445</u>

See accompanying independent auditor's report and notes to financial statements.

STATEMENT I

CITY OF ELLSWORTH, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Enterprise Funds		
	Wastewater	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,774,065	\$ 1,302,500	\$ 3,076,565
Internal activity - receipts (payments) from/to other funds	(116,718)	(162,840)	(279,558)
Payments to employees	(416,488)	(501,919)	(918,407)
Payments to suppliers	(681,985)	(402,827)	(1,084,812)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	558,874	234,914	793,788
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase/disposal of capital assets	(17,526)	(67,952)	(85,478)
Principal paid on capital debt	(379,587)	(143,759)	(523,346)
Interest paid on capital debt	(168,989)	(23,204)	(192,193)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(566,102)	(234,915)	(801,017)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest income	48,619	1	48,620
Purchase of investments	(41,391)	-	(41,391)
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	7,228	1	7,229
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	100	100
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ 100	\$ 100
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (182,594)	\$ 173,532	\$ (9,062)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	802,972	238,530	1,041,502
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	73,757	(8,196)	65,561
(Increase) decrease in liens receivable	(11,180)	-	(11,180)
(Increase) decrease in due from other funds	-	(106,476)	(106,476)
Increase (decrease) in accounts payable	(6,597)	(5,514)	(12,111)
Increase (decrease) in accrued interest	(766)	(598)	(1,364)
Increase (decrease) in due to other funds	(116,718)	(56,364)	(173,082)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 558,874	\$ 234,914	\$ 793,788

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2022

	Private- Purpose Trusts (Library)
ASSETS	
Cash and cash equivalents	\$ 33,932
Investments, at fair value	<u>1,068,433</u>
TOTAL ASSETS	<u>\$ 1,102,365</u>
LIABILITIES	
Accounts payable	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Restricted - held in trust for special purposes	<u>1,102,365</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,102,365</u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

	Purpose Trusts <u>(Library)</u>
ADDITIONS	
Contributions	
Net increase (decrease) in the fair value of investments	\$ (163,838)
Total additions	<u>(163,838)</u>
DEDUCTIONS	
Withdrawals	43,400
Administrative expenses	<u>22,181</u>
Total deductions	<u>65,581</u>
Change in net position	(229,419)
NET POSITION - JULY 1	<u>1,331,784</u>
NET POSITION - JUNE 30	<u>\$ 1,102,365</u>

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Ellsworth was incorporated under the laws of the State of Maine. The City operates under the City Council-manager form of government and provides the following services: general government, public safety, municipal buildings, recreation and culture, education, public works and health and human services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The City's combined financial statements include all accounts and all operations of the City. We have determined that the City has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2022, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 87 "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA*

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 91 “Conduit Debt Obligations”. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 92 “Omnibus 2020”. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 “Replacement of Interbank Offered Rates (paragraphs 13-14)”. The primary objectives of paragraphs 13-14 concern provisions of lease contracts that are amended while the contract is in effect. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 97 “*Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*”. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and (3) enhance the

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's sewer and water funds are categorized as business-type activities. All other activities of the City are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The City does not allocate indirect costs. All costs are charged directly to the corresponding department.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the City are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

Major Funds

- a. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Education Fund is used to account for financial resources associated with the School Department. Major revenue sources include transfers from the general fund and intergovernmental revenues.
- c. The Capital Projects Fund are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Major revenue sources are transfers from the general fund
- d. The School Grants Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major revenue sources are intergovernmental revenues.

Nonmajor Funds

- e. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- f. Permanent Funds are used to account for assets held by the City that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the City or its citizenry. The City's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the City:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the City's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The City's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the City prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A meeting of the City Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The school budget was adopted subsequent to passage by the inhabitants of the City.

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the City's policy to value investments at fair value. None of the City's investments are reported at amortized cost. For statement of cash flows purposes, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The City Treasurer is authorized by the Ellsworth City Council and State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Mutual funds

Restricted Cash

Certain resources of the City are set aside and are classified as restricted cash on the balance sheet and statement of net position because their use is limited by applicable bond covenants. These funds are set aside from the City's operation.

Receivables

Receivables include amounts due from local businesses, transfer station receivables and cable franchise fees. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2022. Accounts receivable netted with allowances for uncollectible accounts were \$4,851,434 for the year ended June 30, 2022.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method).

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated capital assets are reported at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

A grandfather clock, paintings, photos and furniture have been capitalized as art and historical items. These items are categorized as non-depreciable assets as they are considered inexhaustible.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. The City has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances”.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Long-term Obligations

The accounting treatment of long-term obligations depend on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of bonds payable, bond premiums payable, notes from direct borrowings payable, accrued compensated absences, net OPEB liability and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the City's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT. For

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System OPEB Plan and the Maine Education Association Benefits Trust (MEABT) (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the State Employee and Teacher (SET) Plan and additions to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET Plan. 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Participating Local District (PLD) Consolidated Plan and additions to/deductions from the PLD Consolidated Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated Plan. 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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the City or through external restrictions imposed by creditors,

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of this item, deferred outflows related to OPEB and deferred outflows related to pensions. These items are reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred tax revenues, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to OPEB and deferred inflows related to pensions qualify for reporting in this category as well. These items are reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

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

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the City. The inhabitants of the City through City meetings are the highest level of decision-making authority of the City. Commitments may be established, modified or rescinded only through a City meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given annually by vote of the taxpayers and is expressed by the City Council.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the City meeting vote has provided otherwise in its commitment or assignment actions.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The City's property tax for the current year was levied on August 17, 2021, on the assessed value listed as of April 1, 2021, for all taxable real and personal property located in the City. Taxes were due in two installments on September 9, 2021 and March 10, 2022. Interest on unpaid taxes commenced on September 10, 2021 and March 11, 2022, at 6% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$91,366 for the year ended June 30, 2022.

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

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The City does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all City funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City will not be able to recover its deposits. The City does not have a policy covering custodial credit risk for deposits. However, the City maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

At June 30, 2022, the City's cash and cash equivalents balance of \$7,647,775 were comprised of bank deposits of \$8,586,857. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the City's cash and cash equivalents balance. Of these bank deposits, the entire amount was fully covered by federal depository insurance and consequently was not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 74,931
Savings accounts	130,778
IntraFi accounts	8,172,477
Cash and cash equivalents	<u>208,671</u>
	<u><u>\$ 8,586,857</u></u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does have a policy for custodial credit risk for investments.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does have a formal investment policy that mitigates interest rate risk by limiting investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

At June 30, 2022, the City had \$3,706,197 in investments in U.S. agency securities, corporate bonds, mutual funds, exchange traded funds and real estate

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

investment trusts. \$2,390,990 of these investments were collateralized by the Security Investors Protection Corporation (SIPC) and the remaining \$1,315,207 was uninsured and uncollateralized.

At June 30, 2022, the City had the following investments and maturities:

Investment Type	Fair Value	Not Applicable	Less than 1 Year	1 - 5 Years	5+ years
U.S. agency securities	\$ 285,007	\$ -	\$ -	\$ 285,007	\$ -
Corporate bonds	899,137	-	-	555,367	343,770
Mutual funds and ETFs	2,422,709	2,422,709	-	-	-
Real estate investment trusts	99,344	99,344	-	-	-
	<u>\$ 3,706,197</u>	<u>\$ 2,522,053</u>	<u>\$ -</u>	<u>\$ 840,374</u>	<u>\$ 343,770</u>

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2022:

	June 30, 2022 Total	Active Markets for Identical Assets (Level I)	Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. agency securities	\$ 285,007	\$ -	\$ 285,007	\$ -
Corporate bonds	899,137	-	899,137	-
Total debt securities	<u>1,184,144</u>	<u>-</u>	<u>1,184,144</u>	<u>-</u>
Equity securities:				
Mutual funds and exchange-traded funds - domestic and foreign	2,422,709	2,422,709	-	-
Real estate investment trusts	99,344	99,344	-	-
Total equity securities	<u>2,522,053</u>	<u>2,522,053</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>3,706,197</u>	<u>\$ 2,522,053</u>	<u>\$ 1,184,144</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	<u>\$ 208,671</u>			
Total cash equivalents measured at the NAV	<u>208,671</u>			
Total investments measured at fair value	<u>\$ 3,914,868</u>			

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level III securities. Investments or cash equivalents that are measured at NAV per share (or its equivalent).

Credit risk - Statutes for the State of Maine authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds statutory limits, financial institutions, mutual funds and repurchase agreements. The City does have an investment policy on credit risk. The City mitigates this risk by limiting investments to authorized types of securities, using qualified financial institutions authorized by the investment committee and diversifying the investment portfolio to meet the City's current and future cash flow needs. Generally, the City invests excess funds in cash management accounts and various insured certificates of deposit.

The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2022 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. As of June 30, 2022, the City's investments in corporate U.S. Agency securities, corporate bonds and mutual funds were rated A1 (\$99,249), A2 (\$100,782), A3 (\$54,390), Aaa (\$356,268), Baa1 (\$214,924), Baa2 (\$266,805), Baa3 (\$56,083) and unrated (\$35,643) by Moody's Rating Service.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2022 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 10,700,077	\$ 9,016,345
Education fund	5,265,432	498,618
Capital projects fund	-	3,780,629
School grants fund	463,110	2,258,989
Proprietary funds	106,476	3,869,019
Nonmajor special revenue funds	3,181,327	292,822
	<u>\$ 19,716,422</u>	<u>\$ 19,716,422</u>

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The result of amounts owed between funds are considered to be in the course of normal operations by the City. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE - 4 INTERFUND TRANSFERS

Interfund transfers at June 30, 2022, consisted of the following:

	Transfers In	Transfers (Out)
General fund	\$ -	\$ 13,249,918
Education fund	11,125,819	179,546
School grants	933	-
Nonmajor special revenue funds	1,022,712	-
	<u>\$ 13,429,464</u>	<u>\$ 13,429,464</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	Balance, 7/1/21 (Restated)	Additions	Disposals	Balance, 6/30/22
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 2,781,505	\$ -	\$ -	\$ 2,781,505
Construction in progress	273,852	122,572	(216,078)	180,346
	<u>3,055,357</u>	<u>122,572</u>	<u>(216,078)</u>	<u>2,961,851</u>
Depreciated assets:				
Buildings and building improvements	56,457,546	218,972	-	56,676,518
Machinery, equipment, furniture and vehicles	14,796,510	1,016,603	(1,978,634)	13,834,479
Infrastructure	24,465,954	898,398	-	25,364,352
	<u>95,720,010</u>	<u>2,133,973</u>	<u>(1,978,634)</u>	<u>95,875,349</u>
Less: accumulated depreciation	<u>(32,001,190)</u>	<u>(2,721,449)</u>	<u>1,855,212</u>	<u>(32,867,427)</u>
	<u>63,718,820</u>	<u>(587,476)</u>	<u>(123,422)</u>	<u>63,007,922</u>
Net governmental capital assets	<u>\$ 66,774,177</u>	<u>\$ (464,904)</u>	<u>\$ (339,500)</u>	<u>\$ 65,969,773</u>

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/21 (Restated)	Additions	Disposals	Balance, 6/30/22
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 1,693,299	\$ -	\$ -	\$ 1,693,299
Construction in progress	214,498	126,409	(129,969)	210,938
Ogranization costs	9,814	-	-	9,814
	<u>1,917,611</u>	<u>126,409</u>	<u>(129,969)</u>	<u>1,914,051</u>
Depreciated assets:				
Wastewater	32,124,629	13,225	(4,700,162)	27,437,692
Water	15,714,388	249,988	(465,216)	15,499,160
	47,839,017	263,213	(5,165,378)	42,936,852
Less: accumulated depreciation	(18,236,647)	(1,041,502)	5,007,630	(14,270,519)
	<u>29,602,370</u>	<u>(778,289)</u>	<u>(157,748)</u>	<u>28,666,333</u>
Net business-type capital assets	<u>\$ 31,519,981</u>	<u>\$ (651,880)</u>	<u>\$ (287,717)</u>	<u>\$ 30,580,384</u>

Current year depreciation

General government	\$ 386,831
Public safety	200,112
Education	428,614
Municipal buildings	65,517
Public works	1,588,659
Culture and recreation	2,533
Town-wide	49,183
Total governmental activities depreciation expense	<u>2,721,449</u>

Business-type activities:

Wastewater	802,972
Water	238,530
Total business-type activities depreciation expense	<u>1,041,502</u>

Total depreciation expense \$ 3,762,951

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - SHORT-TERM DEBT

On December 12, 2019, the City was issued a bond anticipation note in the amount of \$2,700,000 at a fixed interest rate of 1.73% per annum and a maturity date of December 12, 2021.

On February 28, 2020, the City was issued a bond anticipation note in the amount of \$448,992 at a fixed interest rate of 1.73% per annum and a maturity date of December 12, 2021.

On July 1, 2021, the City was issued a bond anticipation note in the amount of \$2,000,000 at a fixed interest rate of 0.50% per annum and a maturity date of June 30, 2022.

