

KENNEBUNK LIGHT AND POWER DISTRICT

Financial Statements

**For the Years Ended
December 31, 2021 and 2020**

KENNEBUNK LIGHT AND POWER DISTRICT
Financial Statements
For the Years ended December 31, 2021 and 2020

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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 Audit of 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2021 and 2020, and 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kennebunk Light and Power District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and schedules related to the net pension liability (asset) and OPEB liabilities, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kennebunk Light and Power District's basic financial statements. The schedule of operations, maintenance, and general and administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of operations, maintenance, and general and administrative expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operations, maintenance, and general and administrative expenses is 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 April 22, 2022, 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 22, 2022
South Portland, Maine

KENNEBUNK LIGHT AND POWER DISTRICT
Management's Discussion and Analysis
December 31, 2021

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, 2021. 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 \$12,110,390 (net position). Included in this amount is \$2,449,870 of unrestricted net position.
- Total net position increased by approximately 11.1% from the previous year.
- The District's unrestricted cash increased by 33.6% during the year while accounts receivable decreased by 6.9% and accounts payable decreased by 11.2%.
- Operating revenues increased by 0.7% during 2021.
- Operating expenses decreased by 0.4% during 2021.
- KLPD incurred no additional debt in 2021.

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 2021 totaled \$4,125,967, which was an increase of 19.5% over the prior year. Other assets totaled \$507,169 which consisted of restricted cash, investments and the net pension asset. In total, other assets increased by 5.5%. Net capital assets increased a net of 4%, or \$422,937, due to capital asset additions exceeding retirements and \$378,806 of annual depreciation.

Current liabilities ended the year at \$1,382,835, a decrease of 8.3% from the prior year. The non-current liabilities are the District's accrued compensated absences, bonds payable and net OPEB liability, which decreased by 35.7%.

The largest portion of the District's net position (77.2%) 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 (2.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,449,870 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		
	2021	2020
Operating revenues	\$12,903,375	12,815,797
Operating expenses	12,214,896	12,262,670
Operating income	688,479	553,127
Non-operating revenue (expenses)	247,302	16,177
Income (loss) before contributions	935,781	569,304
Capital contributions	270,592	130,938
Change in net position	1,206,373	700,242
Net position, beginning of year	10,904,017	10,203,775
Net position, end of year	\$12,110,390	10,904,017

The operating revenues for 2021 were \$12,903,375 which included fees collected for energy, transmission and delivery, which was an increase of 0.7% from the previous year. Electricity revenue decreased by 2.4%, regional network service revenue increased by 4.9%, transmission revenue increased by 6.2%, and delivery revenue increased by 4.5%.

Operating expenses totaled \$12,214,896, a decrease of 0.4% in 2021.

FINANCIAL ANALYSIS:

Net income (loss) before contributions for the year ended December 31, 2021 was \$935,781, compared to \$569,304 for the year ended December 31, 2020. The District's change in net position was \$1,206,373 when capital contributions are added.

The District's 2021 budget projected a net income before contributions of \$255,973. Actual net income before contributions was \$935,781, which was \$679,808 higher than budgeted.

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

CAPITAL ASSETS:

CAPITAL ASSETS				
	Balance 12/31/20	Additions	Dispositions	Balance 12/31/21
Capital assets being depreciated:				
Operating property	\$18,572,954	801,743	34,817	19,339,880
Total capital assets being depreciated	18,572,954	801,743	34,817	19,339,880
Less accumulated depreciation for:				
Operating property	8,100,197	378,806	34,817	8,444,186
Total accumulated depreciation	8,100,197	378,806	34,817	8,444,186
Total capital assets being depreciated, net	10,472,757	422,937	-	10,895,694
Capital assets, net	\$10,472,757	422,937	-	10,895,694

