

2016

City of Gardiner Maine Financial Report For the Fiscal Year Ended June 30, 2016

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CITY OF GARDINER, MAINE

Annual Financial Report

For the Fiscal Year Ended June 30, 2016

CITY OF GARDINER, MAINE
Annual Financial Report
For the Fiscal Year Ended June 30, 2016

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Independent Auditor's Report

City Council
City of Gardiner, Maine

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardiner, Maine, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, on our consideration of the City of Gardiner, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gardiner, Maine's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Remya Kristen Ouellette".

December 28, 2016
South Portland, Maine

CITY OF GARDINER, MAINE
Management's Discussion and Analysis
For the Year Ended June 30, 2016

As management of the City of Gardiner, Maine, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Gardiner, Maine for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in the notes to the financial statements found on pages 22-40 of this report.

Financial Highlights

- The assets and deferred outflow of resources of the City of Gardiner, Maine exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,987,536 (*net position*) (Statement 1). Of this amount, \$1,738,439 (*unrestricted net position*) (Statement 1) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Gardiner, Maine's total net position increased \$1,182,403 (Statement 2). This represents an increase of \$359,407 in governmental activities and an increase of \$822,996 in business-type activities (Ambulance and Wastewater).
- As of the close of the current fiscal year, the City of Gardiner, Maine's governmental funds reported combined ending fund balances of \$3,156,787 (Statement 3), an increase of \$195,956 (Statement 4) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$2,239,229 (Statement 3) or 22% of total General Fund expenditures of \$10,135,138 (Statement 4).
- The City of Gardiner, Maine issued four new notes in governmental activities totaling \$323,782 during the fiscal year. They consisted of a six-year loan in the amount of \$91,620 for 18 Scott Air Paks, a five-year lease in the amount of \$25,886 for a Chevy Silverado, a three-year lease for a Ford Explorer in the amount of \$23,094, and a seven-year lease in the amount of \$183,182 for a plow truck. The City purchased a Ford 350 in the amount of \$40,766 with unassigned fund balance, as well issuing a business-type lease for an ambulance in the amount of \$186,313. The City acquired a \$2,758,000 bond anticipation note to finance a future bond for the Combined Sewer Overflow project on the waterfront.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the City of Gardiner, Maine's basic financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with an overview of the City of Gardiner, Maine's finances, in a manner similar to a private-sector business.

The *statement of net position*, Statement 1, presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities*, Statement 2, presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

Both of the government-wide financial statements distinguish functions of the City of Gardiner, Maine that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, welfare, public safety, public works, education, and community services. The City has two business-type activities, which are an ambulance service and a wastewater treatment plant.

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 Gardiner, Maine, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *government funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet (Statement 3) and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and TIF Fund, which are considered to be major funds (Statement 4). Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report (See Exhibit B-1 and B-2).

The City of Gardiner, Maine adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget (Exhibit A-2).

Proprietary funds. The City maintains two proprietary funds. These *enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The enterprise funds are used to account for operations of the ambulance service and the wastewater treatment plant. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary funds. The City maintains one fiduciary fund. The *fiduciary fund* is used to account for assets held by the City as a trustee or agent on behalf of others and is considered an agency fund.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-40 of this report.

Other information. Combining and individual fund financial statements can be found on Exhibits A through D of this report.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Gardiner, Maine, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,987,536 at the close of the most recent fiscal year (Statement 1).

By far the largest portion of the City of Gardiner, Maine's net position (87%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding, and adding back any unspent bond proceeds. The result is the City's net investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Gardiner, Maine's Net Position

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u> <u>(restated)</u>	<u>2016</u>	<u>2015</u> <u>(restated)</u>
Current and other assets	\$ 4,140,703	3,841,679	1,166,009	1,199,420	5,306,712	5,041,099
Capital assets, net	13,902,703	13,788,742	14,466,671	11,399,797	28,369,374	25,188,539
Total assets	18,043,406	17,630,421	15,632,680	12,599,217	33,676,086	30,229,638
Deferred outflows of resources	451,043	342,830	-	-	451,043	342,830
Long-term liabilities	7,634,041	7,089,855	3,507,269	3,643,298	11,141,310	10,733,153
Bond anticipation Note payable	-	-	2,758,000	338,387	2,758,000	338,387
Other liabilities	548,381	447,821	222,068	295,185	770,449	743,006
Total liabilities	8,182,422	7,537,676	6,487,337	4,276,870	14,669,759	11,814,546
Deferred inflows of resources	469,834	952,789	-	-	469,834	952,789
Net investment in capital assets	8,745,766	8,196,807	7,783,444	7,369,250	16,529,210	15,566,057
Restricted	719,887	784,413	-	-	719,887	784,413
Unrestricted	376,540	501,566	1,361,899	953,097	1,738,439	1,454,663
Total net position	<u>\$ 9,842,193</u>	<u>9,482,786</u>	<u>9,145,343</u>	<u>8,322,347</u>	<u>18,987,536</u>	<u>17,805,133</u>

The City's restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,738,439) may be used to meet the City's ongoing obligations to citizens and creditors.

The City of Gardiner, Maine's net position increased \$1,182,403 during the current fiscal year. This change is broken out in the following categories:

- **Governmental activities:** The City's governmental activities increased the net position by \$359,407.
- **Business-type activities:** The City's two business-type activities, the ambulance service and wastewater treatment plant, increased the City of Gardiner, Maine's net position by \$822,996.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

City of Gardiner's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 153,000	\$ 150,320	\$ 3,030,306	\$ 2,732,300	\$ 3,183,306	\$ 2,882,620
Operating grants and contributions	1,114,005	402,237	-	-	1,114,005	402,237
Capital grants and contributions	380,936	703,981	364,577	532,495	745,513	1,236,476
General revenues:						
Property taxes	7,713,805	7,304,800	-	-	7,713,805	7,304,800
Other taxes	1,268,169	1,066,387	-	-	1,268,169	1,066,387
Grants not restricted to specific programs	638,858	869,447	-	-	638,858	869,447
Other	390,477	257,751	(96,714)	(17,105)	293,763	240,646
Total revenues	<u>11,659,250</u>	<u>10,754,923</u>	<u>3,298,169</u>	<u>3,247,690</u>	<u>14,957,419</u>	<u>14,002,613</u>
Expenses:						
General government	1,050,964	899,485	-	-	1,050,964	899,485
Technology	75,439	-	-	-	75,439	-
Public safety	2,069,486	1,651,899	-	-	2,069,486	1,651,899
Public works	2,360,785	2,622,097	-	-	2,360,785	2,622,097
Community services	1,304,200	454,326	-	-	1,304,200	454,326
Education	3,524,524	3,340,650	-	-	3,524,524	3,340,650
County tax	317,590	343,704	-	-	317,590	343,704
Unclassified	359,472	364,775	-	-	359,472	364,775
Miscellaneous capital costs	107,249	284,073	-	-	107,249	284,073
Interest on debt	130,134	145,115	-	-	130,134	145,115
Ambulance	-	-	1,087,901	986,690	1,087,901	986,690
Wastewater	-	-	1,387,272	1,350,983	1,387,272	1,350,983
Total expenses	<u>11,299,843</u>	<u>10,106,124</u>	<u>2,475,173</u>	<u>2,337,673</u>	<u>13,775,016</u>	<u>12,443,797</u>
Increase in net position	359,407	648,799	822,996	910,017	1,182,403	1,558,816
Net position - July 1 (restated)	9,482,786	8,833,987	8,322,347	7,944,825	17,805,133	16,778,812
Net position - June 30	<u>\$ 9,842,193</u>	<u>\$ 9,482,786</u>	<u>\$ 9,145,343</u>	<u>\$ 8,854,842</u>	<u>\$ 18,987,536</u>	<u>\$ 18,337,628</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Gardiner, Maine uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Gardiner, Maine's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year (Statement 3).

