

KENNEBUNK LIGHT AND POWER DISTRICT

Financial Statements

**For the Years Ended
December 31, 2020 and 2019**

KENNEBUNK LIGHT AND POWER DISTRICT
Financial Statements
For the Years ended December 31, 2020 and 2019

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Trustees of
Kennebunk Light and Power District
Kennebunk, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the Kennebunk Light and Power District, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Kennebunk Light and Power District as of December 31, 2020 and 2019, the respective changes in financial position, and cash flows thereof for the years 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, and schedules pertaining to pension and OPEB liabilities, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2021, on our consideration of the Kennebunk Light and Power District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kennebunk Light and Power District's internal control over financial reporting and compliance.



April 27, 2021
South Portland, Maine

KENNEBUNK LIGHT AND POWER DISTRICT
Management's Discussion and Analysis
December 31, 2020

The Kennebunk Light and Power District (KLPD) is a quasi-municipal corporation distributing electrical power to most of the residents of the Town of Kennebunk, as well as small adjacent areas of the Towns of Arundel, Wells, and Lyman. The Town of Kennebunk began street light service to the Town in 1893 through the establishment of an electric light department. In 1951, through a Private and Special Act of the Maine State Legislature, the Town adopted the charter of and created the Kennebunk Light and Power District. It is a consumer-owned, not-for-profit entity whose service territory is defined by a charter created by the Town and amended by the State Legislature. The Kennebunk Light and Power District ("KLPD" or the "District") distributes power to the consumers within its service territory as well as constructs and maintains the distribution system. The District also owns, operates, repairs, and maintains three small hydroelectric stations on the Mousam River within the boundaries of the Town of Kennebunk. KLPD is managed by a General Manager appointed by an elected Board of Trustees responsible for the proper conduct and management of all the affairs of the District. The General Manager appoints and is assisted in the operations of the District by a Finance Director and a General Foreman. In addition, the District employs a line crew, meter reader, a hydro operator/stockman, and three customer service representatives.

As management of the District, we offer readers of its financial statements this overview and analysis of the financial activities for the year ended December 31, 2020. We encourage our readers to consider this information presented in conjunction with the audited financial statements and notes. The statements include:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Basic Financial Statements

FINANCIAL HIGHLIGHTS:

- At year-end, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$10,904,017 (net position). Included in this amount is \$1,881,434 of unrestricted net position.
- Total net position increased by approximately 7% from the previous year.
- The District's unrestricted cash decreased by 1.2% during the year while accounts receivable increased by 3% and accounts payable decreased by 3%.
- Operating revenues decreased by 6% during 2020.
- Operating expenses decreased by 7% during 2020.
- KLPD incurred no additional debt in 2020.

OVERVIEW OF FINANCIAL STATEMENTS:

Although the District is a quasi-municipal corporation, the financial activities are accounted for through one fund. There is one general operating cash account where all non-payroll activities are paid. The District has a separate payroll account in order to isolate those activities. In addition, the District has other short-term investment accounts to maximize the amount of interest earned.

KENNEBUNK LIGHT AND POWER DISTRICT
Management's Discussion and Analysis, Continued

Current assets at the end of 2020 totaled \$3,454,078, which was an increase of 0.01% over the prior year. Other assets totaled \$480,539, which consisted of restricted cash and investments. In total, other assets decreased by 14%. Net capital assets decreased a net of .0045%, or \$469, due to capital asset retirements and \$360,000 of annual depreciation exceeding additions.

Current liabilities ended the year at \$1,508,705, a decrease of 5% from the prior year. The non-current liabilities are the District's accrued compensated absences, bonds payable, net pension liability and net OPEB liability, which decreased by 13%.

The largest portion of the District's net position (80%) reflects its net investment in capital assets (e.g., land, buildings, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Kennebunk Light and Power District uses these capital assets to provide a variety of services to its consumers. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another piece of the District's net position (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,881,434 is unrestricted and may be used to meet the District's ongoing obligations to its consumers and creditors.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
	2020	2019
Operating revenues	\$ 12,815,797	13,686,094
Operating expenses	12,262,670	13,206,265
Operating income	553,127	479,829
Non-operating revenue (expenses)	16,177	(2,267)
Income (loss) before contributions	569,304	477,562
Capital contributions	130,938	140,349
Change in net position	700,242	617,911
Net position, beginning of year	10,203,775	9,585,864
Net position, end of year	\$ 10,904,017	10,203,775

The operating revenues for 2020 were \$12,815,797, which included fees collected for energy, transmission and delivery, which was a decrease of 6% from the previous year. Electricity revenue decreased by 7%, regional network service revenue decreased by 9%, transmission revenue decreased by 7%, and delivery revenue decreased by 1%.