The following is a summary of changes in the short-term debt for the year ended June 30, 2022:

Governmental activities:	Balance, 7/1/21	Additions	Deletions	Balance, 6/30/22
Bond anticipation notes	<u>\$ 874,322</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,874,322</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2022:

Governmental activities:	Balance, 7/1/21	Additions	Deletions	Balance, 6/30/22	Current Portion
Bonds payable	\$ 4,160,000	\$ -	\$ (470,000)	\$ 3,690,000	\$ 465,000
Bond premium payable	113,299	-	-	113,299	-
Note from direct borrowings payable	20,736,354	-	(2,431,926)	18,304,428	2,438,472
Total	<u>\$ 25,009,653</u>	<u>\$ -</u>	<u>\$ (2,901,926)</u>	<u>\$ 22,107,727</u>	<u>\$ 2,903,472</u>
Business-type activities:					
Bonds payable	\$ 4,925,000	\$ -	\$ (260,000)	\$ 4,665,000	\$ 260,000
Bond premium payable	105,131	-	-	105,131	-
Note from direct borrowings payable	3,234,279	-	(263,346)	2,970,933	263,345
Total	<u>\$ 8,264,410</u>	<u>\$ -</u>	<u>\$ (523,346)</u>	<u>\$ 7,741,064</u>	<u>\$ 523,345</u>

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds and notes from direct borrowings payable:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bonds payable:		
\$13,476,000, 2015 General Obligation Bond due in annual installments and semiannual interest installments through December of 2039. Interest is charged at a fixed rate from 2.00% to 4.00% per annum. Annual principal installments are \$255,000 to \$730,000.	\$ 3,690,000	\$ -
\$6,486,000, 2015 General Obligation Bond due in annual installments and semiannual interest installments through December of 2039. Interest is charged at a fixed rate of 2.00% to 4.00% per annum. Annual principal installments are \$255,000 to \$730,000.	-	4,665,000
\$1,400,000, 2016 General Obligation Bond due in annual installments of principal and interest interest installments through June of 2026. Interest is charged at a fixed rate from 2.11% to 5.61% per annum. Annual principal installments are \$140,000.	741,045	-
\$3,055,400, 2019 Note payable due in annual installments of principal and interest through October of 2028. Interest is charged at a fixed rate of 3.061% per annum. Annual principal installments are \$305,540.	2,138,780	-
\$2,000,000, 2009 General Obligation Bond due in annual installments and semiannual interest installments through April of 2029. Interest is charged at a fixed rate of 0.00% per annum. Semiannual principal installments are \$29,843. The principal amount of \$806,266 was forgiven	-	417,807
\$862,800, 2012 General Obligation Bond due in annual installments and semiannual interest installments through October of 2032. Interest is charged at a fixed rate of 1.00% per annum. Annual principal installments are \$12,256. The principal amount of \$617,680 was forgiven on issuance.	-	134,816
\$1,003,030, 2020 General Obligation Bond due in annual installments and semiannual interest installments through October of 2039. Interest is charged at a fixed rate of 1.00% per annum. Annual principal installments are \$47,644. The principal amount of \$50,152 was forgiven on issuance.	-	616,565

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	Governmental Activities	Business-type Activities
Notes from direct borrowings payable:		
\$1,367,724, 2010 Note payable due in annual installments and semiannual interest installments through November of 2029. Interest is charged at a fixed rate from 2.11% to 5.61% per annum. Annual principal installments are \$71,985.	575,884	-
\$34,956,123, 2019 Note payable due in annual installments and semiannual interest installments through June of 2026. Interest is charged at a fixed rate of 2.34% per annum. Annual principal installments are \$1,839,796.	14,718,368	-
\$237,821, 2006 Note payable due in annual installments and semiannual interest installments through April of 2025. Interest is charged at a fixed rate of 0.00% per annum. Annual principal installments are \$14,956. The principal amount of \$68,111 was forgiven on issuance.	-	25,457
\$271,208, 2008 Note payable due in annual installments and semiannual interest installments through April of 2028. Interest is charged at a fixed rate of 0.00% per annum. Annual principal installments are \$14,956.	-	89,736
\$1,041,467, 2019 Note payable due in annual installments and semiannual interest installments through August of 2037. Interest is charged at a fixed rate of 1.00% per annum. Annual principal installments are \$51,810. The principal amount of \$52,073 was forgiven on issuance.	-	828,962
\$3,500,000, 2011 Note payable due in annual installments and semiannual interest installments through October of 2030. Interest is charged at a fixed rate of 1.22% per annum. Annual principal installments are \$68,507. The principal amount of \$129,855 was forgiven on issuance.	-	857,590
\$151,709, 2018 Capital lease for servers due in annual principal and interest installments of \$32,642 through September of 2022. Interest is charged at a fixed rate of 3.7% per annum.	31,423	-
\$236,399, 2019 Capital lease for SCBA units due in annual principal and interest installments of \$51,944 through October of 2023. Interest is charged at a fixed rate of 3.64% per annum.	98,928	-
Total bonds and notes from direct borrowings payable	\$ 21,994,428	\$ 7,635,933

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds and notes from direct borrowings principal and interest requirements for the following fiscal years ending June 30:

	Governmental activities				
	Bonds payable		Note from direct borrowings payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2023	\$ 465,000	\$ 96,688	\$ 2,438,472	\$ 515,777	\$ 3,515,937
2024	465,000	87,388	2,412,165	438,646	3,403,199
2025	465,000	77,506	2,365,448	332,730	3,240,684
2026	230,000	68,825	2,524,148	239,797	3,062,770
2027	230,000	61,925	2,217,321	169,243	2,678,489
2028-2032	1,150,000	205,838	6,346,874	209,582	7,912,294
2033-2037	685,000	35,500	-	-	720,500
	<u>\$ 3,690,000</u>	<u>\$ 633,670</u>	<u>\$ 18,304,428</u>	<u>\$ 1,905,775</u>	<u>\$ 24,533,873</u>

	Business-type activities				
	Bonds payable		Note from direct borrowings payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2023	\$ 260,000	\$ 144,350	\$ 263,345	\$ 37,992	\$ 705,687
2024	260,000	139,150	263,345	35,942	698,437
2025	260,000	133,625	263,345	33,891	690,861
2026	260,000	126,800	254,860	31,841	673,501
2027	260,000	119,000	254,860	29,790	663,650
2028-2032	1,300,000	477,675	966,908	106,254	2,850,837
2033-2037	1,300,000	266,425	509,526	48,818	2,124,769
2038-2042	765,000	45,900	194,744	12,170	1,017,814
	<u>\$ 4,665,000</u>	<u>\$ 1,452,925</u>	<u>\$ 2,970,933</u>	<u>\$ 336,698</u>	<u>\$ 9,425,556</u>

All bonds and notes from direct borrowings payable are direct obligations of the City, for which its full faith and credit are pledged. The City is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the City.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in other long-term obligations for the year ended June 30, 2022:

	Balance, 7/1/21	Additions	Deletions	Balance, 6/30/22	Current Portion
Governmental activities:					
Accrued compensated absences	\$ 886,735	\$ -	\$ (174,673)	\$ 712,062	\$ 35,603
Net OPEB liability	4,304,761	392,947	(96,532)	4,601,176	-
Net pension liability	2,241,132	2,131,612	(3,887,011)	485,733	-
Total	<u>\$ 7,432,628</u>	<u>\$ 2,524,559</u>	<u>\$ (4,158,216)</u>	<u>\$ 5,798,971</u>	<u>\$ 35,603</u>
Business-type activities:					
Accrued compensated absences	<u>\$ 70,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,429</u>	<u>\$ -</u>

Refer to Notes 9, 16 and 18 for more detailed information regarding other long-term obligations.

NOTE 9 - ACCRUED COMPENSATED ABSENCES

The City's policies regarding vacation time do permit employees to accumulate earned but unused vacation leave, except for the two employees with special circumstances. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2022, the City's liability for compensated absences is \$782,491.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the City at June 30, 2022:

	Governmental Activities	Business-type Activities
Invested in capital assets	\$ 98,837,200	\$ 44,850,903
Accumulated depreciation	(32,867,427)	(14,270,519)
Outstanding capital related debt	(22,107,727)	(7,741,064)
	<u>\$ 43,862,046</u>	<u>\$ 22,839,320</u>

NOTE 11 - RESTRICTED NET POSITION

At June 30, 2022, the City had the following restricted net position:

General fund - nonspendable	\$ 74,872
Education fund	4,261,093
Education fund - nonspendable	177,277
School grants	1,097,822
Nonmajor special revenue funds (Schedule E):	
Adult education	74,823
Nutrition - nonspendable	15,850
Nutrition- restricted	48,899
TIF 1 development	1,118,222
TIF 2 housing	29,442
TIF 3 Oriole Way	4,915
Union River Center for Innovation	7,222
Conservation easement reserve	32,914
Knowlton Park	590,689
Shellfish operating	36,195
Branch Lake access	1,014
Confined space safety equipment	2,000
CTCL Covid - 19 response grant	5,000
MCF downeast innovations fund	20,000
Enviro	16,873
Wellness	915
Covid 19	250
COPS grant	3,143
Harbor Park beautification	5,000

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 - RESTRICTED NET POSITION (CONTINUED)

DARE	2,315
ARPA	841,489
Harbor tank project	122,000
EFD/SHHC convention	9,757
FD - Christmas for kids	1,503
Fire training	717
Fire training site	147,058
Hancock County Byrne/JAG grant	784
Homeland security	7,320
K-9 program	14,970
OUI	11,608
Distracted driving grant	3,468
Project hope	3,494
Seatbelt	9,279
Speed	14,872
Safety	3,784
MMAM LEAP grant	2,500
Walmart grant	405
Fireworks donations	2,521
Harbor donations	431
Harbor walk trail connection	43,014
Lakes environment	12,225
Maine community foundation	100
Museum in the streets	4,956
Rails with trails connector	4,550
Supplemental environmental program	2,464
Fish and wildlife	50
BHS equipment grant	2,784
Development fees	72,053
Nonmajor permanent funds (Schedule I):	
Cemetery - nonspendable	551,450
Cemetery - spendable	210,348
Woodbine - spendable	349,361
Higgins - nonspendable	85,301
Higgins - spendable	30,711
	<u>\$ 10,194,072</u>

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - NONSPENDABLE FUND BALANCES

At June 30, 2022, the City had the following nonspendable fund balances:

Prepaid items	\$ 252,149
Inventory	15,850
Nonmajor permanent funds	636,751
	<u>\$ 904,750</u>

NOTE 13 - RESTRICTED FUND BALANCES

At June 30, 2022, the City had the following restricted fund balances:

Education fund	\$ 4,261,093
School grants	1,097,822
Nonmajor special revenue funds (Schedule E)	3,339,987
Nonmajor permanent funds (Schedule I)	590,420
	<u>\$ 9,289,322</u>

NOTE 14 - DEFICIT FUND BALANCES

At June 30, 2022, the City had the following deficit fund balances:

Capital projects	\$ 4,681,004
Nonmajor special revenue funds	
Keep Maine healthy	10,170
E-ticketing	3,222
Byrne/JAG grant	180
Forestry grant	1,206
Gear extractor grant	87
Underage drinking	64
Knowlton Park senior fitness	38,545
Bike/pedestrian feasibility study	49,364
	<u>\$ 4,783,842</u>

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

Plan Description

City employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60, 62 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2021, there were 305 employers in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 0.93%.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The City's AC plan members are required to contribute 7.8% of their annual covered salary and the Town's 4C plan members are also required to contribute 8.3% of their annual salary. The Town is required to contribute at an actuarially determined rate. The FY22 rate is 10.3% for the AC plan and 9.8% for the 4C plan of covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The City's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2022 was \$456,344.

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineper.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions. As of June 30, 2021, there were 238 employers, including the State of Maine, participating in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 0.93%

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. The City's teachers are required to contribute 7.65% of their compensation to the retirement system. The City's payroll for teachers covered by this program was approximately \$10,636,326 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 14.29% of the City's contractually required contributions, which 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 (UAL). Contributions paid by the State were approximately \$1,357,076 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated also requires the City to contribute at an actuarially determined normal cost rate of 3.84%, which totaled \$408,435 for 2022. In addition, the City is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 14.89% of compensation and totaled \$169,693 the year ended June 30, 2022.

Pension Liabilities/(Assets)

PLD Consolidated Plan

At June 30, 2022, the City reported a liability/(asset) of (166,314) for its proportionate share of the net pension liabilities/(assets) for the plan. The net pension

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

liabilities/(assets) were measured as of June 30, 2021 and the total pension liabilities/(assets) used to calculate the net pension liabilities/(assets) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2021, the City's proportion was 0.517527%, which was an increase of 0.04172% from its proportion measured as of June 30, 2020.

SET Plan

At June 30, 2022, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 652,047
State's proportionate share of the net pension liability associated with the City	<u>5,489,272</u>
Total	<u>\$ 6,141,319</u>

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State actuarially determined. At June 30, 2021, the City's proportion was 0.077091%, which was an increase of 0.05561% from its proportion measured as of June 30, 2020.

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

For the year ended June 30, 2022, the City recognized total pension expense of \$141,249 for the PLD plan and net expense of \$1,375,643 and revenue of \$1,357,076 for support provided by the State of Maine for the SET plan. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan		SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,585	\$ 11,304	\$ 9,665	\$ 13,330
Changes of assumptions	558,467	-	444,555	-
Net difference between projected and actual earnings on pension plan investments	-	2,266,915	-	888,468
Changes in proportion and differences between contributions and proportionate share of contributions	135,521	-	573,468	38,818
Contributions subsequent to the measurement date	456,344	-	578,128	-
Total	<u>\$ 1,257,917</u>	<u>\$ 2,278,219</u>	<u>\$ 1,605,816</u>	<u>\$ 940,616</u>

\$456,344 for the PLD plans and \$578,128 for the SET plan were reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan	SET Plan
Plan year ended June 30:		
2022	\$ (165,526)	\$ 224,030
2023	(165,158)	312,509
2024	(516,031)	(201,819)
2025	(629,931)	(247,648)
2026	-	-
Thereafter	-	-

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2021, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

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

Amortization

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

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 are as follows:

Investment Rate of Return - For the PLD and State Employee and Teacher Plans, 6.50% per annum for the year ended June 30, 2021, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% - 11.48%; teachers, 2.80% - 13.03% per year.