As of the end of the current fiscal year, the City of Gardiner, Maine's governmental funds reported combined ending fund balances of \$3,156,787. Approximately 48% of this total amount (\$1,528,522) constitutes *unassigned fund balance*.

The City continues to meet its responsibilities for sound financial management. Carefully monitoring expenditures and finding non-tax revenue have helped in establishing a favorable fund balance.

The fund balance of the City of Gardiner, Maine's General Fund increased \$35,827 (Statement 4) during the current fiscal year.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

General Fund Budgetary Highlights

For the current fiscal year, revenues exceeded budgetary projections by \$628,217 and expenditures were above appropriations by \$70,102.

This created a positive variance of \$558,115 to fund balance. However, the budgeted use of prior year carry forwards and other financing sources and uses, netted an increase of \$35,827 to fund balance.

Capital Asset and Debt Administration

Capital assets. The City of Gardiner, Maine's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$13,902,703 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, vehicles, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the purchase of a Chevy Silverado, a Ford Explorer for the Police Department, an F350 pick-up and a dump truck for the Public Works Department, as well as a new ambulance. City Hall received some roof repairs and the Wastewater Treatment Plant purchased a new pump.

Additional information on the City of Gardiner, Maine's capital assets can be found in the Notes to the Basic Financial Statements of this report.

Long-term debt. At the end of the current fiscal year, the City of Gardiner, Maine had total bonded debt outstanding of \$8,291,480; down \$959,896 from last year. Of this amount, \$3,136,774 is for business-type activities and \$5,154,706 is for governmental activities.

State statutes limit the amount of general obligation debt a municipality may issue up to 15 percent of its total state assessed valuation. The current debt limitation for the City of Gardiner, Maine is \$48,600,000, which is in excess of the City of Gardiner, Maine's outstanding general obligation debt of \$8,291,480.

Additional information on the City of Gardiner, Maine's long-term debt can be found in the Notes to the Basic Financial Statements of this report.

Economic Factors, Next Year's Budget, and Tax Rates

The following economic factors are considered when deliberating the annual budget:

- Increases/decreases in revenues
- Expenses for which the city has limited control
- Taxable assessed value
- State budget

City officials consider many factors when making judgments and estimates, such as:

- Minimal taxpayer impact
- Minimal impact to services
- Minimal impact to our workforce
- Responsibly manage the fund balance

City staff continue to look for ways to find savings and efficiencies within their departmental budgets.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

Despite these factors, the FY17 Budget resulted in a tax decrease of .10/mil; going from a 21.6 rate to a 21.5 tax rate.

Highlights of the FY17 budget include the following:

- General Fund budget of \$9,984,962
 - \$5,977,444 (City)
 - \$17,331 (Overlay)
 - \$3,667,691 (Education)
 - \$322,496 (County)
- Ambulance Enterprise Fund budget of \$1,112,831
 - 35.9% total reduction in community assessments
- Wastewater Enterprise Fund budget of \$1,655,344
 - Spending decrease of 11.9%
 - No change to sewer rate (last increase FY11)
- Tax Increment Finance District budgets of \$674,022
 - Libby Hill TIF will generate a surplus this fiscal year and is now projected to pay back debt accrued to General Fund by fiscal year 2024

Requests for Information

This financial report is designed to provide a general overview of the City of Gardiner, Maine's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 6 Church Street, Gardiner, Maine 04345.

BASIC FINANCIAL STATEMENTS

CITY OF GARDINER, MAINE
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,826,346	-	2,826,346
Receivables:			
Taxes receivable	98,997	-	98,997
Tax liens	399,095	-	399,095
Accounts receivables, net of allowance	64,145	1,778,602	1,842,747
Notes receivable, net of allowance	139,527	-	139,527
Internal balances	612,593	(612,593)	-
Capital assets, not being depreciated	1,957,695	4,349,195	6,306,890
Capital assets, net of accumulated depreciation	11,945,008	10,117,476	22,062,484
Total assets	18,043,406	15,632,680	33,676,086
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	451,043	-	451,043
Total deferred outflows of resources	451,043	-	451,043
LIABILITIES			
Accounts payable	475,973	203,902	679,875
Accrued expenses	23,949	11,942	35,891
Taxes paid in advance	18,883	-	18,883
Due to other governments	2,111	-	2,111
Accrued interest	27,465	6,224	33,689
Bond anticipation note payable	-	2,758,000	2,758,000
Noncurrent liabilities:			
Due within one year	555,154	369,853	925,007
Due in more than one year	7,078,887	3,137,416	10,216,303
Total liabilities	8,182,422	6,487,337	14,669,759
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	469,834	-	469,834
Total deferred inflows of resources	469,834	-	469,834
NET POSITION			
Net investment in capital assets	8,745,766	7,783,444	16,529,210
Restricted for:			
Permanent funds - Nonexpendable principal	307,399	-	307,399
Permanent funds - Expendable	107,365	-	107,365
Revolving loan funds	252,896	-	252,896
Grants	52,227	-	52,227
Unrestricted	376,540	1,361,899	1,738,439
Total net position	\$ 9,842,193	9,145,343	18,987,536

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Activities
For the year ended June 30, 2016

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,050,964	80,210	-	-	(970,754)	-	(970,754)
Technology	75,439	-	6,318	-	(69,121)	-	(69,121)
Public safety	2,069,486	55,740	8,112	-	(2,005,634)	-	(2,005,634)
Public works	2,360,785	4,124	85,546	268,742	(2,002,373)	-	(2,002,373)
Community services	1,304,200	12,926	1,014,029	-	(277,245)	-	(277,245)
Education	3,524,524	-	-	-	(3,524,524)	-	(3,524,524)
County tax	317,590	-	-	-	(317,590)	-	(317,590)
Unclassified	359,472	-	-	-	(359,472)	-	(359,472)
Miscellaneous capital costs	107,249	-	-	112,194	4,945	-	4,945
Interest on debt	130,134	-	-	-	(130,134)	-	(130,134)
Total governmental activities	11,299,843	153,000	1,114,005	380,936	(9,651,902)	-	(9,651,902)
Business-type activities:							
Ambulance	1,087,901	1,535,019	-	-	-	447,118	447,118
Wastewater	1,387,272	1,495,287	-	364,577	-	472,592	472,592
Total business-type activities	2,475,173	3,030,306	-	364,577	-	919,710	919,710
Total primary government	\$ 13,775,016	3,183,306	1,114,005	745,513	(9,651,902)	919,710	(8,732,192)
General revenues:							
Property taxes					7,713,805	-	7,713,805
Other taxes					1,268,169	-	1,268,169
Grants and contributions not restricted to specific programs:							
State revenue sharing					400,810	-	400,810
Homestead and BETE exemptions					225,469	-	225,469
Other State aid					12,579	-	12,579
Interest earned					14,619	-	14,619
Unclassified					84,054	-	84,054
Sale of property					195,090	-	195,090
Transfers					96,714	(96,714)	-
Total general revenues and transfers					10,011,309	(96,714)	9,914,595
Change in net position					359,407	822,996	1,182,403
Net position - beginning - as restated					9,482,786	8,322,347	17,805,133
Net position - ending					\$ 9,842,193	9,145,343	18,987,536