Operating expenses totaled \$12,262,670, a decrease of 7% in 2020.

FINANCIAL ANALYSIS:

Net income (loss) before contributions for the year ended December 31, 2020 was \$569,304, compared to \$477,562 for the year ended December 31, 2019. The District's change in net position was \$700,242 when capital contributions are added.

The District's 2020 budget projected a net income before contributions of \$389,707. Actual net income before contributions was \$569,304, which was \$179,597 higher than budgeted.

KENNEBUNK LIGHT AND POWER DISTRICT
Management's Discussion and Analysis, Continued

CAPITAL ASSETS:

CAPITAL ASSETS				
	Balance 12/31/19	Additions	Dispositions	Balance 12/31/20
Capital assets being depreciated:				
Operating property	\$18,243,217	359,531	29,794	18,572,954
Total capital assets being depreciated	18,243,217	359,531	29,794	18,572,954
Less accumulated depreciation for:				
Operating property	7,769,991	360,000	29,794	8,100,197
Total accumulated depreciation	7,769,991	360,000	29,794	8,100,197
Total capital assets being depreciated, net	10,473,226	(469)	-	10,472,757
Capital assets, net	\$10,473,226	(469)	-	10,472,757

Net capital assets for 2020 make up 80% of the District's total assets. The investment includes land, buildings, general equipment, distribution equipment, and production equipment. Additions in 2020 to the capital assets being depreciated amounted to \$359,531. Of that amount, the major capital expenditures were \$144,669 for poles and fixtures. The balance consists of additions to the distribution system and other equipment.

The infrastructure of the District's distribution system is maintained in excellent condition, which is demonstrated by the small number of power outages experienced by District customers.

DEBT ADMINISTRATION:

LONG-TERM LIABILITIES					
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable	\$2,199,000	-	434,000	1,765,000	215,000
Net pension liability	440,498	137,807	-	578,305	-
OPEB liabilities	203,037	-	68,358	134,679	-
Accrued Comp	8,282	5,645	-	13,927	-
Total long-term liabilities	\$2,850,817	143,452	502,358	2,491,911	215,000

At the end of the current fiscal year, the District had bonded debt of \$1,765,000 in one bond issue. The total debt decreased by the amount of the principal payment during the year for the 2007 bond and the retirement of the 1983 bond. Additional information on the District's long-term liabilities can be found in the Notes to Basic Financial Statements, page 14.

KENNEBUNK LIGHT AND POWER DISTRICT
Management's Discussion and Analysis, Continued

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors currently affect the Kennebunk Light and Power District and were considered in developing the 2021 fiscal year budget:

- kWh sales are expected to increase by 1.06%.
- Bad debt allowance is planned to be increased to \$100,000 anticipating the impact of COVID-19.

REQUEST FOR INFORMATION:

This discussion and analysis is designed to provide a general overview of the District's hierarchy and 2020 financial highlights. Any relevant questions to this discussion or any other financial information should be addressed to the General Manager and Treasurer, 4 Factory Pasture Lane, Kennebunk, Maine 04043.