Mortality Rates - For the PLD Consolidated Plan and the State Employee and Teacher Plan, the rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

Cost of Living Benefit Increases - for PLD Consolidated 1.91% and Teacher Plans, 2.20% per annum for the year ended June 30, 2021.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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%

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2021 for each of the Plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.50% for each of the Plans.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.50%	6.50%	7.50%
City's proportionate share of the net pension liability/(asset)	\$ 2,366,738	\$ (166,314)	\$ (2,261,481)
<u>SET Plan:</u>			
Discount rate	5.50%	6.50%	7.50%
City's proportionate share of the net pension liability/(asset)	\$ 1,712,351	\$ 652,047	\$ (230,762)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2021 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2021 with the following exceptions.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors is recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2021 and 2020, this was three years for the SET Plan and the PLD Consolidated Plan. For 2019, this was three years for the SET Plan and four years for the PLD Consolidated Plan. For 2018 and 2017, this was three years for both plans; prior to 2017, this was four years for the PLD Consolidated Plan.

Differences between Expected and Actual Investment Earnings

Differences between projected and actual investment earnings are recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2021 valuation were based on the results of an actuarial experience study for the period of June 30, 2016 through June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Please refer to the *Actuarial Methods and Assumptions* section for information relating to the use of assumptions.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2020 Annual Comprehensive Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

NOTE 16 - DEFERRED COMPENSATION PLAN

MISSIONSQUARE RETIREMENT

Plan Description

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and maintained by MissionSquare Retirement. The plan, available to employees who negotiate for such benefits as a condition of employment, 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 unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the City's management that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Funding Policy

The plan, available to all full-time and permanent part-time City employees, 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. For each non-union employee in the pension plan, the City is required to contribute 2.0% to 8.0% of an employee's compensation for the year based on that employee's longevity with the City. For each union employee in the pension plan, the City is required to contribute 7.25% of an employee's compensation for the year. Non-union employees are required to match the City's contribution

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - DEFERRED COMPENSATION PLAN (CONTINUED)

percentage, but can contribute up to applicable Internal Revenue Code limits. Union employees are required to contribute no less than 6.0% of their annual pay but are permitted to contribute up to applicable Internal Revenue Code limits. For the years ended June 30, 2022 and 2021, the City's contribution to the deferred compensation plans of its employees were \$203,536 and \$203,536, respectively.

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The City and City retirees contribute to the City's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the City and/or the City retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the City concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. No assets are accumulated in a trust that meets the criterion of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Employees Covered by Benefit Terms

At January 1, 2022, the following employees were covered by the benefit terms:

Active members	79
Retirees and spouses	<u>18</u>
Total	<u><u>97</u></u>

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
POS 200	\$942.90	\$2,115.06
PPO 1500	\$795.77	\$1,784.95
PPO 2500	\$736.68	\$1,652.48
<u>Medicare</u>		
Medicare-Eligible Retirees	\$600.50	\$1,201.00

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

At June 30, 2022, the City reported a liability of \$1,634,085 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2022 and was determined by an actuarial valuation as of that date. The City's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

For the year ended June 30, 2022, the City recognized OPEB revenue of \$80,610. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 99,791	\$ 28,139
Changes of assumptions	282,307	43,100
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	23,063	-
Total	<u>\$ 405,161</u>	<u>\$ 71,239</u>

\$26,063 were reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MMEHT
Plan year ended December 31:	
2023	\$ 51,553
2024	51,549
2025	35,443
2026	49,809
2027	49,811
Thereafter	72,694

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2022. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 2.06% per annum for June 30, 2022 was based upon a measurement date of December 30, 2021. The sensitivity of net OPEB liability to changes in discount rate are as follows:

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	1.06%	2.06%	3.06%
Total OPEB liability	\$ 1,889,142	\$ 1,634,085	\$ 1,426,649
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 1,889,142</u>	<u>\$ 1,634,085</u>	<u>\$ 1,426,649</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 1,415,751	\$ 1,634,085	\$ 1,907,977
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 1,415,751</u>	<u>\$ 1,634,085</u>	<u>\$ 1,907,977</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2022, using the following methods and assumptions applied to all periods included in the measurement:

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2021. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Assumptions

The actuarial assumptions used in the January 1, 2022 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020. As of January 1, 2021, they are as follows

Discount Rate - 2.06% per annum for year end 2022 reporting. 2.12% per annum for year end 2021 reporting.

Trend Assumptions:

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007 and version 2022_fa was used for this valuation. The following assumptions were input into this model:

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

<u>Variable</u>	<u>Rate</u>
Rate of Inflation	2.40%
Rate of Growth in Real Income/GDP per capital 2031+	1.10%
Extra Trend due to Taste/Technology 2031+	1.00%
Expected Health Share of GDP 2031	19.00%
Health Share of GDP Resistance Point	20.00%
Year for Limiting Cost Growth to GDP Growth	2042

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The trends selected from 2022 to 2025 were based on plan design, population weighting, renewal projections, and market analysis. For years 2026 to 2030, these are interpolated from 2025 to 2031 (which is the product of the inflation, GDP and extra trend rate assumptions).

Deductibles, Co-payments and Out of Pocket Maximums are assumed to increase at the above trend rates. The ultimate trend rate reflects an assumed nominal per capital GDP growth.

Administrative and claims expense - 3% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2021.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims. A constant cost sharing in plan design between employer and employees is assumed.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality:

Healthy Annuitant- Based on 112% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95, and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Active Employees - Rates of mortality are based on 83.5% and 88.6% of the 2010 Public Plan General Benefits- Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model as described in the healthy annuitant mortality. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected.

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2022 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2022 was (\$71,652).

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the January 1, 2022 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the City's Finance Department at 1 City Hall Plaza, Ellsworth, Maine 04605.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

Plan Description

The State of Maine and School retirees contribute to the School Department's OPEB Plan with the Maine Education Association Benefits Trust (MEABT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the State, the School and/or the School retirees. MEABT is a fully funded, self-insured trust which provides benefits to education organizations and acts as the agent to the School concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MEABT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MEABT participants and are administered by a number of third-party administrators contracted by MEABT. 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*. MEABT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting MEABT at (888) 622-4418.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The employee must have participated in a plan for the 12 months prior to retirement and have 10 years (under age 50) or 5 years (age 50 or above) of continuous active service and enrollment in the health plan to be eligible for this Plan. The retiree who terminates coverage may elect to re-enroll in coverage if they participated in the health plan for 12 months prior to terminating coverage, as long as re-enrollment occurs within 5 years from coverage termination and as long as the retiree is not past age 62. The retiree must have maintained continuous health insurance coverage during the break in coverage with MEABT to be eligible for re-enrollment and is only eligible for re-enrollment once.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Active members	227
Retirees and spouses	<u>58</u>
Total	<u><u>285</u></u>

Cost Sharing Provisions/Contributions

Retirees are eligible for a State subsidy of 55% of the blended single premium for the retiree. The blended premium is determined by blending rates for active members and retired members, as determined by State law. The retiree contributes the remaining 45% of blended single premium and spouse must contribute 100% of the blended premium amount coverage elected.

Employee/Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Employee Only</u>	<u>Employee/ Spouse</u>	<u>Employee/ Children</u>	<u>Employee/ Family</u>
Choice Plus	\$ 770.08	\$ 1,735.62	\$ 1,362.87	\$ 2,112.48
Standard \$200 Ded	\$ 831.59	\$ 1,874.46	\$ 1,471.89	\$ 2,281.48
Standard \$500 Ded	\$ 731.57	\$ 1,648.84	\$ 1,294.73	\$ 2,006.85
 <u>Medicare</u>				
Medicare-Eligible Retiree	\$ 393.32	\$ 786.64		

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

At June 30, 2022, the School reported a liability of \$2,869,459 for its total OPEB liability for this Plan. The total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date. The School's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

For the year ended June 30, 2022, the School recognized OPEB revenue of \$48,569. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MEABT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,158	\$ -
Changes of assumptions	119,735	364,717
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	73,469	-
Total	<u>\$ 250,362</u>	<u>\$ 364,717</u>

\$73,469 were reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MEABT
Plan year ended June 30:	
2022	\$ (40,993)
2023	(40,993)
2024	(40,995)
2025	(21,451)
2026	(46,591)
Thereafter	3,199

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of June 30, 2021. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 2.16% per annum for June 30, 2021 was based upon a measurement date of June 24, 2021. The sensitivity of total OPEB liability to changes in discount rate are as follows:

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	1.16%	2.16%	3.16%
Total OPEB liability	\$ 3,372,384	\$ 2,869,459	\$ 2,464,377
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 3,372,384</u>	<u>\$ 2,869,459</u>	<u>\$ 2,464,377</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of total OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 2,399,520	\$ 2,869,459	\$ 3,472,614
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,399,520</u>	<u>\$ 2,869,459</u>	<u>\$ 3,472,614</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2021, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Assumptions

The demographic actuarial assumptions are the Teacher assumptions that were used by the Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation at June 30, 2021 and are based on the experience study covering the period from June 30, 2015 through June 30, 2020. The proposed assumptions were adopted by the Board of Trustees at their March 11, 2021.

The economic assumptions are based on GASB 75 paragraph 36. Since the Plan is not funded via a qualified trust, the discount rates are selected based on the 20-year tax-exempt bond buyer rates as of the measurement dates. The other economic assumptions, ie trend rates, were developed based on historical and future projections of long term health care rates:

Discount Rate - 2.16% per annum for year-end 2020 reporting, 2.21% per annum for year-end 2020 reporting

Trend Assumptions:

Health care trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model version 2021_b. The following assumptions were applied in this model as below:

Trend Assumption Inputs

<u>Variable</u>	<u>Rate</u>
Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per capita 2030+	1.23%
Extra Trend due to Taste/Technology 2030+	1.10%
Expected Health Share of GDP 2030	20.0%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2040

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group. Sample medical trends are listed in the table below.

Pre-Medicare - Initial trend of 6.21% applied in FYE 2021 and 6.83% applied in FYE 2022 grading over 18 years to 3.25% per annum.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Medicare - Initial trend of 0.0% applied in FYE 2021 and 6.30% applied in FYE 2022 grading over 18 years to 3.25% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine Public Employees Retirement System State Employee and Teacher Retirement Program at June 30, 2021 and based on the experience study covering the period from June 30, 2015 through June 30, 2020. The proposed assumptions were adopted by the Board of Trustees at their March 11, 2021 meeting. As of June 30, 2021, they are as follows:

Retirement Rates - Rates vary for plans based on age and service

Rates of Turnover - Rates vary for plans based on service

Disability Incidence - Rates vary for plans based on age

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims

Family Enrollment Composition - It is assumed that 80% is married with an eligible spouse.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method

Salaries - Assumed salaries are inferred using the Teachers Age/Service Salary scatter from the Maine State Teachers Retirement System's salary age/service scatter from the June 30, 2020 Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation. Based on the dates of hire assumed above and the participant's actual age, pay was assigned using the salary age service scatter, unless otherwise supplied by the district group during its review of the active data.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Dates of Hire - Were not available from the client and were available from the State Retirement Agency. Dates of hire were inferred using the Maine State Retirement System's Age/Service scatter from the June 30, 2020 Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation. Those under 1 year of service, the date was assumed to be January 1, 2020 and all other groups were assumed to be hired on July 1 of each service midpoint.

Rate of Mortality:

Healthy Annuitants: Based on the 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table adjusted as follows:

- 98.1% and 87.5% respectively of the rates for males before age 85 and females before age 80
- 106.4% and 122.3% respectively of the rates for males on and after age 85 and females on and after age 80

Rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95 and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale.

Healthy Employees: Based on 93.1% and 91.9% of the 2010 Public Plan Teacher Benefits Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model as described in the healthy annuitant mortality.

Disabled Annuitants: Based on 94.2% and 123.8% of the 2010 Public Plan Non-Safety Benefits-Weighted Disabled Retiree Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model described in the healthy annuitant mortality.

Retiree Continuation Percentage:

Retirees who are currently in the Medicare Advantage Plan (Medicare participants) are assumed to remain in the Medicare Advantage Plan.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Retirees who are over the age of 65 and enrolled in a Pre-Medicare plan are assumed to never be eligible for Medicare and are assumed to remain enrolled in the Pre-Medicare plan.

Retirees who are currently under the age of 64 and enrolled in a Pre-Medicare plan are assumed to be eligible for Medicare and are assumed to remain in the Pre-Medicare Plan until age 64 and enroll in the Medicare Advantage Plan at age 65.

Spouses who are currently in a Pre-Medicare plan will follow the same assumptions as the retired member. Thus if the member is never eligible for Medicare, the spouse is not either.