CITY OF GARDINER, MAINE
Balance Sheet
Governmental Funds
June 30, 2016

	General	TIF Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,263,136	-	563,210	2,826,346
Receivables:				
Taxes receivable	98,997	-	-	98,997
Tax liens	399,095	-	-	399,095
Accounts receivables	54,719	-	9,426	64,145
Notes receivable, net of allowance of \$15,500	-	-	139,527	139,527
Interfund advance receivable	579,000	-	-	579,000
Interfund loans receivable	358,093	-	414,709	772,802
Total assets	\$ 3,753,040	-	1,126,872	4,879,912
LIABILITIES				
Accounts payable	97,490	-	378,483	475,973
Accrued payroll and related liabilities	23,949	-	-	23,949
Interfund loans payable	-	710,707	28,502	739,209
Taxes paid in advance	18,883	-	-	18,883
Due to other governments	2,111	-	-	2,111
Total liabilities	142,433	710,707	406,985	1,260,125
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	463,000	-	-	463,000
Total deferred inflows of resources	463,000	-	-	463,000
FUND BALANCES (DEFICIT)				
Nonspendable	579,000	-	446,926	1,025,926
Restricted	-	-	272,961	272,961
Assigned	329,378	-	-	329,378
Unassigned	2,239,229	(710,707)	-	1,528,522
Total fund balances (deficit)	3,147,607	(710,707)	719,887	3,156,787
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,753,040	-	1,126,872	
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.				13,902,703
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				463,000
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:				
Accrued compensated absences				(256,083)
Accrued interest				(27,465)
Net pension liability with related deferred inflows and outflows of resources				(2,018,017)
Capital leases				(224,026)
Bonds and notes payable				(5,154,706)
Net position of governmental activities				\$ 9,842,193

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

	General	TIF Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 8,981,974	-	-	8,981,974
Licenses and permits	18,919	-	-	18,919
Intergovernmental	1,115,308	-	960,946	2,076,254
Charges for services	63,976	-	33,636	97,612
Interest earned	4,124	-	10,495	14,619
Unclassified	87,784	191,360	94,014	373,158
Total revenues	10,272,085	191,360	1,099,091	11,562,536
Expenditures:				
Current:				
General government	819,980	37,504	20,692	878,176
Technology	75,273	-	166	75,439
Public safety	1,824,826	-	53,868	1,878,694
Public works	2,529,080	-	29,538	2,558,618
Community services	362,611	-	944,159	1,306,770
Education	3,524,524	-	-	3,524,524
County tax	317,590	-	-	317,590
Unclassified	357,472	-	2,000	359,472
Debt service	-	451,817	-	451,817
Capital expenditures	323,782	-	112,194	435,976
Total expenditures	10,135,138	489,321	1,162,617	11,787,076
Excess (deficiency) of revenues over (under) expenditures	136,947	(297,961)	(63,526)	(224,540)
Other financing sources (uses):				
Proceeds from debt/capital leases	323,782	-	-	323,782
Transfers in	251,090	654,580	20,412	926,082
Transfers out	(675,992)	(153,376)	-	(829,368)
Total other financing sources (uses)	(101,120)	501,204	20,412	420,496
Net change in fund balances	35,827	203,243	(43,114)	195,956
Fund balances (deficit), beginning of year	3,111,780	(913,950)	763,001	2,960,831
Fund balances (deficit), end of year	\$ 3,147,607	(710,707)	719,887	3,156,787

See accompanying notes to basic financial statements.

CITY OF GARDINER, 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, 2016

Net change in fund balances - total governmental funds (from Statement 4)	\$	195,956
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$895,256) exceeded depreciation expense (\$749,263) and loss on disposal (\$32,032).

113,961

Lease proceeds provide current financial resources to governmental funds, but issuing leases increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds (\$232,162) exceeded repayments (\$46,810).

(185,352)

Some expenses reported in the statement of activities do not require use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the decrease in accrued compensated absences (\$12,566) and accrued interest (\$2,508) and the increase in the net pension liability with related deferred inflows and outflows of resources (\$409,268).

(394,194)

Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (\$720,656) exceeded proceeds from new bonds and notes (\$91,620).

629,036

Change in net position of governmental activities (see Statement 2)	\$	359,407
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See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2016

Business-type Activities - Enterprise Funds			
	Ambulance	Wastewater	Total
ASSETS			
Current assets:			
Accounts receivable - (net of allowance of \$115,000 in ambulance fund)	\$ 772,189	1,006,413	1,778,602
Interfund loans receivable	-	33,350	33,350
Total current assets	772,189	1,039,763	1,811,952
Capital assets:			
Construction in progress	-	3,967,527	3,967,527
Land	-	381,668	381,668
Capital assets, being depreciated	788,948	15,231,092	16,020,040
Accumulated depreciation	(512,458)	(5,390,106)	(5,902,564)
Total capital assets, net	276,490	14,190,181	14,466,671
Total assets	1,048,679	15,229,944	16,278,623
LIABILITIES			
Current liabilities:			
Accounts payable	12,554	191,348	203,902
Accrued payroll	7,562	4,380	11,942
Accrued interest	375	5,849	6,224
Interfund loans payable	66,943	-	66,943
Interfund advance payable	-	579,000	579,000
Bond anticipation note payable	-	2,758,000	2,758,000
Current portion of noncurrent liabilities	62,033	307,820	369,853
Total current liabilities	149,467	3,846,397	3,995,864
Noncurrent liabilities:			
Accrued compensated absences	129,753	31,289	161,042
Bonds and leases payable	272,420	2,703,954	2,976,374
Total noncurrent liabilities	402,173	2,735,243	3,137,416
Total liabilities	551,640	6,581,640	7,133,280
NET POSITION			
Net investment in capital assets	(57,963)	7,841,407	7,783,444
Unrestricted	555,002	806,897	1,361,899
Total net position	\$ 497,039	8,648,304	9,145,343

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2016

Business-type Activities - Enterprise Funds			
	Ambulance	Wastewater	Total
Operating revenues:			
Charges for services	\$ 1,535,019	1,495,287	3,030,306
Total operating revenues	1,535,019	1,495,287	3,030,306
Operating expenses:			
Personnel services	822,179	393,506	1,215,685
Contractual services	47,913	113,824	161,737
Supplies and materials	29,862	107,254	137,116
Repairs and maintenance	62,906	273,373	336,279
Other expenses	9,863	37,109	46,972
Depreciation expense	90,557	423,061	513,618
Total operating expenses	1,063,280	1,348,127	2,411,407
Operating income	471,739	147,160	618,899
Nonoperating revenues (expenses):			
Grant revenue	-	364,577	364,577
Loss on disposal of assets	(21,300)	-	(21,300)
Interest expense	(3,321)	(39,145)	(42,466)
Total nonoperating revenues (expenses)	(24,621)	325,432	300,811
Net income before transfers	447,118	472,592	919,710
Transfers:			
Transfer to other funds	-	(96,714)	(96,714)
Total transfers	-	(96,714)	(96,714)
Change in net position	447,118	375,878	822,996
Net position, beginning of year, as restated	49,921	8,272,426	8,322,347
Net position, end of year	\$ 497,039	8,648,304	9,145,343