KENNEBUNK LIGHT AND POWER DISTRICT
Statements of Net Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,152,514	2,178,089
Accounts receivable, net of allowance of \$17,455 and \$12,868	948,439	949,413
Accounts receivable - unbilled (delivery)	176,560	147,659
Prepaid expenses	3,082	33,518
Inventory	173,483	144,993
Total current assets	3,454,078	3,453,672
Noncurrent assets:		
Other assets:		
Restricted cash	172,926	253,479
Restricted investments	307,613	307,613
Other assets, net of amortization	-	926
Total other assets	480,539	562,018
Capital assets:		
Operating property	18,572,954	18,243,217
Less: accumulated depreciation	(8,100,197)	(7,769,991)
Net capital assets	10,472,757	10,473,226
Total noncurrent assets	10,953,296	11,035,244
Total assets	14,407,374	14,488,916
DEFERRED OUTFLOWS OF RESOURCES		
Deferred purchased power and transmission	202,279	-
Deferred outflows of resources related to OPEB	27,882	43,060
Deferred outflows of resources related to pensions	115,054	120,828
Total deferred outflows of resources	345,215	163,888
LIABILITIES		
Current liabilities:		
Accounts payable	1,066,756	1,095,111
Accrued payroll and taxes	13,389	10,468
Accrued interest	36,771	57,869
Unearned revenue	11,076	6,346
Customer deposits	165,713	178,421
Current portion of bonds payable	215,000	244,000
Total current liabilities	1,508,705	1,592,215
Noncurrent liabilities:		
Accrued compensated absences	13,927	8,282
Net pension liability	578,305	440,498
OPEB liabilities	134,679	203,037
Bonds payable, net of current portion	1,550,000	1,955,000
Total noncurrent liabilities	2,276,911	2,606,817
Total liabilities	3,785,616	4,199,032
DEFERRED INFLOWS OF RESOURCES		
Deferred purchased power and transmission	-	97,606
Deferred inflows of resources related to OPEB	62,956	14,491
Deferred inflows of resources related to pensions	-	137,900
Total deferred inflows of resources	62,956	249,997
NET POSITION		
Net investment in capital assets	8,707,757	8,274,226
Restricted	314,826	382,671
Unrestricted	1,881,434	1,546,878
Total net position	\$ 10,904,017	10,203,775

See accompanying notes to basic financial statements.

KENNEBUNK LIGHT AND POWER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
User fees:		
Electricity	\$ 7,453,389	8,049,131
Regional network service	1,890,987	2,074,627
Transmission	529,846	571,814
Delivery	2,901,785	2,930,414
Other	39,790	60,108
Total operating revenues	12,815,797	13,686,094
Operating expenses:		
Purchased power	7,453,389	8,049,130
Regional network service	1,890,987	2,074,626
Transmission costs	529,846	571,814
Operations	630,235	712,131
Maintenance	104,736	106,230
Customer accounting and collections	182,547	154,722
General and administrative	1,110,930	1,177,612
Depreciation	360,000	360,000
Total operating expenses	12,262,670	13,206,265
Operating income (loss)	553,127	479,829
Non-operating revenues (expenses):		
Interest revenue	20,242	26,584
FEMA reimbursement	-	2,295
Miscellaneous revenue	83,849	111,988
Amortization of change in postemployment benefits	(967)	(17,367)
Interest expense	(86,021)	(125,482)
Amortization expense	(926)	(285)
Total non-operating revenues (expenses)	16,177	(2,267)
Income (loss) before contributions	569,304	477,562
Capital contributions	130,938	140,349
Change in net position	700,242	617,911
Net position, beginning of year	10,203,775	9,585,864
Net position, end of year	\$ 10,904,017	10,203,775

See accompanying notes to basic financial statements.

KENNEBUNK LIGHT AND POWER DISTRICT
Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers and users	\$ 12,863,741	13,887,294
Payments to suppliers	(11,059,184)	(11,788,444)
Payments to employees	(1,161,214)	(1,048,081)
Net cash provided by (used in) operating activities	643,343	1,050,769
Cash flows from capital and related financing activities:		
Purchase of capital assets	(359,531)	(638,057)
Capital contributions	130,938	140,349
Principal payments on long-term debt	(434,000)	(234,000)
Interest payments on long-term debt	(107,119)	(121,652)
Net cash provided by (used in) capital and related financing activities	(769,712)	(853,360)
Cash flows from investing activities:		
Interest on investments	20,241	26,585
Net cash provided by (used in) investing activities	20,241	26,585
Cash flows from noncapital financing activities:		
Federal, State, and other grants	-	2,295
Net cash provided by (used in) noncapital financing activities	-	2,295
Net increase (decrease) in cash	(106,128)	226,289
Cash and cash equivalents at beginning of year	2,431,568	2,205,279
Cash and cash equivalents at end of year	\$ 2,325,440	2,431,568
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 553,127	479,829
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	360,000	360,000
Miscellaneous revenue	83,849	111,988
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	974	111,449
(Increase) decrease in accounts receivable - unbilled (delivery)	(28,901)	(18,768)
(Increase) decrease in prepaid expenses	30,436	(13,625)
(Increase) decrease in inventory	(28,490)	12,855
(Increase) decrease in deferred purchase power and transmission	(299,885)	185,131
Increase (decrease) in accounts payable	(28,355)	(165,698)
Increase (decrease) in accrued payroll and taxes	2,921	(7,841)
Increase (decrease) in accrued compensated absences	5,645	(1,082)
Increase (decrease) in unearned revenue	4,730	4,935
Increase (decrease) in customer deposits	(12,708)	(8,404)
Net cash provided by (used in) operating activities	643,343	1,050,769

See accompanying notes to basic financial statements.