Net capital assets for 2021 make up 70.2% of the District's total assets. The investment includes land, buildings, general equipment, distribution equipment, and production equipment. Additions in 2021 to the capital assets being depreciated amounted to \$801,743. Of that amount, the major capital expenditures were \$206,520 for substation equipment, \$132,631 for transformers and \$145,339 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	\$1,765,000	-	215,000	1,550,000	230,000
Net pension liability (asset)	578,305	-	623,291	-44,986	-
OPEB liabilities	134,679	-	4,362	130,317	-
Accrued Comp	13,927	778	-	14,705	-
Total long-term liabilities	\$2,491,911	778	842,653	1,650,036	230,000

At the end of the current fiscal year, the District had bonded debt of \$1,550,000 in one bond issue. The total debt decreased by the amount of the principal payment during the year for the 2007 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 2022 fiscal year budget:

- kWh sales are expected to increase by 1.06%.
- The per kWh rate is decreasing to 12.7260¢ from 13.2084¢

REQUEST FOR INFORMATION:

This discussion and analysis are designed to provide a general overview of the District's hierarchy and 2021 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, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,875,437	2,152,514
Accounts receivable, net of allowance of \$6,917 and \$17,455	887,928	948,439
Accounts receivable - unbilled (delivery)	159,463	176,560
Prepaid expenses	18,159	3,082
Inventory	184,980	173,483
Total current assets	4,125,967	3,454,078
Noncurrent assets:		
Other assets:		
Restricted cash	154,570	172,926
Restricted investments	307,613	307,613
Net pension asset	44,986	-
Total other assets	507,169	480,539
Capital assets:		
Operating property	19,339,880	18,572,954
Less: accumulated depreciation	(8,444,186)	(8,100,197)
Net capital assets	10,895,694	10,472,757
Total noncurrent assets	11,402,863	10,953,296
Total assets	15,528,830	14,407,374
DEFERRED OUTFLOWS OF RESOURCES		
Deferred purchased power and transmission	-	202,279
Deferred outflows of resources related to OPEB	27,826	27,882
Deferred outflows of resources related to pensions	228,636	115,054
Total deferred outflows of resources	256,462	345,215
LIABILITIES		
Current liabilities:		
Accounts payable	947,181	1,066,756
Accrued payroll and taxes	20,328	13,389
Accrued interest	32,292	36,771
Unearned revenue	5,677	11,076
Customer deposits	147,357	165,713
Current portion of bonds payable	230,000	215,000
Total current liabilities	1,382,835	1,508,705
Noncurrent liabilities:		
Accrued compensated absences	14,705	13,927
Net pension liability	-	578,305
OPEB liabilities	130,317	134,679
Bonds payable, net of current portion	1,320,000	1,550,000
Total noncurrent liabilities	1,465,022	2,276,911
Total liabilities	2,847,857	3,785,616
DEFERRED INFLOWS OF RESOURCES		
Deferred purchased power and transmission	139,133	-
Deferred inflows of resources related to OPEB	62,360	62,956
Deferred inflows of resources related to pensions	625,552	-
Total deferred inflows of resources	827,045	62,956
NET POSITION		
Net investment in capital assets	9,345,694	8,707,757
Restricted	314,826	314,826
Unrestricted	2,449,870	1,881,434
Total net position	\$ 12,110,390	10,904,017

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, 2021 and 2020

	2021	2020
Operating revenues:		
User fees:		
Electricity	\$ 7,278,011	7,453,389
Regional network service	1,984,081	1,890,987
Transmission	562,778	529,846
Delivery	3,031,239	2,901,785
Other	47,266	39,790
Total operating revenues	12,903,375	12,815,797
Operating expenses:		
Purchased power	7,278,011	7,453,389
Regional network service	1,984,081	1,890,987
Transmission costs	562,779	529,846
Operations	509,458	630,235
Maintenance	88,371	104,736
Customer accounting and collections	185,132	182,547
General and administrative	1,228,258	1,110,930
Depreciation	378,806	360,000
Total operating expenses	12,214,896	12,262,670
Operating income (loss)	688,479	553,127
Non-operating revenues (expenses):		
Interest revenue	10,678	20,242
Miscellaneous revenue	204,172	83,849
Amortization of change in postemployment benefits	116,223	(967)
Interest expense	(83,771)	(86,021)
Amortization expense	-	(926)
Total non-operating revenues (expenses)	247,302	16,177
Income (loss) before contributions	935,781	569,304
Capital contributions	270,592	130,938
Change in net position	1,206,373	700,242
Net position, beginning of year	10,904,017	10,203,775
Net position, end of year	\$ 12,110,390	10,904,017

See accompanying notes to basic financial statements.