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2016

Business-type Activities - Enterprise Funds			
	Ambulance	Wastewater	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,292,200	1,717,477	3,009,677
Payments to employees	(816,432)	(396,617)	(1,213,049)
Payments to suppliers	(145,179)	(401,548)	(546,727)
Net cash provided (used) by operating activities	330,589	919,312	1,249,901
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(96,714)	(96,714)
Net change in interfund loans	(265,205)	(259,755)	(524,960)
Net cash provided (used) by noncapital financing activities	(265,205)	(356,469)	(621,674)
Cash flows from capital and related financing activities:			
Capital asset purchases	(216,023)	(3,385,769)	(3,601,792)
Capital grants received	-	364,577	364,577
Proceeds from bond anticipation note	-	2,419,613	2,419,613
Increase in interfund advance payable	-	384,892	384,892
Interest paid on bonds/leases	(3,396)	(40,296)	(43,692)
Proceeds from capital leases	186,313	-	186,313
Principal payments on bonds and capital lease	(32,278)	(305,860)	(338,138)
Net cash provided (used) by capital and related financing activities	(65,384)	(562,843)	(628,227)
Net increase (decrease) in cash	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	\$ -	-	-
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 471,739	147,160	618,899
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	90,557	423,061	513,618
(Increase) decrease in receivables	(242,819)	222,190	(20,629)
Increase (decrease) in accounts payable	5,365	130,012	135,377
Increase (decrease) in accrued payroll	(9,071)	(4,089)	(13,160)
Increase (decrease) in accrued compensated absences	14,818	978	15,796
Net cash provided (used) by operating activities	330,589	919,312	1,249,901

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

		Agency Funds
		Gardiner Growth Initiative
ASSETS		
Cash and cash equivalents	\$	5,004
Total assets		5,004
LIABILITIES		
Due to outside groups		5,004
Total liabilities		5,004
NET POSITION		
Held in trust	\$	-

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gardiner, Maine is located in Kennebec County. It was organized in 1754 and operates under a City Manager - City Council form of government.

The financial statements of the City of Gardiner, Maine have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

This report includes all funds of the City of Gardiner, Maine. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointing of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of the type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

It is the City's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities that would be considered potential component units within the City of Gardiner that should be included as part of these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The TIF Fund is a special revenue fund that accounts primarily for revenues and expenditures associated with the City's tax increment financing districts. It also contains activity specific to costs associated with the development of the Libby Hill Business Park and revenue related to the sale of related lots.

The City reports the following major proprietary funds:

The Wastewater Fund accounts for the operation of a sewer system.

The Ambulance Fund accounts for the operations of the emergency rescue unit.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental activities and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund is charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the City reports a fiduciary fund:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary fund is considered an agency fund.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The funds are used to account for assets that the City holds for others in an agency capacity.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as time deposits and certificates of deposit owned by the City. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

E. Interfund Loans

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund loans receivable" or "interfund loans payable" on the balance sheet.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost greater than the thresholds listed below and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City's policy is to capitalize assets exceeding the thresholds for various asset classes as follows:

Land	\$ 25,000
Buildings and Building Improvements	10,000
Furniture and Equipment	10,000
Vehicles	10,000
Infrastructure	25,000

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives ranging from 5 to 40 years.

G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Deferred Inflows and Outflows of Resources

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

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

J. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

However, comparative data has not been presented in all statements because its inclusion would make certain statements unduly complex and difficult to understand.

K. Fund Equity

Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

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

The City Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise, the City Council or a body or official delegated by the City Council may assign fund balance, including unspent budgeted amounts, for specific purposes in the General Fund at year-end based on Department requests.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the City's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the City's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Use of Estimates

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

M. 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 Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the 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.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. These budgets are established in accordance with the various laws of the State of Maine which govern the City's operations. The budget has been prepared consistent with the modified accrual basis of accounting.

All unexpended appropriations lapse at year end unless specific approval is granted at a City Council meeting to carry such amounts forward. Department level total expenditures cannot exceed City appropriations by law.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2016, expenditures exceeded appropriations in the following department:

Public works	\$ 207,566
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C. Deficit Fund Balances

At June 30, 2016, the following fund had a deficit fund balances:

TIF Funds	\$ 710,707
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The TIF deficit will be funded by future tax revenue, sale of lots in Libby Hill or transfers from the General Fund.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

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 either carries commercial insurance or participates in a public entity risk pool. Currently, the City participates in a public entity risk pool sponsored by the Maine Municipal Association for workers' compensation coverage.

Based on the coverage provided by this pool, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claims liabilities that should be recorded at June 30, 2016.

DEPOSITS

Custodial credit risk-deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal policy with respect to custodial credit risk. As of June 30, 2016, the City reported deposits of \$2,831,350 with a bank balance of \$3,024,649. All of the bank balance was covered by F.D.I.C. or by additional insurance or letters of credit purchased or provided by the financial institutions.

Interest rate risk – The City does not have a deposit policy for interest rate risk.

Deposits have been reported as follows:

Reported in governmental funds	\$ 2,826,346
Reported in fiduciary funds	5,004
Total deposits	\$ 2,831,350

INTERFUND BALANCES

As of June 30, 2016, interfund loans and advances receivable and payable were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Interfund advance receivable</u>	<u>Interfund advance payable</u>
General Fund	\$ 358,093	-	579,000	-
TIF Fund	-	710,707	-	-
Nonmajor Governmental Funds:				
Revolving Loan Fund	-	1,014	-	-
Development and Planning	26,040	-	-	-
Private Grants	18,512	-	-	-
Wellness	20	-	-	-
Bradstreet Fund	1,080	-	-	-
New Mills Dam	-	27,488	-	-
Capital Projects	369,057	-	-	-
Enterprise Funds:				
Ambulance	-	66,943	-	-
Wastewater	33,350	-	-	579,000
Total interfund balances	\$ 806,152	806,152	579,000	579,000

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX

Property taxes for the current period were committed on July 30, 2015 on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value.

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 the City budgeted an amount of \$1,893 for the year ended June 30, 2016.

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

Property taxes levied during the period were recorded as receivables at the time the levy was made. The receivables collected during the period and in the first sixty days following the end of the period have been recorded as revenues. The remaining receivables have been recorded as unavailable revenue-property taxes.