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Kennebunk Light and Power District (the District) is a quasi-governmental corporation which supplies power to various areas in and around the Town of Kennebunk, Maine. The District is governed by a board of five trustees elected for five-year terms.

Measurement Focus and Basis of Accounting - 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flows.

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 District are 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.

Cash and Cash Equivalents - The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash equivalents.

Accounts Receivable - The District provides credit to customers in the District. The District uses the allowance method to account for uncollectible accounts receivable. The allowance for uncollectible accounts is based on subsequent write-offs that are approved by the board shortly after year. The allowance was estimated at \$17,455 and \$12,868 as of December 31, 2020 and 2019, respectively.

Prepaid Expenses - Payments to vendors that will benefit periods beyond the fiscal year are recorded as prepaid expenses. These payments are made up of regulatory dues and miscellaneous payments

Capital Assets - Operating property, the related labor, and the related overhead are capitalized at cost if purchased and estimated acquisition value if donated. Depreciation is calculated at a rate varying from 2% to 4% of the cost of the utility plant at the end of the preceding year, as prescribed by the District's charter. Minor renewals, replacements, and betterments to the utility plant are charged to maintenance expense. Items of the utility plant that are being retired are removed from both the operating property account and the reserve for depreciation account based on actual or estimated original costs. Estimated original costs are based on half of the current price for the material being retired, twice the estimated cost for labor, and the current overhead rate applied to the estimated labor and materials for overhead.

Inventories - Inventories are valued at the lower of cost or market using the first-in first-out method. Inventories consist of expendable supplies held for consumption.

Customer Deposits - The District requires commercial customers to apply a deposit on their account prior to being connected to the electrical grid. The deposit provides protection to the District against the business leaving without paying their final bill. Required deposit amounts are based on the estimated monthly usage.

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Outflows/Inflows of Resources - In addition to assets and liabilities, the statement of net position 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 deferred outflows and inflows relate to the net pension and the OPEB liabilities, which include the District's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension and OPEB liabilities in the subsequent year. They include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between District 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 plan investments, which is deferred and amortized over a five-year period.

In accordance with the MPUC, the District is not allowed to generate a profit on the electricity portion of its utility billings, which includes both purchased power and transmission costs. Therefore, excess revenue is recorded as a deferred inflow of resources and excess expense is recorded as a deferred outflow of resources at the end of the fiscal year. The balance is netted together and shown as one amount on the statement of net position.

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.

Other Post-Employment Benefits (OPEB) - For purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined based on actuary reports prepared by the OPEB Plan's actuary. 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.

Accrued Compensated Absences - Under terms of personnel policies of the District, vacation leave is granted in varying amounts according to length of service. At December 31, 2020 and 2019, unused vacation time amounted to \$13,927 and \$8,282, respectively.

Unearned Revenue - Unearned revenue is associated with the Village Green Program. Under this program the district can purchase blocks renewable energy credits (REC's) on behalf of customers to allow for a renewable energy option. At year end, the balance represents receipts from customers for purchase of REC's where the district has not made the purchase.

Restricted Net Position - The District's net position policy states when both restricted and unrestricted resources are available for use, it is the District's intent to use restricted resources first, then unrestricted resources as they are needed.

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes - The District qualifies as a tax exempt organization under the provisions of the Internal Revenue Code and, accordingly, its revenue is not subject to any state or federal income taxes.

Use of Estimates - The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District currently does not have a written deposit policy for custodial credit risk, but does attempt to have all deposits insured and collateralized. As of December 31, 2020, the District reported deposits of \$2,325,440 with a bank balance of \$2,311,495. Of that amount, \$257,213 of the District's bank balance was covered by FDIC insurance, and \$2,054,282 was collateralized by underlying securities held by a trust company, which were in the District's name.