Significant actuarial assumptions employed by the actuary for claims and expense purposes are the based on the actual community rated premiums of the entire group. As of June 30, 2021, they are as follows:

Monthly Per Capital Claims and Expense Cost - Claims are based on community rated premiums through July 1, 2020 and projects through June 30, 2021 and associate enrollment in the various options offered. Annual administrative and claims adjudication expenses are assumed to be included in the annual premiums.

Medical Plan Election - Employees are assumed to continue in their current medical plan for their entire career. 50% of retirees are assumed to switch from the Choice Plan to the Standard Plan.

Medicare Eligibility - Assumed to be age 65, with the exception of retirees over age 65 who are not in the Medicare Advantage Plan are assumed to never be eligible for Medicare, all current actives with a hire date before March 31, 1986 are assumed to never be eligible for Medicare.

Changes in Total OPEB Liability

Changes in total OPEB liability are recognized in OPEB expense for the year ended June 30, 2022 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

As of July 1, 2020, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2021, there were no differences between expected and actual experience.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense over the average expected remaining service life of all active and inactive Plan members. As of July 1, 2020, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for year ending June 30, 2019. For the fiscal year ended June 30, 2021, there were no changes in assumptions.

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Finance office at 1 City Hall Plaza, Ellsworth, Maine 04605.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

City employees contribute to the Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan of the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. As of June 30, 2021, there were 137 employers participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's 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

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period. The City's contribution to the Plan for the year ended June 30, 2022 was \$0.

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

At June 30, 2022, the City reported a liability of \$97,632 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2021, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liabilities were based on a projection of the City's long-term share of contributions to the Plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2021, the City's proportion was 0.945686%, which was a decrease of 0.12041% from its proportion measured as of June 30, 2020.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

For the year ended June 30, 2022, the City recognized net OPEB revenue of \$90,803. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>PLD Life Insurance</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,032	\$ -
Changes of assumptions	16,471	65,838
Net difference between projected and actual earnings on pension plan investments	-	29,967
Changes in proportion and differences between contributions and proportionate share of contributions	11,209	21,551
Contributions subsequent to the measurement date	-	-
	<u> -</u>	<u> -</u>
Total	<u>\$ 38,712</u>	<u>\$ 117,356</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>PLD Life Insurance</u>
Plan year ended June 30:	
2022	\$ (21,910)
2023	(11,019)
2024	(19,009)
2025	(22,300)
2026	(2,203)
Thereafter	(2,203)

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2021, using the following methods and assumptions applied to all periods included in the measurement:

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Cost Method

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

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

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Amortization

The net OPEB liability of the Plan is amortized on a level percentage of payroll over a thirty-year period on a closed basis. As of June 30, 2021, there were 9 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2021 actuarial valuation was based on the results of an actuarial experience study conducted for the period of June 30, 2016 to June 30, 2020.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 are as follows:

Investment Rate of Return - For the PLD Plan, 6.50% per annum, compounded annually.

Inflation Rate - 2.75%

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Annual Salary Increases including Inflation - For the PLD Plan, 2.75% to 9.00% per year.

Mortality Rates - For active members and non-disabled retirees of the Plan, the 2010 Public Plan General Benefits - Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model is used.

Participation Rate for Future Retirees - 100% of those currently enrolled.

Conversion Charges - Apply to the cost of active group life insurance, not retiree group life insurance.

Form of Benefit Payment - Lump sum

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate 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 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 long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.00%	6.00%
Real estate	5.00%	5.20%
Traditional credit	15.00%	3.00%
US Government securities	10.00%	2.30%
Total	100.00%	

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the collective total OPEB liability was 6.50% for 2021. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

The following table shows how the collective net OPEB liability/(asset) as of June 30, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.50% for the PLD Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Life Insurance: Discount rate	5.50%	6.50%	7.50%
City's proportionate share of the net OPEB benefits liability	\$ 144,931	\$ 97,632	\$ 59,690

Changes in Net OPEB Liability

Each employer's share of the collective net OPEB liability is equal to the collective net OPEB liability multiplied by the employer's proportionate share as of June 30, 2021 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2021 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Differences between Projected and Actual Investment Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2021, the discount rate used for the PLD Consolidated Plan was reduced from 6.75% to 6.50%. In addition, assumptions related to salary increases, rates of terminations, mortality and age of retirement were updated to reflect the results of an experience study conducted in 2021.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2021.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2020 Annual Comprehensive Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. As of June 30, 2021, there were 228 employers, including the State of Maine, participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's 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

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

contribution to the Plan for the year ended June 30, 2022 was approximately \$33,091.

OPEB Liabilities and OPEB Expense

At June 30, 2022, the School reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the School. The total portion of the net OPEB liability that was associated with the School were as follows:

City's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the City		<u>141,264</u>
Total	\$	<u>141,264</u>

For the year ended June 30, 2022, the City recognized net OPEB expense of \$34,864 and revenue of \$34,864 for support provided by the State of Maine.

NOTE 18 - OVERLAPPING DEBT

The City is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2022, the County of Hancock, Maine had no outstanding debt.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 19 - TAX INCREMENT FINANCING DISTRICT

The City has entered into Tax Increment Financing agreements in which the City returns to project owners a portion of taxes paid. This amount is based on the terms of agreement and calculation methods established in the CEA's. The following is a summary of the three TIF district:

	<u>Original Value</u>	<u>Increase in Value</u>	<u>Percent Captured</u>	<u>Captured Value</u>	<u>Captured Taxes</u>
Beckwith Hill (TIF 1)	21,509,555	49,350,750	67%	33,065,003	596,162
Leanord Lake Senior Housing (TIF2)	789,500	13,643,300	100%	13,643,300	245,987
Oriole Way Workforce Housing (TIF 3)	568,042	4,396,100	100%	4,396,100	86,100

For the year ended June 30, 2022, the City remitted a total of \$126,496 in credit enhancement payments.

NOTE 20 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2022, the City had the following overspent appropriations:

General government	\$ 195,044
Unclassified	62,709
Education - system administration	4,046
	<u>\$ 261,799</u>

NOTE 21 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the City's financial position.

The City participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

CITY OF ELLSWORTH, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 22 - RISK MANAGEMENT

The City 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 City carries commercial insurance or is effectively self-insured. Currently the City carries commercial insurance for any risks of loss to which it may be exposed. Claims have not exceeded the City's insurance coverage in any of the past three years. Based on the coverage provided by commercial insurance, the City is not aware of any material actual or potential claim liabilities at June 30, 2022.

NOTE 23 - RESTATEMENT

In 2021, the City required a restatement to the capital assets for governmental activities and net position for governmental activities. The capital asset balance for governmental activities was decreased by \$294,995 from \$67,175,673 to \$66,774,177.

The general fund balance was restated by a decrease of \$373,732 from \$6,562,357 to \$6,188,625 to correct interfund liabilities.

The education fund balance was increased by \$251,376 from \$4,200,146 to \$4,451,522 to correct the accrued payroll balances.

The capital projects fund balance was decreased by \$174,475 to increase the short-term note payable balance.

The school grants fund balance was decreased by \$6,646 from \$1,092,365 to \$1,085,719 to decrease the student activity's balances.

The resulting restatement decreased the governmental activities total net position by \$50,265 from \$47,353,095 to \$47,302,830.

The business-type activities net position was restated by an decrease of \$3,050 from \$20,214,679 to \$20,311,629. This was to correct the capital asset balances.

NOTE 24 - SUBSEQUENT EVENT

On June 12, 2022, the City of Ellsworth amended a bond anticipation note. The interest rate was amended from 1.73% to 2.75% with a new maturity date of June 12, 2023.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Changes in Net OPEB Liability - MMEHT
- Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT
- Schedule of Changes in Net OPEB Liability - MEABT
- Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT
- Schedule of Proportionate Share of the Net OPEB Liability - PLD and SET Plan
- Schedule of Contributions - OPEB - MMEHT - MEABT - PLD - SET Plan
- Notes to Required Supplementary Information

CITY OF ELLSWORTH, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1, Restated	\$ 6,188,625	\$ 6,188,625	\$ 6,188,625	\$ -
Resources (Inflows):				
Taxes	22,487,567	22,487,567	22,996,239	508,672
Intergovernmental revenue	1,939,737	1,939,737	2,951,455	1,011,718
Charges for services	603,896	603,896	885,936	282,040
Investment income	25,000	25,000	1,145	(23,855)
Other income	1,281,706	1,281,706	339,670	(942,036)
Sale of City property	10,000	10,000	3,183	(6,817)
Amounts Available for Appropriation	<u>32,536,531</u>	<u>32,536,531</u>	<u>33,366,253</u>	<u>829,722</u>
Charges to Appropriations (Outflows):				
General government	4,242,331	4,242,331	4,437,375	(195,044)
Public safety	3,622,454	3,622,454	3,575,034	47,420
Municipal buildings	255,992	255,992	227,007	28,985
Recreation and culture	827,382	827,382	798,166	29,216
Public works	1,881,947	1,881,947	1,753,249	128,698
County tax	528,135	528,135	528,135	-
Health and human services	77,085	77,085	56,663	20,422
Unclassified	91,366	91,366	154,075	(62,709)
Debt service:				
Principal	990,595	990,595	990,595	-
Interest	258,982	258,982	218,946	40,036
Transfers to other funds	13,571,637	13,571,637	13,249,918	321,719
Total Charges to Appropriations	<u>26,347,906</u>	<u>26,347,906</u>	<u>25,989,163</u>	<u>358,743</u>
Budgetary Fund Balance, June 30	<u>\$ 6,188,625</u>	<u>\$ 6,188,625</u>	<u>\$ 7,377,090</u>	<u>\$ 1,188,465</u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - EDUCATION FUND
 FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1, Restated	\$ 4,451,522	\$ 4,451,522	\$ 4,451,522	\$ -
Revenues (Inflows):				
Intergovernmental Revenues:				
State Subsidy	8,847,141	8,847,141	8,933,409	86,268
State Agency	137,000	137,000	147,942	10,942
Other	92,000	92,000	97,697	5,697
Charges for Services:				
Tuition	1,877,914	1,877,914	2,112,677	234,763
Transportation	11,000	11,000	18,423	7,423
Other Revenue	8,000	8,000	42,172	34,172
Transfers from Other Funds	11,125,819	11,125,819	11,125,819	-
Amounts Available for Appropriation	<u>26,550,396</u>	<u>26,550,396</u>	<u>26,929,661</u>	<u>379,265</u>
Charges to Appropriations (Outflows):				
Regular Instruction	7,113,006	7,113,006	6,843,692	269,314
Special Education	4,289,497	4,289,497	3,877,918	411,579
Career and Technical	1,858,704	1,858,704	1,717,795	140,909
Other Instruction	764,734	764,734	701,772	62,962
Student and Staff Support	2,037,767	2,037,767	1,820,155	217,612
System Administration	647,365	647,365	651,411	(4,046)
School Administration	950,394	950,394	879,325	71,069
Transportation and Buses	960,316	960,316	960,221	95
Operations and Maintenance	2,551,115	2,551,115	2,550,720	395
Debt Service:				
Principal	1,911,781	1,911,781	1,911,781	-
Interest	300,580	300,580	300,580	-
Transfers to Other Funds	179,546	179,546	179,546	-
Total Charges to Appropriations	<u>23,564,805</u>	<u>23,564,805</u>	<u>22,394,916</u>	<u>1,169,889</u>
Budgetary Fund Balance, June 30	<u>\$ 2,985,591</u>	<u>\$ 2,985,591</u>	<u>\$ 4,534,745</u>	<u>\$ (790,624)</u>
Utilization of Assigned Fund Balance	<u>\$ 1,465,931</u>	<u>\$ 1,465,931</u>	<u>\$ -</u>	<u>\$ 1,465,931</u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>								
Proportion of the net pension liability	0.52%	0.48%	0.45%	0.44%	0.44%	0.41%	0.37%	0.17%
Proportionate share of the net pension liability/(asset)	\$ (166,314)	\$ 1,890,459	\$ 1,376,663	\$ 1,197,306	\$ 1,797,150	\$ 2,177,845	\$ 1,191,097	\$ 268,039
Covered payroll	\$ 3,601,369	\$ 3,388,693	\$ 3,006,435	\$ 2,668,091	\$ 2,566,234	\$ 2,311,378	\$ 1,135,874	\$ 820,022
Proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-4.62%	55.79%	45.79%	44.88%	70.03%	94.22%	104.86%	32.69%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	100.86%	88.35%	90.62%	91.14%	86.43%	86.40%	81.61%	88.30%
<u>SET Plan:</u>								
City's proportion of the net pension liability	0.08%	0.02%	0.03%	0.03%	0.02%	0.03%	0.01%	0.00%
City's proportionate share of the net pension liability	\$ 652,047	\$ 350,673	\$ 427,508	\$ 405,143	\$ 358,384	\$ 568,317	\$ 193,553	\$ -
State's proportionate share of the net pension liability associated with the City	<u>5,489,272</u>	<u>10,438,045</u>	<u>9,062,233</u>	<u>8,596,643</u>	<u>9,282,899</u>	<u>11,415,889</u>	<u>7,461,868</u>	<u>-</u>
Total	<u>\$ 6,141,319</u>	<u>\$ 10,788,718</u>	<u>\$ 9,489,741</u>	<u>\$ 9,001,786</u>	<u>\$ 9,641,283</u>	<u>\$ 11,984,206</u>	<u>\$ 7,655,421</u>	<u>\$ -</u>
City's covered payroll	\$ 8,801,952	\$ 8,565,508	\$ 8,272,966	\$ 8,188,549	\$ 8,026,292	\$ 7,964,228	\$ -	\$ -
City's proportionate share of the net pension liability as a percentage of its covered payroll	7.41%	4.09%	5.17%	4.95%	4.47%	7.14%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	90.90%	81.03%	84.52%	85.17%	80.78%	80.80%	81.20%	83.91%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>								
Contractually required contribution	\$ 456,344	\$ 347,845	\$ 308,018	\$ 281,259	\$ 242,752	\$ 224,280	\$ 192,804	\$ 83,371
Contributions in relation to the contractually required contribution	(456,344)	(347,845)	(308,018)	(281,259)	(242,752)	(224,280)	(192,804)	(83,371)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,810,996	\$ 3,601,369	\$ 3,388,693	\$ 3,006,435	\$ 2,668,091	\$ 2,566,234	\$ 2,311,378	\$ 1,135,874
Contributions as a percentage of covered payroll	9.49%	9.66%	9.09%	9.36%	9.10%	8.74%	8.34%	7.34%
<u>SET Plan:</u>								
Contractually required contribution	\$ 578,128	\$ 408,576	\$ 356,325	\$ 328,437	\$ 325,085	\$ 269,683	\$ 267,598	\$ -
Contributions in relation to the contractually required contribution	(578,128)	(408,576)	(356,325)	(328,437)	(325,085)	(269,683)	(267,598)	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 10,636,326	\$ 8,801,952	\$ 8,565,508	\$ 8,272,966	\$ 8,188,549	\$ 8,026,292	\$ 7,964,228	\$ -
Contributions as a percentage of covered payroll	5.44%	4.64%	4.16%	3.97%	3.97%	3.36%	3.36%	N/A