KENNEBUNK LIGHT AND POWER DISTRICT
Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers and users	\$ 13,161,400	12,863,741
Payments to suppliers	(10,451,010)	(11,059,184)
Payments to employees	(1,182,100)	(1,161,214)
Net cash provided by (used in) operating activities	1,528,290	643,343
Cash flows from capital and related financing activities:		
Purchase of capital assets	(801,743)	(359,531)
Capital contributions	270,592	130,938
Principal payments on long-term debt	(215,000)	(434,000)
Interest payments on long-term debt	(88,250)	(107,119)
Net cash provided by (used in) capital and related financing activities	(834,401)	(769,712)
Cash flows from investing activities:		
Interest on investments	10,678	20,241
Net cash provided by (used in) investing activities	10,678	20,241
Net increase (decrease) in cash	704,567	(106,128)
Cash and cash equivalents at beginning of year	2,325,440	2,431,568
Cash and cash equivalents at end of year	\$ 3,030,007	2,325,440
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 688,479	553,127
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	378,806	360,000
Miscellaneous revenue	204,172	83,849
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	60,511	974
(Increase) decrease in accounts receivable - unbilled (delivery)	17,097	(28,901)
(Increase) decrease in prepaid expenses	(15,077)	30,436
(Increase) decrease in inventory	(11,497)	(28,490)
(Increase) decrease in deferred purchase power and transmission	341,412	(299,885)
Increase (decrease) in accounts payable	(119,575)	(28,355)
Increase (decrease) in accrued payroll and taxes	6,939	2,921
Increase (decrease) in accrued compensated absences	778	5,645
Increase (decrease) in unearned revenue	(5,399)	4,730
Increase (decrease) in customer deposits	(18,356)	(12,708)
Net cash provided by (used in) operating activities	1,528,290	643,343

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 \$6,917 and \$17,455 as of December 31, 2021 and 2020, 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, 2021 and 2020, unused vacation time amounted to \$14,705 and \$13,927, 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, 2021, the District reported deposits of \$3,030,007 with a bank balance of \$2,990,612. Of that amount, \$257,214 of the District's bank balance was covered by FDIC insurance, and \$2,733,398 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, 2021, 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	5.588	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, 2021, 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.

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, 2021 and 2020, 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>2021</u>	<u>2020</u>
2007 bond sinking fund	\$ 314,826	314,826
Customer meter deposits	147,357	165,713
<u>Total restricted cash and investments</u>	<u>\$ 462,183</u>	<u>480,539</u>

CAPITAL ASSETS

The following is a summary of the changes in capital assets from December 31, 2021:

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/21</u>
Capital assets being depreciated:				
Operating property	\$ 18,572,954	801,743	34,817	19,339,880
<u>Total capital assets being depreciated</u>	<u>18,572,954</u>	<u>801,743</u>	<u>34,817</u>	<u>19,339,880</u>
Less accumulated depreciation for:				
Operating property	8,100,197	378,806	34,817	8,444,186
<u>Total accumulated depreciation</u>	<u>8,100,197</u>	<u>378,806</u>	<u>34,817</u>	<u>8,444,186</u>
<u>Total capital assets being depreciated, net</u>	<u>10,472,757</u>	<u>422,937</u>	<u>-</u>	<u>10,895,694</u>
<u>Capital assets, net</u>	<u>\$ 10,472,757</u>	<u>422,937</u>	<u>-</u>	<u>10,895,694</u>