The following summarizes the levy:

	<u>2016</u>	<u>2015</u>
Assessed value	\$ 357,331,300	354,767,800
<u>Tax rate (per \$1,000)</u>	<u>21.60</u>	<u>20.60</u>
Commitment	7,718,356	7,308,217
Less:		
Abatements/write offs	4,551	3,230
<u>Collections</u>	<u>7,467,080</u>	<u>7,012,777</u>
Current year taxes receivable at end of year	246,725	292,210
<u>Taxes and liens receivable - prior years</u>	<u>251,367</u>	<u>238,285</u>
<u>Total taxes and liens receivable</u>	<u>\$ 498,092</u>	<u>530,495</u>
Due date	1st half September 15, 2015	September 15, 2014
	2nd half March 16, 2016	March 15, 2015
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	96.80%	96.00%

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

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

	Balance June 30, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 928,648	-	-	928,648
Construction in progress	462,518	566,529	-	1,029,047
Total capital assets not being depreciated	1,391,166	566,529	-	1,957,695
Capital assets, being depreciated:				
Buildings and building improvements	415,290	55,800	-	471,090
Furniture and equipment	1,182,362	-	57,395	1,124,967
Vehicles	3,439,461	272,927	224,320	3,488,068
Infrastructure	44,652,686	-	160,215	44,492,471
Total capital assets being depreciated	49,689,799	328,727	441,930	49,576,596
Less accumulated depreciation for:				
Buildings and building improvements	265,888	7,520	-	273,408
Furniture and equipment	922,074	49,208	57,395	913,887
Vehicles	2,440,700	180,812	224,320	2,397,192
Infrastructure	33,663,561	511,723	128,183	34,047,101
Total accumulated depreciation	37,292,223	749,263	409,898	37,631,588
Total capital assets being depreciated, net	12,397,576	(420,536)	32,032	11,945,008
Governmental activities capital assets, net	\$ 13,788,742	145,993	32,032	13,902,703
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 381,668	-	-	381,668
Construction in progress	798,758	3,168,769	-	3,967,527
Total capital assets not being depreciated	1,180,426	3,168,769	-	4,349,195
Capital assets, being depreciated:				
Building/sewer system	4,822,059	-	-	4,822,059
Vehicles	614,286	216,023	106,500	723,809
Furniture and equipment	455,224	217,000	48,500	623,724
Infrastructure	9,850,448	-	-	9,850,448
Total capital assets being depreciated	15,742,017	433,023	155,000	16,020,040
Less accumulated depreciation for:				
Building/sewer system	2,726,599	116,051	-	2,842,650
Vehicles	508,657	83,522	85,200	506,979
Furniture and equipment	304,675	67,108	48,500	323,283
Infrastructure	1,982,715	246,937	-	2,229,652
Total accumulated depreciation	5,522,646	513,618	133,700	5,902,564
Total capital assets being depreciated, net	10,219,371	(80,595)	21,300	10,117,476
Business-type activities capital assets, net	\$ 11,399,797	3,088,174	21,300	14,466,671

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

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

Governmental activities:	
General government	\$ 13,400
Public safety	61,982
Public works	672,001
Community services	1,880

<u>Total depreciation expense – governmental activities</u>	<u>\$ 749,263</u>
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Business-type activities:	
Ambulance	\$ 90,557
Wastewater	423,061

<u>Total depreciation expense – business-type activities</u>	<u>\$ 513,618</u>
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INTERFUND TRANSFERS

Individual interfund transfers for the year ended June 30, 2016 were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 251,090	675,992
TIF Funds	654,580	153,376
Nonmajor Governmental Funds:		
Private Grants	-	1,000
Capital Projects	21,412	-
Proprietary Funds:		
Wastewater	-	96,714
<u>Total interfund transfers</u>	<u>\$ 927,082</u>	<u>927,082</u>

LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds and notes	\$ 5,783,742	91,620	720,656	5,154,706	514,209
Capital leases	38,674	232,162	46,810	224,026	40,945
Net pension liability	998,790	1,000,436	-	1,999,226	-
Accrued compensated absences	268,649	-	12,566	256,083	-
<u>Governmental activities long-term liabilities</u>	<u>\$ 7,089,855</u>	<u>1,324,218</u>	<u>780,032</u>	<u>7,634,041</u>	<u>555,154</u>

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM LIABILITIES, CONTINUED

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Business-type activities:					
General obligation bonds and notes	\$ 3,467,634	-	330,860	3,136,774	332,820
Capital leases	30,418	186,313	7,278	209,453	37,033
Accrued compensated absences	145,246	15,796	-	161,042	-
Business-type activities long-term liabilities	\$ 3,643,298	202,109	338,138	3,507,269	369,853

LONG-TERM DEBT

Long-term debt payable at June 30, 2016 is comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2016
Governmental activities:					
General obligation bonds	5/27/99	\$ 2,096,483	11/01/19	4.04-5.24%	419,299
General obligation bonds	10/28/04	775,000	11/01/19	4.10-4.30%	206,668
General obligation bonds	9/26/07	319,700	11/01/27	5.90-6.00%	191,820
General obligation bonds	5/27/10	4,067,093	11/01/34	2.77-5.75%	3,090,991
Ladder truck	10/28/10	767,000	11/01/25	2.12-4.27%	511,333
General obligation bonds	5/26/11	260,000	11/01/39	2.02-5.52%	222,857
General obligation note	4/09/14	67,003	4/09/18	2.79%	27,163
General obligation note	4/09/14	36,194	4/09/18	2.79%	14,673
General obligation note	9/11/14	23,991	9/11/17	2.60%	12,002
General obligation note	12/10/14	42,000	12/10/18	2.79%	25,202
General obligation bond	4/1/15	425,000	4/1/21	2.09%	354,167
Fire equipment note	10/20/15	91,620	10/20/21	2.37%	78,531
Total governmental activities					5,154,706
Business-type activities:					
1997 State revolving loan	3/14/97	1,296,500	11/01/17	2.95%	129,650
1999 State revolving loan	6/23/99	818,500	11/01/19	2.29%	122,775
2000 State revolving loan	5/15/00	790,000	4/01/20	3.20%	213,070
2011 Rural Development	5/26/11	236,000	5/26/40	3.75%	209,889
2013 ambulance	11/01/12	200,000	11/01/20	1.79%	125,000
2014 refunding bond	9/19/14	2,482,414	9/1/31	0.25%	2,336,390
Total business-type activities					3,136,774
Total long-term debt					\$ 8,291,480

Governmental activities reported \$168,738 of interest expense on long-term debt, of which \$38,604 is reported in the direct function to which it is applicable.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize long-term debt outstanding as of June 30, 2016 are as follows:

June 30,	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 514,209	144,981	659,190	332,820	27,568	360,388
2018	515,190	129,759	644,949	334,849	22,439	357,288
2019	488,145	118,535	606,680	272,128	18,018	290,146
2020	479,502	109,836	589,338	233,382	14,305	247,687
2021	323,010	102,096	425,106	177,484	11,455	188,939
2022-2026	1,208,527	373,597	1,582,124	766,242	46,835	813,077
2027-2031	891,817	193,577	1,085,394	773,542	30,409	803,951
2032-2036	697,163	57,156	754,319	198,219	15,428	213,647
2037-2040	37,143	4,101	41,244	48,108	4,698	52,806
Total	\$ 5,154,706	1,233,638	6,388,344	3,136,774	191,155	3,327,929

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City of \$324,000,000. At June 30, 2016, the statutory limit for the City was \$48,600,000. The City's outstanding long-term debt of \$8,291,480 at June 30, 2016 was significantly less than the statutory limit.

SHORT-TERM DEBT

The City issued \$2,758,000 of bond anticipation notes for projects that will be funded with a future bond issue. Short-term debt activity for the year ended June 30, 2016 was as follows:

	Beginning balance	Additions	Reductions	Ending balance
Bond anticipation notes	\$ 338,387	2,419,613	-	2,758,000

OVERLAPPING DEBT

In addition to the notes and bonds payable, the City is contingently responsible for the following overlapping debt as of June 30, 2016:

<u>Governmental unit</u>	<u>Net debt outstanding</u>	<u>Applicable to Gardiner</u>	<u>City of Gardiner's share of debt</u>
MSAD 11	\$ 3,759,965	37.84%	\$ 1,422,771

The City's proportionate share of the District debt is paid through annual assessments. The City's share of MSAD 11 debt service payments is voted on annually.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL LEASES

The City has entered into several lease agreements as lessee for financing the acquisition of vehicles and equipment. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2016.