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MMEHT
FOR THE YEAR ENDED JUNE 30, 2022

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/21 (Reporting June 30, 2021)	\$ 1,426,748	\$ -	1,426,748
Changes for the year:			
Service cost	55,891	-	55,891
Interest	30,711	-	30,711
Changes of benefits	-	-	-
Differences between expected and actual experience	80,911	-	80,911
Changes of assumptions	108,183	-	108,183
Contributions - employer	-	68,359	(68,359)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(68,359)	(68,359)	-
Administrative expense	-	-	-
Net changes	<u>207,337</u>	<u>-</u>	<u>207,337</u>
Balances at 1/1/22 (Reporting June 30, 2022)	<u>\$ 1,634,085</u>	<u>\$ -</u>	<u>\$ 1,634,085</u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
MMEHT
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018
<u>Total OPEB liability</u>					
Service cost (BOY)	55,891	48,464	33,459	37,595	34,906
Interest (includes interest on service cost)	30,711	36,871	48,676	43,704	42,658
Changes of benefit terms	-	-	(28,293)	-	-
Differences between expected and actual experience	80,911	-	(45,023)	-	97,550
Changes of assumptions	108,183	77,308	198,105	(100,568)	15,223
Benefit payments, including refunds of member contributions	(68,359)	(65,730)	(61,078)	(58,729)	(43,496)
Net change in total OPEB liability	\$ 207,337	\$ 96,913	\$ 145,846	\$ (77,998)	\$ 146,841
Total OPEB liability - beginning	\$ 1,426,748	\$ 1,329,835	\$ 1,183,989	\$ 1,261,987	\$ 1,115,146
Total OPEB liability - ending	\$ 1,634,085	\$ 1,426,748	\$ 1,329,835	\$ 1,183,989	\$ 1,261,987
<u>Plan fiduciary net position</u>					
Contributions - employer	68,359	65,730	61,078	58,729	43,496
Contributions - member	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	(68,359)	(65,730)	(61,078)	(58,729)	(43,496)
Administrative expense	-	-	-	-	-
Net change in fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	-	-
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	-	-
Net OPEB liability - ending	\$ 1,634,085	\$ 1,426,748	\$ 1,329,835	\$ 1,183,989	\$ 1,261,987
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered payroll	\$ 4,459,941	\$ 4,212,717	\$ 3,999,898	\$ 3,999,898	\$ 3,999,898
Net OPEB liability as a percentage of covered payroll	36.6%	33.9%	33.2%	29.6%	31.6%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MEABT
LAST 10 FISCAL YEARS*

	Increase (Decrease)		
	Net OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/20 (Reporting June 30, 2021)	\$ 2,737,372	\$ -	\$ 2,737,372
Changes for the year:			
Service cost	100,891	-	100,891
Interest	62,140	-	62,140
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	22,381	-	22,381
Contributions - employer	-	53,325	(53,325)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(53,325)	(53,325)	-
Administrative expense	-	-	-
Net changes	<u>132,087</u>	<u>-</u>	<u>132,087</u>
Balances at 6/30/21 (Reporting June 30, 2022)	<u>\$ 2,869,459</u>	<u>\$ -</u>	<u>\$ 2,869,459</u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
MEABT
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019
<u>Total OPEB liability</u>				
Service cost (BOY)	100,891	38,167	31,932	34,378
Interest (includes interest on service cost)	62,140	114,819	117,279	110,415
Changes of benefit terms	-	(257,755)	-	-
Differences between expected and actual experience	-	80,020	-	-
Changes of assumptions	22,381	(428,536)	175,962	(136,775)
Benefit payments, including refunds of member contributions	(53,325)	(102,550)	(60,403)	(58,315)
Net change in total OPEB liability	\$ 132,087	\$ (555,835)	\$ 264,770	\$ (50,297)
Total OPEB liability - beginning	\$ 2,737,372	\$ 3,293,207	\$ 3,028,437	\$ 3,078,734
Total OPEB liability - ending	\$ 2,869,459	\$ 2,737,372	\$ 3,293,207	\$ 3,028,437
<u>Plan fiduciary net position</u>				
Contributions - employer	53,325	102,550	60,403	58,315
Contributions - member	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(53,325)	(102,550)	(60,403)	(58,315)
Administrative expense	-	-	-	-
Net change in fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -
Net OPEB liability - ending	<u>\$ 2,737,372</u>	<u>\$ 2,737,372</u>	<u>\$ 3,293,207</u>	<u>\$ 3,028,437</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-	-
Covered payroll	\$ 9,679,192	\$ 9,443,114	\$ 10,299,328	\$ 10,023,328
Net OPEB liability as a percentage of covered payroll	28.3%	29.0%	32.0%	30.2%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 PLD AND SET PLAN
 LAST 10 FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
<u>PLD Life Insurance:</u>						
Proportion of the net OPEB liability	0.95%	1.07%	1.05%	1.02%	0.94%	
City's proportionate share of the net OPEB liability	\$ 97,632	\$ 140,641	\$ 225,538	\$ 205,928	\$ 157,722	
Total	<u>\$ 97,632</u>	<u>\$ 140,641</u>	<u>\$ 225,538</u>	<u>\$ 205,928</u>	<u>\$ 157,722</u>	
Covered payroll	\$ 3,601,369	\$ 1,801,541	\$ 1,781,295	\$ 1,766,115	\$ 1,766,115	
Proportionate share of the net OPEB liability as a percentage of its covered payroll	2.71%	7.81%	12.66%	11.66%	8.93%	
Plan fiduciary net position as a percentage of the total OPEB liability	55.88%	55.40%	43.18%	43.92%	47.42%	
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>SET Life Insurance:</u>						
Proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the City	141,264	282,137	263,404	256,965	249,271	-
Total	<u>\$ 141,264</u>	<u>\$ 282,137</u>	<u>\$ 263,404</u>	<u>\$ 256,965</u>	<u>\$ 249,271</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,801,952	\$ 8,565,508	\$ 8,272,966	\$ 8,188,549	\$ 8,026,292	\$ -
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	62.90%	55.40%	49.51%	49.22%	48.04%	47.29%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB - MMEHT - MEABT - PLD - SET PLAN
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018
<u>MMEHT:</u>					
Employer contributions	\$ 68,359	\$ 65,730	\$ 61,078	\$ 58,729	\$ 43,496
Benefit payments	(68,359)	(65,730)	(61,078)	(58,729)	(43,496)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,459,941	\$ 4,212,717	\$ 3,999,898	\$ 3,999,898	\$ 3,999,898
Contributions as a percentage of covered payroll	1.53%	1.56%	1.53%	1.47%	1.09%
<u>MEABT:</u>					
Employer contributions	\$ 53,325	\$ 102,550	\$ 60,403	\$ 58,315	
Benefit payments	(53,325)	(102,550)	(60,403)	(58,315)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 9,679,192	\$ 9,443,114	\$ 10,299,328	\$ 10,023,328	
Contributions as a percentage of covered payroll	0.55%	1.09%	0.59%	0.58%	
<u>PLD Life Insurance:</u>					
Contractually required contribution	\$ -	\$ 3,536	\$ 3,924	\$ 3,905	\$ 3,638
Contributions in relation to the contractually required contribution	-	(3,536)	(3,924)	(3,905)	(3,638)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,810,996	\$ 3,601,369	\$ 1,801,541	\$ 1,781,295	\$ 1,766,115
Contributions as a percentage of covered payroll	0.00%	0.10%	0.22%	0.22%	0.21%
<u>SET Life Insurance:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 10,636,326	\$ 8,801,952	\$ 8,565,508	\$ 8,272,966	\$ 8,188,549
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

Changes of Assumptions

MEPERS PLD Plan:

The discount rate was reduced from 6.75% to 6.50%. In addition, the salary increases for the plan, increased from 2.75% to 2.75% - 11.48% per year.

MEPERS SET Plan:

The discount rate was reduced from 6.75% to 6.50%. In addition, the salary increases for the plan, increased from 2.75% to 2.80% - 13.03% per year.

MMHET Plan:

The discount rate was updated to reflect the December 30, 2021 Bond Buyer 20-Bond GO Index. The ultimate trend assumption was reduced to reflect the reduction in the Bond Buyer 20-Bond GO Index.

The following demographic assumptions were updated based on the June 30, 2021 experience study:

Mortality, termination, retirement and salary rates.

The enrollment participation for plans with no employer subsidy was update for ages 65-70.

There was a change in the discount rate from 2.12% to 2.06% per GASB 75 discount rate selection. In addition, medical and prescription drug trend arrays were updated.

MEABT Plan:

There was a change in the discount rate from 2.21% to 2.16% per GASB 75 discount rate selection.

PLD OPEB Plan:

The discount rate was reduced from 6.75% to 6.50%.

The investment rate of return changed from 6.75% to 6.50%.

The annual salary increases, including inflation changed from 2.75% plus merit component based on each employee's years of service to 2.75% - 11.48%.

CITY OF ELLSWORTH, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Changes of Assumptions (Continued)

PLD OPEB Plan (Continued):

Mortality Rates

2021 Valuation: Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model

2020 Valuation: For active members and non-disabled retirees, the RP2014 Total Dataset healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

See accompanying independent auditor's report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

CITY OF ELLSWORTH, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues:				
Property taxes	\$ 20,873,567	\$ 20,873,567	\$ 20,964,323	\$ 90,756
Excise taxes	1,614,000	1,614,000	2,031,916	417,916
Intergovernmental revenues:				
State revenue sharing	810,000	810,000	1,586,914	776,914
Homestead exemption	639,856	639,856	618,047	(21,809)
LRAP	180,000	180,000	189,872	9,872
BETE	141,466	141,466	249,840	108,374
Veterans' reimbursement	6,000	6,000	5,869	(131)
General assistance	26,015	26,015	20,709	(5,306)
Tree growth	90,000	90,000	128,069	38,069
Alewife sales	20,000	20,000	123,156	103,156
Payment in lieu of taxes	25,000	25,000	26,225	1,225
Other	1,400	1,400	2,754	1,354
Charges for services:				
City clerk fees	25,000	25,000	20,590	(4,410)
Motor vehicle fees	20,000	20,000	27,848	7,848
State and City licenses	10,000	10,000	-	(10,000)
Animal control fees	1,000	1,000	11,613	10,613
Dog fees	500	500	550	50
Building permits and maps	40,000	40,000	116,643	76,643
Shellfish revenues	3,200	3,200	-	(3,200)
Electrical permits	10,000	10,000	64,628	54,628
Planning board fees	7,000	7,000	18,201	11,201
Plumbing permit fees	16,000	16,000	21,881	5,881
Public works	5,000	5,000	9,756	4,756
Water supply protection	27,096	27,096	-	(27,096)
Fire department	15,000	15,000	18,581	3,581
Financial services income	32,000	32,000	-	(32,000)
Police department	10,500	10,500	36,467	25,967
Dispatch services	-	-	-	-
Recycling	10,000	10,000	61,464	51,464
Harbor	27,100	27,100	81,051	53,951
Solid waste billings	35,000	35,000	43,171	8,171
Resident stickers	205,000	205,000	247,051	42,051
Technology	30,000	30,000	-	(30,000)
Library	69,500	69,500	98,021	28,521
Development fees	5,000	5,000	-	(5,000)
COBI	-	-	8,420	8,420
Investment income	25,000	25,000	1,145	(23,855)
Other revenue:				
Interest/fees on taxes	125,000	125,000	128,730	3,730
Cable TV fees	85,000	85,000	87,238	2,238
TIF revenues	953,871	953,871	-	(953,871)
Other income	117,835	117,835	123,702	5,867
Sale of City property	10,000	10,000	3,183	(6,817)
TOTAL REVENUES	<u>\$ 26,347,906</u>	<u>\$ 26,347,906</u>	<u>\$ 27,177,628</u>	<u>\$ 829,722</u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Appropriations	Budget Adjustments	Total Available	Actual	Variance Positive (Negative)
General government:					
Legislative	\$ 17,000	\$ -	\$ 17,000	\$ 16,352	\$ 648
Administration	272,868	-	272,868	229,486	43,382
City clerk	108,088	-	108,088	138,191	(30,103)
Finance and tax collector	415,839	-	415,839	535,794	(119,955)
Assessment	120,689	-	120,689	124,672	(3,983)
Code enforcement	155,466	-	155,466	154,892	574
Planning	148,800	-	148,800	104,228	44,572
Legal	64,500	-	64,500	75,990	(11,490)
Elections	39,984	-	39,984	17,359	22,625
Economic development	130,327	-	130,327	88,457	41,870
Technology	387,951	-	387,951	543,748	(155,797)
COBI	33,100	-	33,100	25,946	7,154
Joint office services	68,500	-	68,500	99,255	(30,755)
Insurance	111,950	-	111,950	106,464	5,486
Employee benefits	2,138,269	-	2,138,269	2,128,148	10,121
Miscellaneous	29,000	-	29,000	48,393	(19,393)
	<u>4,242,331</u>	<u>-</u>	<u>4,242,331</u>	<u>4,437,375</u>	<u>(195,044)</u>
Public safety:					
Police department	1,486,336	-	1,486,336	1,493,469	(7,133)
Fire department	1,449,879	-	1,449,879	1,390,950	58,929
Dispatching	207,739	-	207,739	225,531	(17,792)
Hydrant rental	366,000	-	366,000	363,350	2,650
Street lights	86,500	-	86,500	85,207	1,293
Traffic signals	26,000	-	26,000	16,527	9,473
	<u>3,622,454</u>	<u>-</u>	<u>3,622,454</u>	<u>3,575,034</u>	<u>47,420</u>