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, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds payable	\$ 1,765,000	-	215,000	1,550,000	230,000
Net pension liability (asset)	578,305	-	623,291	(44,986)	-
Other postemployment benefits liabilities	134,679	-	4,362	130,317	-
Accrued compensated absences	13,927	778	-	14,705	-
Total long-term liabilities	\$ 2,491,911	778	842,653	1,650,036	230,000

BONDS PAYABLE

The following is a summary of the long-term debt payable at December 31, 2021 and 2020:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 12/31/21</u>	<u>Balance 12/31/20</u>
Bond 2007 BNY	\$ 3,835,000	2027	4.25-5%	1,550,000	1,765,000
Less: current portion				230,000	215,000
Total long-term debt				\$ 1,320,000	1,550,000

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

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
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	275,000	28,250	303,250
2027	290,000	14,500	304,500
Totals	\$ 1,550,000	281,750	1,831,750

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>2021</u>	<u>2020</u>
Purchased power adjustments:		
Electricity - deferred inflow (outflow)	\$ 20,987	(363,861)
Transmission - deferred inflow (outflow)	118,146	161,582
Deferred (outflow) of resources - December 31	\$ 139,133	(202,279)

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>2021</u>	<u>2020</u>
Net position	\$ 12,110,390	10,904,017
Deferred (outflow)	139,133	(202,279)
Net position, without deferred power/transmission	\$ 12,249,523	10,701,738

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>2021</u>	<u>2020</u>
Capital assets	\$ 19,339,880	18,572,954
Accumulated depreciation	(8,444,186)	(8,100,197)
Bonds payable	(1,550,000)	(1,765,000)
Net investment in capital assets	\$ 9,345,694	8,707,757

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>2021</u>	<u>2020</u>
2007 bond sinking fund	\$ 314,826	314,826
Total restricted net position	\$ 314,826	314,826

COMMITMENTS

The District has entered into contracts for the purchase of electricity. The following is a summary of the contract commitments at December 31, 2021:

<u>Contract Period</u>	<u>Total Quantity</u>	<u>Contract Price</u>
Calendar year 2022 – 100% (KLPD)	Usage	47.97 per MWH

NET PENSION LIABILITY

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.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. Required contributions for the year ended December 31, 2021 were as follows:

	Employee Age 60 <u>Plan</u>	Employee Age 65 <u>Plan</u>	Employer <u>All Plans</u>
January to June	8.10%	7.35%	10.10%
July to December	7.80%	7.05%	10.30%

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

NET PENSION LIABILITY, CONTINUED

The employer contributions, combined with the 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 \$99,602 for the year ended December 31, 2021.

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

At December 31, 2021, the District reported an asset of \$44,986 for its proportionate share of the net pension asset. At June 30, 2021, the District's proportion of the PLD Plan was 0.1400%.

The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of that date. The District's proportion of the net pension asset was based on projections of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts (PLD Plan), actuarially determined.

For the year ended December 31, 2021, the District recognized pension gain of \$17,662. At December 31, 2021, 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	\$ 26,043	-
Net difference between projected and actual earnings on pension plan investments	-	613,170
Changes in proportion and differences between District contributions and proportionate share of contributions	-	12,382
Changes of assumptions	151,058	-
District contributions subsequent to the measurement date	51,535	-
Total	\$ 228,636	625,552

An amount of \$51,535 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 liabilities in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2022	\$ (74,038)
2023	(64,446)
2024	(139,579)
2025	(170,388)

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

NET PENSION LIABILITY, CONTINUED

Actuarial Assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	2.75%-11.48%
Investment return	6.50% per annum, compounded annually
Cost of living benefit increases	1.91% per annum

Mortality rates were based on the 2010 Public Plan General Benefits Weighted Healthy Retiree Mortality table.

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

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	6.0%
US Government	2.3%
Private equity	7.6%
Real estate	5.2%
Infrastructure	5.3%
Natural resources	5.0%
Traditional credit	3.0%
Alternative credit	7.2%
Diversifiers	5.9%

Discount Rate - The discount rate used to measure the total pension liability was 6.50%. 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.