Interest rate risk: The District currently does not have a written policy for interest rate risk.

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

As of December 31, 2020, the District had the following investments:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Level 1 input</u>
US Treasury	\$ 307,613	7.588	yes

Credit Risk: Maine statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The District currently does not have a written policy for credit risk. As of December 31, 2020, the District's investments in the U.S. Treasury notes were rated AA+ by Standard & Poor's.

Custodial Credit Risk - investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments are subject to custodial credit risk. The District currently does not have a written policy for custodial credit risk.

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

RESTRICTED CASH AND INVESTMENTS

The District is required by the MPUC to set aside its yearly bond principal and interest payments due on a monthly basis into separate cash accounts called bond sinking funds. The bond payments are then made out of these accounts once they become due. These bond sinking funds are required to be used throughout the life of the bonds. Any interest earned on these accounts, however, is the District's to use and is not required by the MPUC to be kept in these separate cash accounts. The District currently has one sinking fund, related to the 2007 bond issuance.

The District was also required by Rural Development to fund a reserve account in the amount \$5,508 per year until it reaches \$55,075. This reserve account was related to the District's 1983 bond and is to stay in effect until the bond is paid off. The district paid the bond off in early 2020, and therefore is not carrying a balance as of December 30, 2020

Additionally, cash received by the District from customers for meter deposits and for customer advances for construction are restricted for these specified purposes.

As of December 31, 2020 and 2019, the District was in compliance with these debt service reserve requirements.

The following is a summary of the District's restricted cash and investments as of December 31:

	<u>2020</u>	<u>2019</u>
1983 bond sinking fund	\$ -	9,866
Rural development reserve account	-	57,979
2007 bond sinking fund	314,826	314,826
Customer meter deposits	165,713	178,421
Total restricted cash and investments	\$ 480,539	561,092

CAPITAL ASSETS

The following is a summary of the changes in capital assets from December 31, 2020:

	<u>Balance</u> <u>12/31/19</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/20</u>
Capital assets being depreciated:				
Operating property	\$ 18,243,217	359,531	29,794	18,572,954
Total capital assets being depreciated	18,243,217	359,531	29,794	18,572,954
Less accumulated depreciation for:				
Operating property	7,769,991	360,000	29,794	8,100,197
Total accumulated depreciation	7,769,991	360,000	29,794	8,100,197
Total capital assets being depreciated, net	10,473,226	(469)	-	10,472,757
Capital assets, net	\$ 10,473,226	(469)	-	10,472,757

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the District for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds payable	\$ 2,199,000	-	434,000	1,765,000	215,000
Net pension liability	440,498	137,807	-	578,305	-
Other postemployment benefits liabilities	203,037	-	68,358	134,679	-
Accrued compensated absences	8,282	5,645	-	13,927	-
Total long-term liabilities	\$ 2,850,817	143,452	502,358	2,491,911	215,000

BONDS PAYABLE

The following is a summary of the long-term debt payable at December 31, 2020 and 2019:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 12/31/20</u>	<u>Balance 12/31/19</u>
Bond 1983 GMAC	\$ 945,000	2023	5.00%	-	229,000
Bond 2007 BNY	3,835,000	2027	4.25-5%	1,765,000	1,970,000
				1,765,000	2,199,000
Less: current portion				215,000	244,000
Total long-term debt				\$ 1,550,000	1,955,000

Requirements for the repayment of the outstanding debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2021	\$ 215,000	88,250	303,250
2022	230,000	77,500	307,500
2023	240,000	66,000	306,000
2024	250,000	54,000	304,000
2025	265,000	41,500	306,500
2026-2027	565,000	42,750	607,750
Totals	\$ 1,765,000	370,000	2,135,000

DEFERRED PURCHASED POWER AND TRANSMISSION

The District is not allowed to generate a profit on electricity or transmission per the MPUC. As a result of timing issues, excess revenue is recorded as a deferred inflow of resources, while excess expenses are recorded as a deferred outflow of resources at the end of each fiscal year.