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 40,945	6,549	37,033	4,397
2018	36,562	5,389	37,836	3,593
2019	37,623	4,328	38,665	2,765
2020	32,712	3,237	31,339	1,922
2021	27,686	2,276	31,972	1,289
2022-2023	48,498	2,193	32,608	652
Total	\$ 224,026	23,972	209,453	14,618

The amount capitalized under capital leases totals \$253,481 for governmental activities and \$231,972 for business-type activities.

LANDFILL

The City pays a per capita fee for use of the Hatch Hill landfill facility in Augusta. In 2016, the per capita fee was based on 5,800 residents for a total of \$87,000. This was based on a rate of \$21,750 per quarter.

DEFERRED COMPENSATION PLAN

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

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

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)

General Information about the Pension Plan

Plan Description - Employees of the City are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits Provided - The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions.

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. Employees are required to contribute 7.5% for administration and 9.0% for public safety of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2016, was 8.9% and 11.4% of annual payroll for the administration and public safety plans, respectively, 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. Contributions to the pension plan from the City were \$274,365 for the year ended June 30, 2016.

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

At June 30, 2016, the City reported a liability of \$1,999,226 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City'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 local districts, actuarially determined. At June 30, 2015, the City's proportion was 0.6266%.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

For the year ended June 30, 2016, the City recognized a pension expense of \$683,633. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	176,046
Changes of assumption	176,678	-
Net difference between projected and actual earnings on pension plan investments	-	151,042
Changes in proportion and differences between City contributions and proportionate share of contributions	-	142,746
City contributions subsequent to the measurement date	274,365	-
Total	\$ 451,043	\$ 469,834

\$274,365 is reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (151,117)
2018	(151,117)
2019	(145,181)
2020	154,259

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

Inflation	3.5%
Salary Increases	3.5% to 9.5% per year
Investment return	7.125% per annum, compounded annually
Cost of living benefit increases	2.55% per annum

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

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

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts 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 of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.125%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.125%) or 1 percentage-point higher (8.125%) than the current rate:

	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
City's proportionate share of the net pension liability	\$ 3,983,051	\$ 1,999,226	\$ 118,438

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2016.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS

The City has established six tax increment financing districts under the terms of applicable state laws, which are accounted for in the TIF Fund.

The City established the **Libby Hill Area Wide Tax Incremental Financing District** in the spring of 2009. This thirty year TIF includes all the remaining lots within Libby Hill Phase I and Phase II that were not already in a separate TIF agreement as of that date. Credit enhancement agreements are decided on a case by case basis. Any captured assessed value will be applied to debt service on Libby Hill and economic development expenditures. Current credit enhancement agreements include Dennison Lubricants, 10 years at 25% reimbursement, Black Diamond Consultants, with a 25% reimbursement on land only (not to exceed 5 years) and an added 25% reimbursement for a further ten years upon building development, and William Lovely, with 50% reimbursement. Total credit enhancement payments made during the year by the City to the developers totaled \$18,257.

The City established the **Harper's II LLC Municipal Development Tax Incremental Financing District** on March 23, 2001, for the purpose of economic development in the Libby Hill Business Park. The TIF will help offset the specific costs of the high-tech facility by paying for a portion of the marginal increase in debt service. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. There is a 34% credit enhancement agreement on this TIF through 2020. Total credit enhancement payments made during the year by the City to the developer totaled \$19,247.

The City established the **Downtown Municipal Development Tax Incremental Financing District** on March 20, 2003, for the purpose of improving the downtown area. The TIF will fund debt service payments for a bond issued for downtown improvements. The TIF has been designated for 10 years or until the project costs are expended. This district was amended in 2009 to 30 years, and increased in size to include City owned areas including the City Common, and portions of Church and School Streets leading to the downtown area. During FY15, the City adopted a Credit Enhancement program for the downtown, which may result in credit enhancements for qualified properties. As of June 30, 2016, there have been no credit enhancement agreements approved.

The City established the **Pine State Trading Municipal Development Tax Incremental Financing District** on March 30, 2004, for the purpose of economic development in the Libby Hill Business Park. The TIF will help offset the costs of a new building by paying for a portion of the project. The TIF has been designated for 10 years and 50% of the captured assessed value will be applied to the Credit Enhancement Agreement. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. FY14 was the final year of the credit enhancement agreement for this district and, therefore, the City now keeps 100% of the tax payments to be used in their entirety towards economic development.

The City established the **EJ Prescott Tax Incremental Financing District** in March 2005. The TIF has been designated as follows: 75% of the captured assessed value to be paid to developer for years one through six and 50% for years seven through ten. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. There is no longer a credit enhancement agreement for this District as it expired in fiscal year 2015.

The City established the **Associated Grocers Tax Incremental Financing District** in 2006, encompassing the facilities 40,000 square foot expansion completed in 2005. This district was amended in 2011 to 30 years, and increased by 24.88 acres to include all Business Park roads and infrastructure areas, as well as fire suppression system which supports the property. This property is owned by KNG, LLC, and is occupied by Pine State Trading.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

JOINT VENTURE

The City of Gardiner, Maine has entered into a joint venture with a number of other municipalities. This joint venture is considered to be a separate reporting entity and has not been included within the financial statements of the City. The joint venture is as follows:

FirstPark

Kennebec Regional Development Authority (FirstPark) was formed in 1998 through an act of the Maine State Legislature. Its primary purposes according to the act were to strengthen the financial condition of local governments within the geographic territory of the Authority, while combining resources and sharing costs for meeting regional and economic development needs and challenges; to promote and develop infrastructure and programs for employment and economic development opportunities and other conditions to positively affect regional development. The intent was that the members would fund the start up costs and then all benefit from the tax revenues later on. There are currently 24 local governments who are members of the Authority, including the City of Gardiner, Maine. The Authority derives the bulk of its revenue from participants, but also receives some grant revenues from the State of Maine. In fiscal 2016, the City of Gardiner, Maine contributed \$31,163. However, the City receives a portion of the tax revenues generated, which amounted to \$14,110 in fiscal year 2016, for a net contribution of \$17,053. Complete financial statements may be obtained from Kennebec Regional Development Authority/FirstPark at P.O. Box 246, Oakland, Maine 04963.