CITY OF ELLSWORTH, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Appropriations	Budget Adjustments	Total Available	Actual	Variance Positive (Negative)
Public works:					
Public works	1,421,104	-	1,421,104	1,344,875	76,229
Public works garage	37,000	-	37,000	38,428	(1,428)
Solid waste disposal	324,551	-	324,551	295,721	28,830
Parks, trees and cemeteries	45,100	-	45,100	33,810	11,290
Water supply commission	54,192	-	54,192	40,415	13,777
	<u>1,881,947</u>	<u>-</u>	<u>1,881,947</u>	<u>1,753,249</u>	<u>128,698</u>
Recreation and culture:					
Library	648,172	-	648,172	619,483	28,689
Historical preservation	6,300	-	6,300	-	6,300
Historical society	2,000	-	2,000	-	2,000
Recreation	124,100	-	124,100	97,873	26,227
Ellsworth harbor	46,810	-	46,810	80,810	(34,000)
	<u>827,382</u>	<u>-</u>	<u>827,382</u>	<u>798,166</u>	<u>29,216</u>
Health and human services:					
General assistance	60,185	-	60,185	43,163	17,022
Health and social services	16,900	-	16,900	13,500	3,400
	<u>77,085</u>	<u>-</u>	<u>77,085</u>	<u>56,663</u>	<u>20,422</u>
Municipal buildings:					
City hall	193,242	-	193,242	177,773	15,469
Miscellaneous City property	62,750	-	62,750	49,234	13,516
	<u>255,992</u>	<u>-</u>	<u>255,992</u>	<u>227,007</u>	<u>28,985</u>
County tax	528,135	-	528,135	528,135	-

CITY OF ELLSWORTH, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Appropriations	Budget Adjustments	Total Available	Actual	Variance Positive (Negative)
Unclassified:					
Overlay/abatements	91,366	-	91,366	74,757	16,609
Reserves	-	-	-	79,318	(79,318)
	<u>91,366</u>	<u>-</u>	<u>91,366</u>	<u>154,075</u>	<u>(62,709)</u>
Debt service:					
Principal	990,595	-	990,595	990,595	-
Interest	258,982	-	258,982	218,946	40,036
	<u>1,249,577</u>	<u>-</u>	<u>1,249,577</u>	<u>1,209,541</u>	<u>40,036</u>
Transfers to other funds:					
Education fund	11,447,538	-	11,447,538	11,125,819	321,719
Special revenue funds	844,099	-	844,099	844,099	-
Capital projects funds	1,280,000	-	1,280,000	1,280,000	-
	<u>13,571,637</u>	<u>-</u>	<u>13,571,637</u>	<u>13,249,918</u>	<u>321,719</u>
Total Departmental Operations	<u>\$ 26,347,906</u>	<u>\$ -</u>	<u>\$ 26,347,906</u>	<u>\$ 25,989,163</u>	<u>\$ 358,743</u>

See accompanying independent auditor’s report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 218,105	\$ 164,130	\$ 382,235
Investments	-	1,063,041	1,063,041
Accounts receivable (net of allowance for uncollectibles)	173,424	-	173,424
Inventory	15,850	-	15,850
Due from other funds	3,181,327	-	3,181,327
TOTAL ASSETS	<u><u>\$3,588,706</u></u>	<u><u>\$1,227,171</u></u>	<u><u>\$ 4,815,877</u></u>
LIABILITIES			
Accounts payable	\$ 9,456	\$ -	\$ 9,456
Accrued expenses	33,429	-	33,429
Due to other funds	292,822	-	292,822
TOTAL LIABILITIES	<u><u>335,707</u></u>	<u><u>-</u></u>	<u><u>335,707</u></u>
FUND BALANCES			
Nonspendable	15,850	636,751	652,601
Restricted	3,339,987	590,420	3,930,407
Committed	-	-	-
Assigned	-	-	-
Unassigned	(102,838)	-	(102,838)
TOTAL FUND BALANCES	<u><u>3,252,999</u></u>	<u><u>1,227,171</u></u>	<u><u>4,480,170</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$3,588,706</u></u>	<u><u>\$1,227,171</u></u>	<u><u>\$ 4,815,877</u></u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental revenue	\$ 2,253,345	\$ -	\$ 2,253,345
Charges for services	77,990	-	77,990
Interest income	-	(53,436)	(53,436)
Other income	55,835	-	55,835
TOTAL REVENUES	<u>2,387,170</u>	<u>(53,436)</u>	<u>2,333,734</u>
EXPENDITURES			
General government	319,669	-	319,669
Public safety	18,894	-	18,894
Recreation and culture	1,445	-	1,445
Education	1,333,541	-	1,333,541
Unclassified	-	142,460	142,460
TOTAL EXPENDITURES	<u>1,673,549</u>	<u>142,460</u>	<u>1,816,009</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>713,621</u>	<u>(195,896)</u>	<u>517,725</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,022,712	-	1,022,712
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,022,712</u>	<u>-</u>	<u>1,022,712</u>
NET CHANGE IN FUND BALANCES	1,736,333	(195,896)	1,540,437
FUND BALANCES - JULY 1	<u>1,516,666</u>	<u>1,423,067</u>	<u>2,939,733</u>
FUND BALANCES - JUNE 30	<u>\$ 3,252,999</u>	<u>\$ 1,227,171</u>	<u>\$ 4,480,170</u>

See accompanying independent auditor's report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

CITY OF ELLSWORTH, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2022

	Adult Education	Nutrition	TIF 1 Development	TIF 2 Housing	TIF 3 Oriole Way	Union River Center for Innovation
ASSETS						
Cash and cash equivalents	\$ 69,315	\$ 82,681	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	9	166,954	-	-	-	3,461
Inventory	-	15,850	-	-	-	-
Due from other funds	35,508	-	1,118,222	29,442	4,915	4,063
TOTAL ASSETS	<u>\$ 104,832</u>	<u>\$ 265,485</u>	<u>\$ 1,118,222</u>	<u>\$ 29,442</u>	<u>\$ 4,915</u>	<u>\$ 7,524</u>
LIABILITIES						
Accounts payable	\$ 7,332	\$ -	\$ -	\$ -	\$ -	\$ 302
Accrued expenses	22,677	10,752	-	-	-	-
Due to other funds	-	189,984	-	-	-	-
TOTAL LIABILITIES	<u>30,009</u>	<u>200,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	15,850	-	-	-	-
Restricted	74,823	48,899	1,118,222	29,442	4,915	7,222
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>74,823</u>	<u>64,749</u>	<u>1,118,222</u>	<u>29,442</u>	<u>4,915</u>	<u>7,222</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 104,832</u>	<u>\$ 265,485</u>	<u>\$ 1,118,222</u>	<u>\$ 29,442</u>	<u>\$ 4,915</u>	<u>\$ 7,524</u>

CITY OF ELLSWORTH, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2022

	Conservation Easement Reserve	Knowlton Park	Shellfish Operating	Branch Lake Access Improvement	Confined Space Safety Equipment	CTCL Covid - 19 Response Grant	MCF Downeast Innovations Fund	Enviro
ASSETS								
Cash and cash equivalents	\$ 32,914	\$ -	\$ 33,195	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	3,000	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from other funds	-	590,689	-	1,014	2,000	5,000	20,000	16,873
TOTAL ASSETS	<u>\$ 32,914</u>	<u>\$ 590,689</u>	<u>\$ 36,195</u>	<u>\$ 1,014</u>	<u>\$ 2,000</u>	<u>\$ 5,000</u>	<u>\$ 20,000</u>	<u>\$ 16,873</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	32,914	590,689	36,195	1,014	2,000	5,000	20,000	16,873
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>32,914</u>	<u>590,689</u>	<u>36,195</u>	<u>1,014</u>	<u>2,000</u>	<u>5,000</u>	<u>20,000</u>	<u>16,873</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 32,914</u>	<u>\$ 590,689</u>	<u>\$ 36,195</u>	<u>\$ 1,014</u>	<u>\$ 2,000</u>	<u>\$ 5,000</u>	<u>\$ 20,000</u>	<u>\$ 16,873</u>

CITY OF ELLSWORTH, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2022

	Wellness	Keep Maine Healthy	Covid - 19	E-Ticketing	Byrne/Jag Grant	COPS Grant	Forestry Grant
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	915	-	250	-	-	3,143	-
TOTAL ASSETS	<u>\$ 915</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,143</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	10,170	-	3,222	180	-	1,206
TOTAL LIABILITIES	<u>-</u>	<u>10,170</u>	<u>-</u>	<u>3,222</u>	<u>180</u>	<u>-</u>	<u>1,206</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	915	-	250	-	-	3,143	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	(10,170)	-	(3,222)	(180)	-	(1,206)
TOTAL FUND BALANCES (DEFICITS)	<u>915</u>	<u>(10,170)</u>	<u>250</u>	<u>(3,222)</u>	<u>(180)</u>	<u>3,143</u>	<u>(1,206)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 915</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,143</u>	<u>\$ -</u>

CITY OF ELLSWORTH, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2022

	Harbor Park Beautification	DARE	ARPA	Harbor Tank Project	EFD/SHHC Convention	FD - Christmas for Kids	Gear Extractor Grant	Fire Training	Fire Training Site
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Due from other funds	5,000	2,315	841,489	122,000	9,757	1,503	-	717	148,880
TOTAL ASSETS	<u>\$ 5,000</u>	<u>\$ 2,315</u>	<u>\$ 841,489</u>	<u>\$ 122,000</u>	<u>\$ 9,757</u>	<u>\$ 1,503</u>	<u>\$ -</u>	<u>\$ 717</u>	<u>\$ 148,880</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,822
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	87	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87</u>	<u>-</u>	<u>1,822</u>
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	5,000	2,315	841,489	122,000	9,757	1,503	-	717	147,058
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(87)	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>5,000</u>	<u>2,315</u>	<u>841,489</u>	<u>122,000</u>	<u>9,757</u>	<u>1,503</u>	<u>(87)</u>	<u>717</u>	<u>147,058</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)									
	<u>\$ 5,000</u>	<u>\$ 2,315</u>	<u>\$ 841,489</u>	<u>\$ 122,000</u>	<u>\$ 9,757</u>	<u>\$ 1,503</u>	<u>\$ -</u>	<u>\$ 717</u>	<u>\$ 148,880</u>

CITY OF ELLSWORTH, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2022

	Hancock County Byrne JAG Grant	Homeland Security	K-9 Program	OUI	Distracted Driving Grant	Project Hope	Planning Board Peer Review	Seatbelt	Speed
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Due from other funds	784	7,320	14,970	11,608	3,468	3,494	-	9,279	14,872
TOTAL ASSETS	<u>\$ 784</u>	<u>\$ 7,320</u>	<u>\$ 14,970</u>	<u>\$ 11,608</u>	<u>\$ 3,468</u>	<u>\$ 3,494</u>	<u>\$ -</u>	<u>\$ 9,279</u>	<u>\$ 14,872</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	784	7,320	14,970	11,608	3,468	3,494	-	9,279	14,872
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>784</u>	<u>7,320</u>	<u>14,970</u>	<u>11,608</u>	<u>3,468</u>	<u>3,494</u>	<u>-</u>	<u>9,279</u>	<u>14,872</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 784</u>	<u>\$ 7,320</u>	<u>\$ 14,970</u>	<u>\$ 11,608</u>	<u>\$ 3,468</u>	<u>\$ 3,494</u>	<u>\$ -</u>	<u>\$ 9,279</u>	<u>\$ 14,872</u>