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

DEFERRED PURCHASED POWER AND TRANSMISSION, CONTINUED

The following are the deferred (outflows)/inflows of resources related to purchased power and transmission for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Purchased power adjustments:		
Electricity - deferred inflow (outflow)	\$ (363,861)	(661,316)
Transmission - deferred inflow (outflow)	161,582	758,922
<u>Deferred (outflow) of resources - December 31</u>	<u>\$ (202,279)</u>	<u>97,606</u>

The following would be net position of the District if the deferred (outflows)/inflows of resources related to purchased power and transmission were not recorded for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Net position	\$ 10,904,017	10,203,776
<u>Deferred (outflow)</u>	<u>(202,279)</u>	<u>97,606</u>
<u>Net position, without deferred power/transmission</u>	<u>\$ 10,701,738</u>	<u>10,301,382</u>

NET POSITION

Net position represents 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District's net investment in capital assets was calculated as follows at December 31:

	<u>2020</u>	<u>2019</u>
Capital assets	\$ 18,572,954	18,243,217
Accumulated depreciation	(8,100,197)	(7,769,991)
<u>Bonds payable</u>	<u>(1,765,000)</u>	<u>(2,199,000)</u>
<u>Net investment in capital assets</u>	<u>\$ 8,707,757</u>	<u>8,274,226</u>

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

NET POSITION, CONTINUED

The following is a summary of the District's restricted net position as of December 31:

	<u>2020</u>	<u>2019</u>
1983 bond sinking fund	\$ -	9,866
2007 bond sinking fund	314,826	314,826
Rural development reserve account	-	57,950
Total restricted net position	\$ 314,826	382,671

COMMITMENTS

The District has entered into contracts for the purchase of electricity. The following is a summary of the contract commitments at December 31, 2020:

<u>Contract Period</u>	<u>Total Quantity</u>	<u>Contract Price</u>
Calendar year 2021 – 100% (KLPD)	Usage	47.97 per MWH

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description - Employees of the District 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. MPERS issues a publicly available financial report that can be obtained at www.maineper.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. District employees are required to contribute between 8.10% and 7.5% (January 2019 through December 2020), of their annual pay. The District's contractually required contribution rates were 10.0% and 9.6% (January through June 2020 and 2019, respectively) and 10.1% and 10.0% (July through December 2020 and 2019, respectively) of payroll.

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

These employer contribution rates are actuarially determined as an amount that, when combined with employee contributions, are 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 District were \$93,659 and \$91,609 for the years ended December 31, 2020 and 2019, respectively.

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

At December 31, 2020, the District reported a liability of \$578,305, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District'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, 2020, the District's proportion of the PLD Plan was 0.1456%.

For the year ended December 31, 2020 and 2019, the District recognized pension expense of \$97,290 and 107,541, respectively. At December 31, 2020, the District 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	\$ 28,345	-
Net difference between projected and actual earnings on pension plan investments	37,631	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,372	-
Changes of assumptions	-	-
District contributions subsequent to the measurement date	47,706	-
Total	\$ 115,054	-

An amount of \$47,706 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2021	(18,612)
2022	21,962
2023	31,961
2024	32,037

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

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

Inflation	2.75%
Salary increases, per year	2.75%-9.0%
Investment return, per annum, compounded annually	6.75%
Cost of living benefit increases, per annum	1.91%

For active members and non-disabled retirees, the mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, was used.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	7.2%
Diversifiers	10.0%	5.9%
<u>Total</u>	<u>100%</u>	

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

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
District’s proportionate share of the net pension liability	\$ 1,215,364	\$ 578,305	\$ 56,826

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 December 31, 2020.

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE

General Information about the Health Insurance OPEB Plan

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

Benefits Provided - Retirees with a minimum of age 55 and 5 years of service at retirement are eligible for postretirement health insurance benefits. Eligible retirees are required to pay 100% of health insurance premiums to receive health benefit coverage and therefore, the District makes no actual contributions.

Employees Covered by Benefit Terms – At December 31, 2020, the following employees were covered by the Health OPEB Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employee entitled to but not yet receiving benefits	-
Active employees	<u>12</u>
Total	<u><u>15</u></u>

Contributions - Eligible retirees are required to pay 100% of health insurance premiums to receive health benefit coverage and therefore, the District makes no actual contributions.

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE, CONTINUED

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

The District's total OPEB liability of \$86,003 was measured as of January 1, 2020, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

Balance at December 31, 2019	\$ 130,738
Changes for the year:	
Service cost	4,571
Interest	5,321
Changes of benefit terms	(1,714)
Differences between expected and actual experience	(59,170)
Changes in assumptions or other inputs	17,436
Benefit payments	<u>(11,179)</u>
Net changes	<u>(44,735)</u>
Balance at December 31, 2020	<u>\$ 86,003</u>

Change in assumptions reflects a change in the discount rate from 4.10% to 2.74%.