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

NET PENSION LIABILITY, CONTINUED

Sensitivity of the District’s Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate -The following presents the District’s proportionate share of the net pension (asset)/liability calculated using the discount rate of 6.50%, 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 (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
District’s proportionate share of the net pension (asset)/liability	\$ 640,170	(44,986)	(611,700)

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, 2021.

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 - MMEHT provides healthcare insurance benefits for retirees and their dependents. The employee must have participated in the MMEHT health plan for the 12 months prior to retirement and have 5 years of continuous active service and enrollment in the health plan and be a minimum of 55 years of age in order to be eligible for postretirement benefits. The retiree pays 100% of the blended premium rate for coverage selected.

Employees Covered by Benefit Terms – At January 1, 2021, 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>

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 \$97,802 was measured as of January 1, 2021, and was determined by performing rollforward procedures on an actuarial valuation as of January 1, 2020.

Changes in the Total OPEB Liability

Balance at December 31, 2020	\$	86,003
Changes for the year:		
Service cost		6,995
Interest		2,501
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions or other inputs		5,770
Benefit payments		<u>(3,467)</u>
Net changes		11,799
Balance at December 31, 2021	\$	<u>97,802</u>

Change in assumptions reflects a change in the discount rate from 2.74% to 2.12%.

For the year ended December 31, 2021, the District recognized OPEB expense of 4,989. At December 31, 2021, 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	\$	-	28,314
Changes of assumption or other inputs		15,393	-
Contributions subsequent to measurement date		<u>3,842</u>	-
Total	\$	<u>19,235</u>	<u>28,314</u>

\$3,842 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2022	\$ (615)
2023	(615)
2024	(615)
2025	(6,764)
2026	(5,138)
Thereafter	826

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, 2021 measurement for the total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00% per annum
Salary increases	2.75% per year
Discount rate	2.12% per annum
Healthcare cost trend rates - Pre-Medicare	8.55% for 2021 grading over 20 years to 3.28%
Healthcare cost trend rates - Medicare	7.84% for 2021 grading over 20 years to 3.28%
Retirees' share of the benefit related costs	100% of the blended premium

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, 2021 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 2.12% per annum. Since the plan is pay as you go and is not funded, the discount rate was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the District's total OPEB liability calculated using the discount rate of 2.12%, 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 (1.12%) or 1 percentage-point higher (3.12%) than the current rate:

	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB liability	\$ 113,961	97,802	84,789

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	\$ 83,281	97,802	116,571

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 \$9,524 for the year ended December 31, 2021. 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, 2021, 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, 2021, the District reported a liability of \$32,515 for its proportionate share of the net OPEB liability. At June 30, 2021, the District's proportion was 0.3149%.

For the year ended December 31, 2021, the District recognized an OPEB gain of \$366 for the PLD OPEB plan. At December 31, 2021, 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	\$ 3,675	-
Changes of assumptions	-	16,441
Net difference between projected and actual earnings on OPEB plan investments	-	9,980
Changes in proportion and differences between District contributions and proportionate share of contributions	-	7,625
District contributions subsequent to the measurement date	4,916	-
Total	\$ 8,591	34,046

\$4,916 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, 2022. 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
2022	\$	(9,036)
2023		(5,212)
2024		(7,032)
2025		(6,830)
2026		(1,130)
Thereafter		(1,132)

Actuarial Assumptions - The total OPEB liability in the June 30, 2021 measurement was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75% - 11.48%
Investment rate of return	6.50%

Mortality rates were based on the 2010 Public Plan General Benefits Weighted Healthy Retiree Mortality table.