CITY OF ELLSWORTH, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2022

	Underage Drinking	Knowlton Park Senior Fitness	Safety	MMAM LEAP Grant	Walmart Grant	Bike/Pedestrian Feasibility Study	Fireworks Donations	Harbor Donations	Harbor Walk Trail Connection
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	3,784	2,500	405	-	2,521	431	43,014
TOTAL ASSETS	\$ -	\$ -	\$ 3,784	\$ 2,500	\$ 405	\$ -	\$ 2,521	\$ 431	\$ 43,014
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other funds	64	38,545	-	-	-	49,364	-	-	-
TOTAL LIABILITIES	64	38,545	-	-	-	49,364	-	-	-
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	3,784	2,500	405	-	2,521	431	43,014
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	(64)	(38,545)	-	-	-	(49,364)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	(64)	(38,545)	3,784	2,500	405	(49,364)	2,521	431	43,014
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)									
	\$ -	\$ -	\$ 3,784	\$ 2,500	\$ 405	\$ -	\$ 2,521	\$ 431	\$ 43,014

CITY OF ELLSWORTH, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2022

	Lakes Environment	Maine Community Foundation	Museum in the Streets	Rails with Trail Connector	Supplemental Environmental Program	Fish and Wildlife	BHS Equipment Grant	Development Fees	Total
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218,105
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	173,424
Inventory	-	-	-	-	-	-	-	-	15,850
Due from other funds	12,225	100	4,956	4,550	2,464	50	2,784	72,053	3,181,327
TOTAL ASSETS	\$ 12,225	\$ 100	\$ 4,956	\$ 4,550	\$ 2,464	\$ 50	\$ 2,784	\$ 72,053	\$ 3,588,706
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,456
Accrued expenses	-	-	-	-	-	-	-	-	33,429
Due to other funds	-	-	-	-	-	-	-	-	292,822
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	335,707
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	15,850
Restricted	12,225	100	4,956	4,550	2,464	50	2,784	72,053	3,339,987
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(102,838)
TOTAL FUND BALANCES (DEFICITS)	12,225	100	4,956	4,550	2,464	50	2,784	72,053	3,252,999
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)									
	\$ 12,225	\$ 100	\$ 4,956	\$ 4,550	\$ 2,464	\$ 50	\$ 2,784	\$ 72,053	\$ 3,588,706

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Adult Education	Nutrition	TIF 1 Development	TIF 2 Housing	TIF 3 Oriole Way	Union River Center for Innovation
REVENUES						
Intergovernmental revenue	\$ 362,976	\$ 829,769	\$ -	\$ -	\$ -	\$ 41,667
Charges for services	5,232	36,468	-	-	-	30,668
Other income	316	3,923	-	-	-	-
TOTAL REVENUES	368,524	870,160	-	-	-	72,335
EXPENDITURES						
General government	-	-	83,484	-	-	129,855
Public safety	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Education	401,924	931,617	-	-	-	-
TOTAL EXPENDITURES	401,924	931,617	83,484	-	-	129,855
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,400)	(61,457)	(83,484)	-	-	(57,520)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	178,613	844,099	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	178,613	844,099	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(33,400)	117,156	760,615	-	-	(57,520)
FUND BALANCES (DEFICITS) - JULY 1	108,223	(52,407)	357,607	29,442	4,915	64,742
FUND BALANCES (DEFICITS) - JUNE 30	\$ 74,823	\$ 64,749	\$ 1,118,222	\$ 29,442	\$ 4,915	\$ 7,222

CITY OF ELLSWORTH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Conservation Easement Reserve	Knowlton Park	Shellfish Operating	Branch Lake Access Improvement	Confined Space Safety Equipment	CTCL Covid - 19 Response Grant	MCF Downeast Innovations Fund	Enviro
REVENUES								
Intergovernmental revenue	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ 10,000	\$ -
Charges for services	-	-	80	-	-	-	-	-
Other income	13	39,351	32	-	-	-	-	-
TOTAL REVENUES	13	39,351	3,112	-	-	-	10,000	-
EXPENDITURES								
General government	-	-	-	-	-	-	-	33,000
Public safety	-	-	-	-	-	-	-	-
Recreation and culture	-	-	470	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	470	-	-	-	-	33,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13	39,351	2,642	-	-	-	10,000	(33,000)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	13	39,351	2,642	-	-	-	10,000	(33,000)
FUND BALANCES (DEFICITS) - JULY 1	32,901	551,338	33,553	1,014	2,000	5,000	10,000	49,873
FUND BALANCES (DEFICITS) - JUNE 30	\$ 32,914	\$ 590,689	\$ 36,195	\$ 1,014	\$ 2,000	\$ 5,000	\$ 20,000	\$ 16,873

CITY OF ELLSWORTH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Wellness	Keep Maine Healthy	Covid - 19	E-Ticketing	Byrne/Jag Grant	COPS Grant	Forestry Grant
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ 197	\$ -	\$ 5,670	\$ 3,143	\$ -
Charges for services	-	-	-	-	-	-	-
Other income	22	-	-	-	-	-	-
TOTAL REVENUES	22	-	197	-	5,670	3,143	-
EXPENDITURES							
General government	2,413	-	-	-	-	-	538
Public safety	-	-	-	-	5,670	-	-
Recreation and culture	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,413	-	-	-	5,670	-	538
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,391)	-	197	-	-	3,143	(538)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(2,391)	-	197	-	-	3,143	(538)
FUND BALANCES (DEFICITS) - JULY 1	3,306	(10,170)	53	(3,222)	(180)	-	(668)
FUND BALANCES (DEFICITS) - JUNE 30	\$ 915	\$ (10,170)	\$ 250	\$ (3,222)	\$ (180)	\$ 3,143	\$ (1,206)

CITY OF ELLSWORTH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Harbor Park Beautification	DARE	ARPA	Harbor Tank Project	EFD/SHHC Convention	FD - Christmas for Kids	Gear Extractor Grant	Fire Training	Fire Training Site
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ 904,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	-
Other income	-	300	-	-	-	250	-	603	7,400
TOTAL REVENUES	-	300	904,941	-	-	250	-	603	7,400
EXPENDITURES									
General government	-	-	63,452	-	-	-	-	-	-
Public safety	-	942	-	-	-	1,447	-	-	6,140
Recreation and culture	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	942	63,452	-	-	1,447	-	-	6,140
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES									
	-	(642)	841,489	-	-	(1,197)	-	603	1,260
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(642)	841,489	-	-	(1,197)	-	603	1,260
FUND BALANCES (DEFICITS) - JULY 1	5,000	2,957	-	122,000	9,757	2,700	(87)	114	145,798
FUND BALANCES (DEFICITS) - JUNE 30	\$ 5,000	\$ 2,315	\$ 841,489	\$ 122,000	\$ 9,757	\$ 1,503	\$ (87)	\$ 717	\$ 147,058

CITY OF ELLSWORTH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Hancock County				Distracted			Planning		
	Byrne JAG Grant	Homeland Security	K-9 Program	OUI	Driving Grant	Project Hope		Board Peer Review	Seatbelt	Speed
REVENUES										
Intergovernmental revenue	\$ -	\$ -	\$ 13,100	\$ 11,758	\$ 3,468	\$ -	\$ -	\$ 3,125	\$ -	\$ 15,034
Charges for services	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	13,100	11,758	3,468	-	-	3,125	-	15,034
EXPENDITURES										
General government	-	-	-	-	-	3,802	-	3,125	-	-
Public safety	-	-	-	-	-	-	-	-	-	4,695
Recreation and culture	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	3,802	-	3,125	-	4,695
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES										
	-	-	13,100	11,758	3,468	(3,802)	-	-	-	10,339
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	13,100	11,758	3,468	(3,802)	-	-	-	10,339
FUND BALANCES (DEFICITS) - JULY 1	784	7,320	1,870	(150)	-	7,296	-	-	9,279	4,533
FUND BALANCES (DEFICITS) - JUNE 30	\$ 784	\$ 7,320	\$ 14,970	\$ 11,608	\$ 3,468	\$ 3,494	\$ -	\$ 9,279	\$ -	\$ 14,872

CITY OF ELLSWORTH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Underage Drinking	Knowlton Park Senior Fitness	Safety	MMAM LEAP Grant	Walmart Grant	Bike/Pedestrian Feasibility Study	Fireworks Donations	Harbor Donations	Harbor Walk Trail Connection
REVENUES									
Intergovernmental revenue	\$ -	\$ 40,213	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	625	-	-
TOTAL REVENUES	-	40,213	-	2,500	-	-	625	-	-
EXPENDITURES									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Recreation and culture	-	945	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	945	-	-	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	39,268	-	2,500	-	-	625	-	-
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	-	39,268	-	2,500	-	-	625	-	-
FUND BALANCES (DEFICITS) - JULY 1	(64)	(77,813)	3,784	-	405	(49,364)	1,896	431	43,014
FUND BALANCES (DEFICITS) - JUNE 30	\$ (64)	\$ (38,545)	\$ 3,784	\$ 2,500	\$ 405	\$ (49,364)	\$ 2,521	\$ 431	\$ 43,014

CITY OF ELLSWORTH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Lakes Environment	Maine Community Foundation	Museum in the Streets	Rails with Trail Connector	Supplemental Environmental Program	Fish and Wildlife	BHS Equipment Grant	Development Fees	Total
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,784	\$ -	\$ 2,253,345
Charges for services	-	-	-	-	-	-	-	5,542	77,990
Other income	-	-	3,000	-	-	-	-	-	55,835
TOTAL REVENUES	-	-	3,000	-	-	-	2,784	5,542	2,387,170
EXPENDITURES									
General government	-	-	-	-	-	-	-	-	319,669
Public safety	-	-	-	-	-	-	-	-	18,894
Recreation and culture	-	-	30	-	-	-	-	-	1,445
Education	-	-	-	-	-	-	-	-	1,333,541
TOTAL EXPENDITURES	-	-	30	-	-	-	-	-	1,673,549
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES									
	-	-	2,970	-	-	-	2,784	5,542	713,621
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	1,022,712
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	1,022,712
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	2,970	-	-	-	2,784	5,542	1,736,333
FUND BALANCES (DEFICITS) - JULY 1	12,225	100	1,986	4,550	2,464	50	-	66,511	1,516,666
FUND BALANCES (DEFICITS) - JUNE 30	\$ 12,225	\$ 100	\$ 4,956	\$ 4,550	\$ 2,464	\$ 50	\$ 2,784	\$ 72,053	\$ 3,252,999

See accompanying independent auditor’s report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the City of Ellsworth, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the City or its citizenry.

CITY OF ELLSWORTH, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2022

	Cemetery Fund	Woodbine Cemetery	Higgins Fund	Total
ASSETS				
Cash and cash equivalents	\$ 37,341	\$ 10,777	\$ 116,012	\$ 164,130
Investments	724,457	338,584	-	1,063,041
TOTAL ASSETS	<u>\$ 761,798</u>	<u>\$ 349,361</u>	<u>\$ 116,012</u>	<u>\$ 1,227,171</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	551,450	-	85,301	636,751
Restricted	210,348	349,361	30,711	590,420
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>761,798</u>	<u>349,361</u>	<u>116,012</u>	<u>1,227,171</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 761,798</u>	<u>\$ 349,361</u>	<u>\$ 116,012</u>	<u>\$ 1,227,171</u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Cemetery Fund	Woodbine Cemetery	Higgins Fund	Total
REVENUES				
Interest income	\$ -	\$ (53,436)	\$ -	\$ (53,436)
TOTAL REVENUES	<u>-</u>	<u>(53,436)</u>	<u>-</u>	<u>(53,436)</u>
EXPENDITURES				
Other	132,896	9,564	-	142,460
TOTAL EXPENDITURES	<u>132,896</u>	<u>9,564</u>	<u>-</u>	<u>142,460</u>
NET CHANGE IN FUND BALANCES	(132,896)	(63,000)	-	(195,896)
FUND BALANCES - JULY 1	<u>894,694</u>	<u>412,361</u>	<u>116,012</u>	<u>1,423,067</u>
FUND BALANCES - JUNE 30	<u>\$ 761,798</u>	<u>\$ 349,361</u>	<u>\$ 116,012</u>	<u>\$ 1,227,171</u>

See accompanying independent auditor's report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2022

	Land and Construction in Progress	Buildings and Building Improvements	Machinery, Equipment, Furniture and Vehicles	Infrastructure	Total
General government	\$ 1,473,735	\$ 10,891,901	\$ 1,487,411	\$ -	\$ 13,853,047
Public safety	-	12,375	3,236,846	226,004	3,475,225
Education	1,467,978	42,943,541	1,844,662	-	46,256,181
Municipal buildings	-	2,817,329	27,195	-	2,844,524
Public works	20,138	11,372	3,456,788	24,803,006	28,291,304
Culture and recreation	-	-	3,360,907	16,867	3,377,774
Town-wide	-	-	420,670	318,475	739,145
Wastewater	192,969	20,869,622	244,958	6,323,112	27,630,661
Water	1,721,082	2,115,978	13,383,182	-	17,220,242
Total General Capital Assets	4,875,902	79,662,118	27,462,619	31,687,464	143,688,103
Less: Accumulated Depreciation	-	(21,282,458)	(12,616,671)	(13,238,817)	(47,137,946)
Net General Capital Assets	<u>\$ 4,875,902</u>	<u>\$ 58,379,660</u>	<u>\$ 14,845,948</u>	<u>\$ 18,448,647</u>	<u>\$ 96,550,157</u>

See accompanying independent auditor's report and notes to financial statements.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2022

	General Capital Assets 7/1/21 (Restated)	Additions	Deletions	General Capital Assets 6/30/22
General government	\$ 13,848,047	\$ 5,000	\$ -	\$ 13,853,047
Public safety	3,597,810	678,123	(800,708)	3,475,225
Education	46,436,631	447,064	(627,514)	46,256,181
Municipal buildings	2,837,310	7,214	-	2,844,524
Public works	27,928,650	1,119,144	(756,490)	28,291,304
Culture and recreation	3,377,774	-	-	3,377,774
Town-wide	749,145	-	(10,000)	739,145
Wastewater	32,299,629	31,194	(4,700,162)	27,630,661
Water	17,456,999	358,428	(595,185)	17,220,242
Total General Capital Assets	148,531,995	2,646,167	(7,490,059)	143,688,103
Less: Accumulated Depreciation	<u>(50,237,837)</u>	<u>(3,762,951)</u>	<u>6,862,842</u>	<u>(47,137,946)</u>
Net General Capital Assets	<u>\$ 98,294,158</u>	<u>\$ (1,116,784)</u>	<u>\$ (627,217)</u>	<u>\$ 96,550,157</u>

See accompanying independent auditor's report and notes to financial statements.