NET POSITION

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net investment in capital assets was calculated as follows at June 30, 2016:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets, net of depreciation	\$ 13,902,703	14,466,671
Bonds and notes payable	(5,154,706)	(3,136,774)
Bond anticipation note payable	-	(2,758,000)
Capital leases payable	(224,026)	(209,453)
Interfund advance payable	-	(579,000)
Unspent bond proceeds	221,795	-
<u>Total net investment in capital assets</u>	<u>\$ 8,745,766</u>	<u>7,783,444</u>

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

FUND BALANCE

As of June 30, 2016, fund balance components consisted of the following:

	<u>General Fund</u>	<u>TIF Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Interfund advance	\$ 579,000	-	-	579,000
Long-term notes receivable	-	-	139,527	139,527
Principal for permanent funds	-	-	307,399	307,399
Total nonspendable	579,000	-	446,926	1,025,926
Restricted:				
Revolving loan funds	-	-	113,369	113,369
Grants for development and planning	-	-	26,040	26,040
Grant for wellness	-	-	20	20
Grants for private uses	-	-	19,592	19,592
Grants for New Mills Dam	-	-	6,575	6,575
Permanent funds	-	-	107,365	107,365
Total restricted	-	-	272,961	272,961
Assigned:				
WIFI	1,400	-	-	1,400
Paving	88,145	-	-	88,145
Signage project	18,038	-	-	18,038
FY12 Capen Road	221,795	-	-	221,795
Total assigned	329,378	-	-	329,378
Total unassigned	2,239,229	(710,707)	-	1,528,522
Total fund balance (deficit)	\$ 3,147,607	(710,707)	719,887	3,156,787

RESTATEMENTS OF NET POSITION

The City restated net position of the Wastewater Fund due to the early recognition of grant revenue from a federal loan and grant program. The City reduced the net position of the Wastewater Fund by \$532,495 to \$8,272,426 and increased the balances of interfund advance payable by \$194,108 and bond anticipation note payable by \$338,387.

SUBSEQUENT EVENT

The City issued two bonds in August of 2016. The City issued two 29-year general obligation bonds of \$391,000 and \$188,000 through the Rural Utilities Service of the United States Department of Agriculture. Those bonds have interest rates of 2.25% with principal payments of \$7,109 and \$3,418, respectively. The proceeds of these bonds will be used to pay the interfund advance the Wastewater Fund owes to the General Fund for costs associated with the Cobbossee sewer interceptor improvements. The project was completed during the current fiscal year.

CITY OF GARDINER, MAINE
Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years*
(Only two years of information available)

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.6266%	0.6491%
City's proportionate share of the net pension liability	\$ 1,999,226	998,790
City's covered-employee payroll	2,695,361	2,639,319
City's proportion share of the net pension liability as a percentage of its covered-employee payroll	74.17%	37.84%
Plan fiduciary net position as a percentage of of the total pension liability	88.27%	94.10%

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

CITY OF GARDINER, MAINE
Required Supplementary Information, Continued

Schedule of City Contributions
Maine Public Employees Retirement System Consolidated Plan
Last 10 Fiscal Years
(Only three years of information available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 274,365	248,767	208,632
Contributions in relation to the contractually required contribution	<u>(274,365)</u>	<u>(248,767)</u>	<u>(208,632)</u>
<u>Contribution deficiency (excess)</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	2,695,361	2,639,319	2,465,972
Contributions as a percentage of covered- Employee payroll	10.18%	9.43%	8.46%

CITY OF GARDINER, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - The PLD Plan changed the discount rate from 7.25% in the 2014 valuation to 7.125% in the 2015 valuation. The PLD Plan also changed the cost of living benefits increase from 3.12% in the 2014 valuation to 2.55% in the 2015 valuation.

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund (Exhibit A-2) is information required by the Governmental Accounting Standards Board as required supplementary information. Comparative Balance Sheets (Exhibit A-1) is presented for additional analysis only.

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges and capital improvement costs which are not paid through other funds.

CITY OF GARDINER, MAINE
General Fund
Comparative Balance Sheets
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 2,263,136	1,770,030
Receivables:		
Taxes - current year	26,504	22,379
Taxes - prior years	72,493	51,403
Tax liens - current year	220,221	269,831
Tax liens - prior years	178,874	186,882
Accounts receivables	54,719	181,978
Prepaid expenditures	-	4,807
Interfund advance receivable	579,000	-
Interfund loans receivable	358,093	1,400,262
Total assets	\$ 3,753,040	3,887,572
LIABILITIES		
Accounts payable	97,490	252,768
Accrued payroll and related liabilities	23,949	46,575
Taxes paid in advance	18,883	9,719
Due to other governments	2,111	3,730
Total liabilities	142,433	312,792
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	463,000	463,000
Total deferred inflows of resources	463,000	463,000
FUND BALANCES		
Nonspendable	579,000	4,807
Assigned	329,378	500,876
Unassigned	2,239,229	2,606,097
Total fund balances	3,147,607	3,111,780
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,753,040	3,887,572

CITY OF GARDINER, MAINE
Required Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
General Fund
For the year ended June 30, 2016

	Budget		Actual	Variance with final budget positive (negative)	2015
	Original	Final			
Revenues:					
Taxes	\$ 8,643,356	8,643,356	8,981,974	338,618	8,346,187
Licenses and permits	22,000	22,000	18,919	(3,081)	22,611
Intergovernmental	818,612	818,612	1,115,308	296,696	1,064,530
Charges for services	67,200	67,200	63,976	(3,224)	55,096
Interest earned	2,500	2,500	4,124	1,624	3,052
Unclassified	90,200	90,200	87,784	(2,416)	149,107
Total revenues	9,643,868	9,643,868	10,272,085	628,217	9,640,583
Expenditures:					
Current:					
General government	875,666	883,666	819,980	63,686	924,663
Technology	74,041	75,441	75,273	168	35,473
Public safety	1,865,921	1,865,921	1,824,826	41,095	1,804,894
Public works	1,830,038	2,321,514	2,529,080	(207,566)	2,152,866
Community services	379,511	379,511	362,611	16,900	367,663
Education	3,524,524	3,524,524	3,524,524	-	3,340,650
County tax	317,590	317,590	317,590	-	343,704
Unclassified	373,087	373,087	357,472	15,615	337,136
Total expenditures	9,240,378	9,741,254	9,811,356	(70,102)	9,307,049
Excess (deficiency) of revenues over (under) expenditures	403,490	(97,386)	460,729	558,115	333,534
Other financing sources (uses):					
Use of carryforwards	-	500,876	-	(500,876)	-
Proceeds from long-term debt	-	-	-	-	425,000
Transfer from other funds	251,090	251,090	251,090	-	250,214
Transfer to other funds	(654,580)	(654,580)	(675,992)	(21,412)	(688,873)
Total other financing sources (uses)	(403,490)	97,386	(424,902)	(522,288)	(13,659)
Net change in fund balance	-	-	35,827	35,827	319,875
Fund balance, beginning of year			3,111,780		2,791,905
Fund balance, end of year	\$		3,147,607		3,111,780

*Debt service is budgeted in the department in which debt was incurred.

ALL OTHER GOVERNMENTAL FUNDS

CITY OF GARDINER, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2016

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 148,446	-	414,764	563,210
Accounts receivable	3,441	5,985	-	9,426
Notes receivable, net of allowance	139,527	-	-	139,527
Interfund loans receivable	45,652	369,057	-	414,709
Total assets	\$ 337,066	375,042	414,764	1,126,872
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	3,441	375,042	-	378,483
Interfund loans payable	28,502	-	-	28,502
Total liabilities	31,943	375,042	-	406,985
Fund balances:				
Nonspendable	139,527	-	307,399	446,926
Restricted	165,596	-	107,365	272,961
Total fund balances	305,123	-	414,764	719,887
Total liabilities and fund balances	\$ 337,066	375,042	414,764	1,126,872

CITY OF GARDINER, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects	Nonmajor Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 910,176	50,770	-	960,946
Charges for services	33,636	-	-	33,636
Interest income	7,235	-	3,260	10,495
Unclassified	32,590	61,424	-	94,014
Total revenues	983,637	112,194	3,260	1,099,091
Expenditures:				
Current:				
General government	20,692	-	-	20,692
Welfare	166	-	-	166
Public safety	53,868	-	-	53,868
Public works	29,538	-	-	29,538
Community services	944,159	-	-	944,159
Unclassified	-	-	2,000	2,000
Capital outlay	-	112,194	-	112,194
Total expenditures	1,048,423	112,194	2,000	1,162,617
Deficiency of revenues under expenditures	(64,786)	-	1,260	(63,526)
Other financing sources (uses):				
Transfers in (out)	(1,000)	21,412	-	20,412
Total other financing sources (uses)	(1,000)	21,412	-	20,412
Net change in fund balances	(65,786)	21,412	1,260	(43,114)
Fund balances (deficit), beginning of year	370,909	(21,412)	413,504	763,001
Fund balances, end of year	\$ 305,123	-	414,764	719,887

NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds account for specific resources, the expenditure of which is restricted by law or administrative action for particular purposes.