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

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

Asset Class	Long-term Expected Real Rate of Return
Public equities	6.0%
Real estate	5.2%
Traditional credit	3.0%
US Government Securities	2.3%

Discount Rate - The discount rate used to measure the total pension liability was 6.50%. 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 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 OPEB liability calculated using the discount rate of 6.50%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	\$ 48,266	32,515	19,879

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PLD Plan								
District's proportion of the net pension liability (asset)	\$ 0.1400%	0.1456%	0.1441%	0.1453%	0.1634%	0.1628%	0.1543%	0.1490%
District's proportionate share of the net pension liability (asset)	(44,986)	578,305	440,498	397,716	669,217	865,230	429,324	229,301
District's covered payroll	948,239	923,165	881,551	840,332	883,266	856,546	810,988	794,726
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-4.74%	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 (asset)	100.86%	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%

* Only eight 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>2021</u>	<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	\$ 99,602	93,659	91,609	82,423	83,729	78,782	69,987	56,831
Contributions in relation to the contractually required contribution	(99,602)	(93,659)	(91,609)	(82,423)	(83,729)	(78,782)	(69,987)	(56,831)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
District's covered payroll	976,361	931,871	916,091	840,699	876,848	855,857	834,656	791,890
Contributions as a percentage of covered payroll	10.20%	10.05%	10.00%	9.80%	9.55%	9.21%	8.39%	7.18%

* Only eight 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 6,995	4,571	5,137	3,779
Interest	2,501	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	5,770	17,436	(11,400)	10,518
Benefit payments	(3,467)	(11,179)	(10,749)	(6,352)
Net change in total OPEB Liability	11,799	(44,735)	(12,105)	44,242
Total OPEB liability - beginning	86,003	130,738	142,843	98,601
Total OPEB liability - ending	\$ 97,802	86,003	130,738	142,843
Covered-employee payroll	\$ 746,383	746,383	752,794	752,794
Total OPEB liability as a percent of covered-employee payroll	13.1%	11.5%	17.37%	18.98%

*Only four 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>PLD Plan</u>					
District's proportion of the net OPEB liability	\$ 0.3149%	0.3690%	0.3379%	0.3618%	0.3591%
District's proportionate share of the net OPEB liability	32,515	48,676	72,298	73,081	60,055
District's covered-employee payroll	948,239	923,165	881,551	840,332	883,266
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	3.43%	5.27%	8.20%	8.70%	6.80%
Plan fiduciary net position as a percentage of the total OPEB liability	67.26%	55.40%	43.18%	43.92%	47.42%

**Only five 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PLD OPEB Plan					
Contractually required contribution	\$ 9,524	8,678	9,024	9,087	8,596
Contributions in relation to the contractually required contribution	(9,524)	(8,678)	(9,024)	(9,087)	(8,596)
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered payroll	\$ 976,361	931,871	916,091	840,699	876,848
Contributions as a percentage of covered payroll	0.98%	0.93%	0.99%	1.08%	0.98%

* Only five 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>2021</u>	<u>2020</u>	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Discount rate	6.50%	6.75%	6.75%	6.875%	7.125%	7.250%	7.250%
Inflation rate	2.75%	2.75%	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases	2.75%-11.48%	2.75% plus merit	2.75-9.00%	2.75-9.00%	3.50-9.50%	3.50-9.50%	3.50-9.50%
Cost of living increases	1.91%	1.91%	1.91%	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. 2016 through 2020, mortality rates were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table. In 2021, mortality rates were based on the 2010 Public Plan General Benefits Weighted Healthy Retiree Mortality Table.

Changes of Benefit Terms (OPEB Life Insurance) - None

Changes of Assumptions (OPEB Life Insurance) -

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rate	6.50%	6.75%	4.98%	5.13%	5.41%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	2.75%-11.48%	2.75-9.00%	2.75-9.00%	2.75-9.00%	2.75-9.00%

Mortality rates:

2017 through 2020, mortality rates were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table. In 2021, mortality rates were based on the 2010 Public Plan General Benefits Weighted Healthy Retiree Mortality Table.

Changes of Benefit Terms (OPEB Health Insurance) - None

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount rate	2.12%	2.74%	4.10%	3.44%
Inflation rate	2.00%	2.00%	3.00%	3.00%
Salary increases	2.75%	2.75%	2.75%	2.75%

** 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.*