Federal Compliance

Federal compliance includes financial information and reports that are required in accordance with *Government Auditing Standards* and/or the *Uniform Guidance* in accordance with 2 CFR § 515. Such financial information and reports include:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

CITY OF ELLSWORTH, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal AL Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed-through State of Maine - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$ -	\$ 200,305
National School Lunch Program	10.555	N/A	-	703,090
Child Nutrition Supply Chain Assistance	10.560	N/A	-	26,994
SNAP Year 1	10.649	N/A	-	1,228
Subtotal Child Nutrition Cluster			-	931,617
Total U.S. Department of Agriculture			-	931,617
U.S. Department of Justice				
Passed-through State of Maine Department of Substance Abuse:				
Enforcing Underage Drinking Laws	16.627	013-16A-405D-12	-	9,200
Passed-through State of Maine Department of Public Safety:				
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	013-16A	-	5,670
Total U.S. Department of Justice			-	14,870
U.S. Department of Transportation				
Passed-through State of Maine Bureau of Highway Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	013-16A-405B-12	-	1,166
State and Community Highway Safety	20.600	013-16A-3151-12	-	8,445
National Priority Safety Programs	20.616	013-16A-405D-12	-	4,727
National Priority Safety Programs	20.616	013-16A	-	3,468
Subtotal Highway Safety Cluster			-	17,806
Total U.S. Department of Transportation			-	17,806
U.S. Department of Treasury				
Passed-through State of Maine - Department of Health and Human Services				
Coronavirus Relief Fund	21.019	022-05A-7010-60	-	890
Coronavirus Relief Fund	21.019	022-05A-7015-60	-	10
Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	-	113,682
Total U.S. Department of Treasury			-	114,582
U.S. Department of Education				
Passed-through State of Maine - Department of Education and Cultural Services:				
Title I Grants to Local Educational Agencies	84.01A	013-05A-3107-13	-	282,761
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027A	013-05A-3046-12	-	363,299
Special Education Grants to States	84.027X	013-05A-3046	-	71,968
Special Education Preschool Grants	84.173A	013-05A-6247-23	-	4,989
Subtotal Special Education Cluster (IDEA)			-	440,256
Career and Technical Education - Basic Grants to States	84.048	013-05A-3030-08	-	103,066
Career and Technical Education - Basic Grants to States	84.048	013-05A-3040-08	-	99
Improving Teacher Quality State Grants	84.367A	013-05A-3042-11	-	54,087
Rural Education	84.358B	013-05A-3305-03	-	14,546
Student Support and Academic Enrichment Program	84.424A	013-05A-3345-66	-	27,231
Education Stabilization Fund	84.425D	013-05A-7041-90	-	208,331
Education Stabilization Fund	84.425U	025-05A-7071-94	-	1,390,909
Education Stabilization Fund	84.425W	025-05A-3161-02	-	946
			-	1,799,215
Total U.S. Department of Education			-	2,522,232
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 3,601,107

CITY OF ELLSWORTH, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of the City of Ellsworth, Maine under programs of the federal government for the year ended June 30, 2022. The federal awards activity presented in the Schedule includes all federal awards received directly from federal agencies as well as federal awards passed through other government agencies. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Summary of Significant Accounting Policies

- a. Expenditures presented on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The City of Ellsworth, Maine has not elected to use the 10 percent *de minimus* indirect cost rate as allowed under the Uniform Guidance.



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

City Council
City of Ellsworth
Ellsworth, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ellsworth, Maine as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Ellsworth, Maine's basic financial statements and have issued our report thereon dated September 14, 2023.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (2022-001 and 2022-003) to be a material weakness. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2022-002) to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. During our audit we did identify deficiencies in internal control that we consider to be material weakness and significant deficiencies as described in the accompanying schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ellsworth, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the City of Ellsworth, Maine in a separate letter dated September 13, 2023.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
September 14, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

City Council
City of Ellsworth
Ellsworth, Maine

Report on Compliance for Each Major Federal Program

Unmodified Opinion

We have audited the City of Ellsworth, Maine's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Ellsworth, Maine's major federal programs for the year ended June 30, 2022. The City of Ellsworth, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Ellsworth, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Unmodified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibility section of our report.

We are required to be independent of the City of Ellsworth, Maine and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Ellsworth, Maine's compliance with the compliance requirements referred to above.

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Management's Responsibility

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Ellsworth, Maine's federal programs.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on the City of Ellsworth, Maine's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Ellsworth, Maine's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Ellsworth, Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Ellsworth, Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Ellsworth, Maine's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibility section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Ellsworth, Maine's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. the City of Ellsworth, Maine's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
September 14, 2023

CITY OF ELLSWORTH, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>ALN Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF ELLSWORTH, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Section II - Financial Statement Findings

MATERIAL WEAKNESS

2022-001 - Cash Account Reconciliations:

Criteria: The City currently uses a pooled cash system for several bank accounts in which the total of the bank reconciliations should agree with the total cash recorded in related cash accounts on the trial balance.

Condition: During the audit, we determined that monthly reconciliations were performed for the pooled cash system but the reconciliations were out of balance, sometimes by significant amounts. The total cash per the bank reconciliations did not agree with the total of the included cash accounts on the trial balance.

Cause: We identified several significant issues with the reconciliations, including journal entries that were posted but that were not posted to all of the required accounts, amounts that had cleared the bank account but that had not been included on the books, and reconciling items that should not have been identified as reconciling items (e.g. non-cash transactions, such as an interfund transfer).

Effect: As the City had not reconciled these cash accounts correctly and had unrecorded transactions, the City was unaware of the actual balances in these accounts. The importance is that significant errors or misappropriations of funds could have gone undetected for several months.

Identification of Questioned Costs: None identified.

Context: The reconciliations for the bank accounts with a pooled cash system were reviewed during the audit, and it was determined that the reconciliations were out of balance.

Repeat Finding: This is a repeat finding of 2021-001.

Recommendation: The City should identify someone within its staff who can either perform the pooled cash reconciliation correctly, reduce the number of funds and accounts included in the pooled cash system, or eliminate the system and go to a due to due from account structure.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Section II - Financial Statement Findings (Continued)

2022-001 - Cash Account Reconciliations (Continued):

Management response/corrective action plan: All Finance Department staff will continue to receive additional training in the reconciliation of the accounts in the pooled cash system. One person will be assigned primary responsibility for reconciliations with the Finance Director reviewing. In addition, we plan to transition to a Due To/Due From structure in the near term.

SIGNIFICANT DEFICIENCIES

2022-002 - Preparation of Financial Statements:

Criteria: Statements on auditing standards require external auditors to determine whether or not client personnel designated as having responsibility over the financial reporting process possess the expertise to identify all financial reporting matters in compliance with generally accepted accounting principles without the reliance on external auditors. Individuals would need to have the knowledge of all the various financial statement disclosure requirements in addition to an understanding of fund financial statements and government-wide financial statements.

Condition: When the auditing firm prepares the financial statements, the City must assign a competent management level individual to oversee this service. Additionally, management must review, approve, and accept responsibility for the financial statements and related notes.

Cause: The costs of maintaining the expertise in-house to meet these requirements often exceed the benefit. As a result, it is common practice for governmental entities to rely on their auditing firm to assist in the preparation of the financial statements and the related disclosures.

Effect: When this approach is taken, the City is considered to have a control deficiency in the design of internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles, and as a result, we are required to report this as such in this report.

Identification of Questioned Costs: None identified.

Context: The City does not employ in-house staff the expertise to identify all financial reporting matters in compliance with generally accepted accounting principles without the reliance on external auditors.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Section II - Financial Statement Findings (Continued)

2022-002 - Preparation of Financial Statements (Continued):

Repeat Finding: This is a repeat finding of 2021-002.

Recommendation: The City should consider obtaining additional training for the Finance Department staff so that they can better understand and potentially prepare the required information for financial statement preparation.

Management response/corrective action plan: Management continues to believe at this time that the cost of an employee possessing the necessary skills to prepare the financial statements would outweigh the benefit of preparing the financial statements in-house. However, all department staff will receive additional training, in particular the new Finance Director, in an effort to bring preparation duties in-house gradually over time as expertise is gained.

MATERIAL WEAKNESS

2022-003 - Material Audit Adjustments

Criteria: As part of the audit process, the auditors use and rely on reports provided by management to prepare the financial statements. When the auditors prepare the financial statements, management must take responsibility for the financial statements and the records used to prepare them. If it is likely that misstatements may occur in the records and go undetected by management, and these misstatements are more than inconsequential, a significant deficiency exists in the entity's control system.

Condition: Our audit procedures detected significant misstatements and we provided audit entries to correct these misstatements.

Cause: During our audit, we identified material amounts that were not posted correctly or not posted at all and therefore, adjusting entries were required.

Effect: If the City's accounting records are not materially correct, the City could rely on incomplete or incorrect information. In addition, the likelihood that a significant error will not be detected or corrected in a timely manner is increased.

Identification of Questioned Costs: None identified.

Context: During the audit of the financial records, there were significant misstatements identified requiring adjusting entries.

CITY OF ELLSWORTH, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Section II - Financial Statement Findings (Continued)

2022-003 - Material Audit Adjustments (Continued)

Repeat Finding: This is a repeat finding of 2021-003.

Recommendation: The City should conduct a thorough review of its balances after fiscal year end and before the audit commences. The City should reconcile such items as interfund transfers, the pooled cash system, debt service payments, debt service proceeds, grant balances, and all balance sheet accounts.

Management response/corrective action plan: The Finance Department continues the process of drafting and adopting a new Policies & Procedures manual that would clearly specify personnel responsibilities as well as all tasks to be completed after the close of each month, including all reconciliations. It will further outline all tasks to be completed after fiscal year end in preparation for the audit. The City intends to move away from the pooled cash system in favor of a Due To/Due From system. Additionally, we are implementing new software systems that would better allow us to integrate better debt service payments and proceeds.

Section III - Findings and Questioned Costs for Federal Awards

None

State Compliance

State compliance includes financial information and reports that are presented for purposes of additional analysis as required by Title 20-A MRSA §6051 of the Maine Revised Statutes as amended. Such financial information and reports include:

- Independent Auditor's Report on State Requirements
- Reconciliation of Audit Adjustments to Annual Financial Data Submitted to the Maine Education Financial System



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INDEPENDENT AUDITOR'S REPORT ON STATE REQUIREMENTS

City Council
City of Ellsworth
Ellsworth, Maine

We have audited the financial statements of City of Ellsworth, Maine School Department for the year ended June 30, 2022 and have issued our report thereon dated September 14, 2023. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the City of Ellsworth, Maine School Department's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the City of Ellsworth, Maine School Department complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Ellsworth, Maine School Department was in noncompliance with or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the City of Ellsworth, Maine School Department and have attached the following schedule as it relates to the reconciliation of audit adjustments to the initial annual financial data submitted to the Maine Education Financial System maintained at the Maine Department of Education.

This report is intended solely for the information of the School Committee, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
September 14, 2023

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CITY OF ELLSWORTH, MAINE

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA SUBMITTED TO THE
MAINE EDUCATION FINANCIAL SYSTEM
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund (1000)	Special Revenue Funds (2000) & (6000)	Capital Projects Funds (4000)	Total
June 30, 2022 Balance per MEFS	\$4,283,366	\$576,275	\$ -	\$ 4,859,641
Revenue Adjustments:				
Accrued expenses	251,376	-	-	251,376
Expenditure Adjustments:				
Accounts payable	-	(4,584)	-	(4,584)
Due to/from	-	(1,300)	-	(1,300)
Other Adjustments:				
Funds balances not reported:				
Gifford A. Cochran scholarship	-	201,562	-	201,562
EHS scholarship consolidation	-	190,286	-	190,286
2000 - Grant tracker	-	33,458	-	33,458
EHS student activities	-	120,005	-	120,005
EMS student activities	-	85,033	-	85,033
EES student activities	-	8,548	-	8,548
HCTC Student Activities	-	28,114	-	28,114
Rounding	3	(3)	-	-
Audited GAAP Basis Fund Balance June 30, 2022	<u>\$ 4,534,745</u>	<u>\$ 1,237,394</u>	<u>\$ -</u>	<u>\$ 5,772,139</u>