CITY OF GARDINER, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2016

	20	21	24	25	26	27	28	29	
	Revolving	Development	Public	School	Private	Wellness	Bradstreet	New Mills	Total
	Loan	and Planning	Safety	Reserve	Grants		Fund	Dam	
	Fund		Grants	Officer					
ASSETS									
Cash and cash equivalents	\$ 114,383	-	-	-	-	-	-	34,063	148,446
Accounts receivable	-	-	3,441	-	-	-	-	-	3,441
Notes receivable, net of allowance	139,527	-	-	-	-	-	-	-	139,527
Interfund loans receivable	-	26,040	-	-	18,512	20	1,080	-	45,652
Total assets	\$ 253,910	26,040	3,441	-	18,512	20	1,080	34,063	337,066
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	-	-	3,441	-	-	-	-	-	3,441
Interfund loans payable	1,014	-	-	-	-	-	-	27,488	28,502
Total liabilities	1,014	-	3,441	-	-	-	-	27,488	31,943
Fund balances:									
Nonspendable	139,527	-	-	-	-	-	-	-	139,527
Restricted	113,369	26,040	-	-	18,512	20	1,080	6,575	165,596
Total fund balances	252,896	26,040	-	-	18,512	20	1,080	6,575	305,123
Total liabilities and fund balances	\$ 253,910	26,040	3,441	-	18,512	20	1,080	34,063	337,066

CITY OF GARDINER, MAINE
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended June 30, 2016

	20	21	24	25	26	27	28	29	
	Revolving	Development	Public	School	Private		Bradstreet	New Mills	
	Loan	and Planning	Safety	Reserve	Grants	Wellness	Fund	Dam	Total
	Fund		Grants	Officer					
Revenues:									
Intergovernmental	\$ -	902,064	8,112	-	-	-	-	-	910,176
Charges for services	-	-	-	33,636	-	-	-	-	33,636
Interest income	7,235	-	-	-	-	-	-	-	7,235
Unclassified	-	1,000	-	-	14,650	1,668	1,246	14,026	32,590
Total revenues	7,235	903,064	8,112	33,636	14,650	1,668	1,246	14,026	983,637
Expenditures:									
Current:									
General government	20,692	-	-	-	-	-	-	-	20,692
Welfare	-	-	-	-	-	-	166	-	166
Public safety	-	-	8,112	33,636	12,120	-	-	-	53,868
Public works	-	-	-	-	909	-	-	28,629	29,538
Community services	-	930,064	-	-	12,287	1,808	-	-	944,159
Total expenditures	20,692	930,064	8,112	33,636	25,316	1,808	166	28,629	1,048,423
Excess (deficiency) of revenues over (under) expenditures	(13,457)	(27,000)	-	-	(10,666)	(140)	1,080	(14,603)	(64,786)
Other financing sources (uses):									
Transfers in (out)	-	-	-	-	(1,000)	-	-	-	(1,000)
Total other financing sources (uses)	-	-	-	-	(1,000)	-	-	-	(1,000)
Net change in fund balances	(13,457)	(27,000)	-	-	(11,666)	(140)	1,080	(14,603)	(65,786)
Fund balances, beginning of year	266,353	53,040	-	-	30,178	160	-	21,178	370,909
Fund balances, end of year	\$ 252,896	26,040	-	-	18,512	20	1,080	6,575	305,123

NONMAJOR PERMANENT FUNDS

Nonmajor permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The **Henrietta Johnson Fire Department Fund** of \$10,000 is a fund intended for the assistance and relief of sick or unfortunate members of the Gardiner Fire Department, former member(s), or their families.

Lucy Harriman Children's Fund holds \$20,000 of nonexpendable gifts to the City. This trust was established for the assistance of needy children in Gardiner.

Christmas Dinner Fund holds \$10,000 of nonexpendable gifts to the City. The purpose of this fund is to purchase groceries to provide Christmas dinners for the needy.

Gardiner Fire Department Fund holds \$10,250 of nonexpendable gifts to the City. The purpose of this fund is the same as the Henrietta Johnson Fire Department fund.

The **Cemetery Perpetual Care Fund** holds \$2,050 of nonexpendable gifts to the City. They were established by various donors for the ongoing care of City cemeteries from the income of the trust funds.

The **Isabel Harriman fund** of \$239,599 is for scholarships for deserving Gardiner area High School graduates to defray the cost of further vocational education.

All Other Funds hold \$15,500 of nonexpendable gifts to the City. The income generated from these various funds is to be used to help the poor and help maintain the City's parks, libraries, and cemeteries.

CITY OF GARDINER, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2016

	Henrietta Johnson Fire Dept. Fund	Lucy Harriman Children's Fund	Christmas Dinner Fund	Gardiner Fire Department Fund	Cemetery Perpetual Care	Isabel Harriman Fund	All Other Funds	Total
ASSETS								
Cash and cash equivalents	\$ 97,087	22,211	11,819	20,590	2,144	242,924	17,989	414,764
Total assets	\$ 97,087	22,211	11,819	20,590	2,144	242,924	17,989	414,764
LIABILITIES AND FUND BALANCES								
Liabilities:								
Interfund loans payable	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-
Fund balances:								
Nonspendable	10,000	20,000	10,000	10,250	2,050	239,599	15,500	307,399
Restricted	87,087	2,211	1,819	10,340	94	3,325	2,489	107,365
Total fund balances	97,087	22,211	11,819	20,590	2,144	242,924	17,989	414,764
Total liabilities and fund balances	\$ 97,087	22,211	11,819	20,590	2,144	242,924	17,989	414,764

CITY OF GARDINER, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the year ended June 30, 2016

	Henrietta Johnson Fire Dept. Fund	Lucy Harriman Children's Fund	Christmas Dinner Fund	Gardiner Fire Department Fund	Cemetery Perpetual Care	Isabel Harriman Fund	All Other Funds	Total
Revenues:								
Interest income	\$ 760	174	93	161	17	1,915	140	3,260
Total revenues	760	174	93	161	17	1,915	140	3,260
Expenditures:								
Unclassified	-	-	-	-	-	2,000	-	2,000
Total expenditures	-	-	-	-	-	2,000	-	2,000
Net change in fund balances	760	174	93	161	17	(85)	140	1,260
Fund balances, beginning of year	96,327	22,037	11,726	20,429	2,127	243,009	17,849	413,504
Fund balances, end of year	\$ 97,087	22,211	11,819	20,590	2,144	242,924	17,989	414,764