For the year ended December 31, 2020, the District recognized OPEB gain of (\$2,892). At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	32,118
Changes of assumption or other inputs	12,812	-
Contributions subsequent to measurement date	3,417	-
Total	<u>\$ 16,229</u>	<u>32,118</u>

\$3,417 is reported as deferred outflows of resources related to Health Plan OPEB resulting from District contributions subsequent to the measurement date and will be recognized a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2021	\$ (1,439)
2022	(1,439)
2023	(1,439)
2024	(1,439)
2025	(7,588)
Thereafter	(5,962)

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE, CONTINUED

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

Inflation	2.00% per year
Salary increases	2.75% per year
Discount rate	2.74% per annum
Healthcare cost trend rates	8.50% for 2020, decreasing to 3.53% for 2040
Retirees' share of the benefit related costs	100% of projected health insurance premiums

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

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Discount Rate - The rate used to measure the total OPEB liability was 2.74% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the District's total OPEB liability calculated using the discount rate of 2.74%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.74%) or 1 percentage-point higher (3.74%) than the current rate:

	1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
Total OPEB liability	\$ 99,637	86,003	74,994

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 74,308	86,003	100,980

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE

General Information about the OPEB Life Insurance Plan

Plan Description - The District sponsors a post-retirement benefit plan providing group term life insurance to retiring employees. The District contributes to the Group Life Insurance Plan for Participating Local District (PLD). The plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS). The MPERS Board of Trustees has the authority to establish and amend the benefit terms and financing requirements for the plan. MPERS issues a publicly available financial reports that are available at www.maineipers.org.

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

Contributions - Premium rates are determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums total \$0.46 per \$1,000 of coverage per month during the post-employment retirement period. Employer contributions to the PLD OPEB plan from the District were \$8,678 for the year ended December 31, 2020. Employees are not required to contribute to the PLD OPEB plan.

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

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2020, the District reported a liability of \$48,676 for its proportionate share of the net OPEB liability. At June 30, 2020, the District's proportion was 0.3690%.

For the year ended December 31, 2020, the District recognized OPEB expense of \$1,072 for the PLD OPEB plan. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the PLD OPEB plan from the following sources:

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,010	-
Changes of assumptions	-	29,623
Net difference between projected and actual earnings on OPEB plan investments	-	1,215
Changes in proportion and differences between District contributions and proportionate share of contributions	1,436	-
District contributions subsequent to the measurement date	4,207	-
Total	\$ 11,653	30,838

\$4,207 is reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:		Amount
2021	\$	(7,074)
2022		(6,335)
2023		(1,946)
2024		(4,061)
2025		(3,976)

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

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

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

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

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

The long-term expected rate of return on PLD OPEB plan investments was determined using a building-block method which best estimates ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.0%	6.0%
Real estate	5.0%	5.2%
Traditional credit	15.0%	3.0%
U.S. Government Securities	10.0%	2.3%

Discount Rate - The discount rate used to measure the total OPEB liability for the PLD Plan was 6.75% in 2020. The projection of cash flows used to determine the discount rate assumed that employer and non-employer entity contributions will be made at the contractually required rates, actuarially determined. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following presents the District’s proportionate share of the net PLD OPEB plan liability calculated using the discount rate of 6.75%, as well as what the District’s proportionate share of the net PLD OPEB plan liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	\$ 65,558	48,676	35,108

OPEB Plan Fiduciary Net Position - Detailed information about the PLD OPEB plan’s fiduciary net positions are available in a separately issued MPERS financial report.

KENNEBUNK LIGHT AND POWER DISTRICT
Required Supplementary Information

Schedule of District's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan (PLD)
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan</u>							
District's proportion of the net pension liability	\$ 0.1456%	0.1441%	0.1453%	0.1634%	0.1628%	0.1543%	0.1490%
District's proportionate share of the net pension liability	578,305	440,498	397,716	669,217	865,230	429,324	229,301
District's covered payroll	923,165	881,551	840,332	883,266	856,546	810,988	794,726
District's proportionate share of the net pension liability as a percentage of its covered payroll	62.64%	49.97%	47.33%	75.77%	101.01%	52.94%	28.85%
Plan fiduciary net position as a percentage of the total pension liability	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%

* Only seven years of information available.

The amounts presented for each fiscal year were determined as of the prior plan fiscal year ended June 30.

KENNEBUNK LIGHT AND POWER DISTRICT
Required Supplementary Information, Continued

Schedule of District Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD)
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PLD Plan							
Contractually required contribution	\$ 93,659	91,609	82,423	83,729	78,782	69,987	56,831
Contributions in relation to the contractually required contribution	(93,659)	(91,609)	(82,423)	(83,729)	(78,782)	(69,987)	(56,831)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
District's covered payroll	931,871	916,091	840,699	876,848	855,857	834,656	791,890
Contributions as a percentage of covered payroll	10.05%	10.00%	9.80%	9.55%	9.21%	8.39%	7.18%

* Only seven years of information available.

KENNEBUNK LIGHT AND POWER DISTRICT
Required Supplementary Information, Continued

Schedule of Changes in the District's Total Health Plan - MMEHT OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 4,571	5,137	3,779
Interest	5,321	4,907	3,751
Changes of benefit terms	(1,714)	-	-
Differences between expected and actual experience	(59,170)	-	32,546
Changes of assumptions or other inputs	17,436	(11,400)	10,518
Benefit payments	(11,179)	(10,749)	(6,352)
Net change in total OPEB Liability	<u>(44,735)</u>	<u>(12,105)</u>	<u>44,242</u>
Total OPEB liability - beginning	<u>130,738</u>	<u>142,843</u>	<u>98,601</u>
Total OPEB liability - ending	<u>\$ 86,003</u>	<u>130,738</u>	<u>142,843</u>
Covered-employee payroll	\$ 746,383	752,794	752,794
Total OPEB liability as a percent of covered-employee payroll	11.5%	17.37%	18.98%

*Only three years of information available.

KENNEBUNK LIGHT AND POWER DISTRICT
Required Supplementary Information, Continued

Schedule of District's Proportionate Share of the Net OPEB Liability
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>PLD Plan</u>				
District's proportion of the net OPEB liability	\$ 0.3690%	0.3379%	0.3618%	0.3591%
District's proportionate share of the net OPEB liability	48,676	72,298	73,081	60,055
District's covered-employee payroll	923,165	881,551	840,332	883,266
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	5.27%	8.20%	8.70%	6.80%
Plan fiduciary net position as a percentage of the total OPEB liability	55.40%	43.18%	43.92%	47.42%

**Only four years of information available.*

The amounts presented for each fiscal year were determined as of the prior plan fiscal year ended June 30.

KENNEBUNK LIGHT AND POWER DISTRICT
Required Supplementary Information, Continued

Schedule of District OPEB Contributions
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>PLD OPEB Plan</u>				
Contractually required contribution	\$ 8,678	9,024	9,087	8,596
Contributions in relation to the contractually required contribution	(8,678)	(9,024)	(9,087)	(8,596)
<u>Contribution deficiency (excess)</u>	\$ -	-	-	-
District's covered payroll	931,871	916,091	840,699	876,848
Contributions as a percentage of covered payroll	0.93%	0.99%	1.08%	0.98%

* Only four years of information available.

KENNEBUNK LIGHT AND POWER DISTRICT
Notes to Required Supplementary Information

Net Pension Liability

Changes of Benefit Terms - None

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

	<u>2019</u>	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Discount rate - PLD	6.75%	6.75%	6.875%	7.125%	7.25%	7.25%
Inflation rate - PLD	2.75%	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases - PLD	2.75-9.00%	2.75-9.00%	2.75-9.00%	3.50-9.50%	3.50-9.50%	3.50-9.50%
Cost of living increases - PLD	1.91%	2.20%	2.20%	2.55%	3.12%	3.12%

Mortality rates:

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

Net OPEB Liability

Changes of Benefit Terms - None

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rate - PLD	6.75%	4.98%	5.13%	5.41%

Total OPEB Liability

Changes of Benefit Terms - None

Changes of Assumptions - Changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rate - MMEHT Health Plan	2.74%	4.10%	3.44%	3.78%

Additionally, the valuation method for the District's Health Plan was changed from the Projected Unit Credit funding method in 2017 to the Entry Age Normal funding method in 2018.

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