

City of Old Town, Maine
Financial Statements and Supplemental Data
With Independent Auditors' Reports
June 30, 2017



City of Old Town, Maine

TABLE OF CONTENTS

June 30, 2017

	<u>PAGE</u>
Management's Discussion and Analysis	<i>i-xiv</i>
Independent Auditors' Report	1-3
Basic Financial Statements:	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	4
Statement of Activities	5
<i>Fund Financial Statements</i>	
Governmental Funds	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Proprietary Funds	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Fund Net Position	11
Statement of Cash Flows	12
<i>Notes to Financial Statements</i>	13-45
Required Supplementary Information:	
Schedule of Funding Progress - Retiree Healthcare Plan	46
Schedule of the City's Proportionate Share of the Net Pension Liability	47
Schedule of City Contributions	48
General Fund	
Budget and Actual (with budget to GAAP difference)	49
Budget and Actual (with variances)	50

City of Old Town, Maine
TABLE OF CONTENTS - Continued
June 30, 2017

	<u>PAGE</u>
Other Supplementary Information:	
Sewer Fund	
Budget and Actual (with budget to GAAP difference)	51
Budget and Actual (with variances)	52
Non-Major Governmental Funds	
Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	54
Various Capital Reserves	
Schedule of Revenues, Expenditures and Changes in Fund Balances	55-58
General Fund	
Taxes Receivable, Tax Liens and Tax Acquired Property	59

City of Old Town, Maine
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

The Management Discussion & Analysis (MD&A) is a report of the City of Old Town for the fiscal year ending June 30, 2017. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the City's financial position, and the result of operations of the various funds, departments and accounts of the City. All disclosures necessary to enable the reader to gain accurate understanding of the City's financial activities have been included.

This report covers all funds, departments and accounts of the City of Old Town, that by law or other fiduciary obligation, the City administers in connection with its responsibility in providing services. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

THE COMMUNITY

The City of Old Town is a unique island community that sits on the edge of the Great North Woods, on several islands in the Penobscot River. The City of Old Town has always held a close relationship to the Penobscot River – whether for log driving, powering sawmills, transportation, hydropower, or as a medium to float canoes. A thriving residential community of 7,840, the City of Old Town's acres of forest and beautiful waters attract outdoor enthusiasts from hunters and anglers, to hikers and canoeists, and bird watchers and photographers. More than 50 miles of rivers and streams, accessible year-round, are known nationwide for smallmouth bass. Wildlife population abounds with deer, bear, moose and coyote.

Yet with all this scenic beauty, the City of Old Town is a bustling industrial community offering access to transportation, a trained workforce, diverse population, and a progressive, forward-thinking municipal administration.

The mission of the City of Old Town is to provide and promote a safe, affordable community with quality public services. The City encourages future growth while maintaining its cultural heritage.

FINANCIAL INFORMATION

The City Administration is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual and human resource assets of the City are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. The concept of reasonable assurance recognizes that: (1) the cost of any control should not exceed the benefit likely to be derived; (2) the evaluation of cost and benefits requires judgments by management.

FINANCIAL HIGHLIGHTS

The following is a discussion of the financial highlights of the City during the past fiscal year.

- The total balance of the City's cash and cash equivalents at June 30, 2017 was \$4,108,773.
- The City's long-term debt decreased by \$919,598 from \$10,149,762 to \$9,230,164.
- Under the government-wide basis of reporting, the City's total net position decreased by \$799,177 to \$31,714,576.
- The governmental fund balance as reported on the City's governmental fund financial statements decreased by \$940,065 to \$7,031,397.
- The City budgeted revenues, debt proceeds, transfers-in, and special items of \$15,175,191, and expenditures and transfers out of \$16,627,302. Budgeted expenditures include \$830,927 of amounts carried forward from prior years. On a budget basis, the City's actual expenditures and transfers-out exceeded its revenues and transfers-in by \$486,206. This budget variance decreases the budget-basis fund balance which can be used to fund future expenditures and decrease the need for significant increases in local property taxes for the residents of Old Town.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net positions. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the City include general government services, public safety, public works, health and welfare, education and library. The business-type activities of the City include sewer operations. The government-wide financial statements can be found on pages 4-5 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Fund Financial Statements – Continued

Governmental Funds

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Capital assets and depreciation are not included in the governmental funds financial statements.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement is included in the required supplementary information portion of the financial statements.

The basic governmental fund financial statements can be found on pages 6-9 of this report.

Proprietary Funds

The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 10-12 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these funds to finance its operations. The City currently has no fiduciary funds.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Notes to the basic financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13-45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 46-50 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules and budgetary comparison information for the sewer fund can be found on pages 51-58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$31,714,576 as of June 30, 2017. However, of the \$31,714,576, only \$3,280,306 of governmental net position and (\$155,821) of sewer net position is unrestricted and uncommitted at June 30, 2017.

A portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, building improvements, vehicles, and furniture and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide service to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

A portion of the City's net position, *90.15%*, represents resources that are restricted. Unrestricted net position of \$3,124,485 or *9.85%* may be used to meet the government's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

SUMMARY OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 11,069,470	\$ 12,541,474	\$ 4,440,684	\$ 1,070,717	\$ 15,510,154	\$ 13,612,191
Capital assets	22,281,422	22,644,480	9,558,588	9,106,748	31,840,010	31,751,228
Total assets	<u>33,350,892</u>	<u>35,185,954</u>	<u>13,999,272</u>	<u>10,177,465</u>	<u>47,350,164</u>	<u>45,363,419</u>
Deferred outflows of resources	<u>1,584,071</u>	<u>886,802</u>	<u>-</u>	<u>-</u>	<u>1,584,071</u>	<u>886,802</u>
Current Liabilities	1,686,379	1,713,912	3,957,678	354,796	5,644,057	2,068,708
Noncurrent Liabilities	8,185,369	8,258,243	2,845,448	2,706,201	11,030,817	10,964,444
Total liabilities	<u>9,871,748</u>	<u>9,972,155</u>	<u>6,803,126</u>	<u>3,060,997</u>	<u>16,674,874</u>	<u>13,033,152</u>
Deferred inflows of resources	<u>544,785</u>	<u>703,316</u>	<u>-</u>	<u>-</u>	<u>544,785</u>	<u>703,316</u>
Net position:						
Net investment in capital assets	18,950,456	18,832,917	6,483,086	6,183,675	25,433,542	25,016,592
Restricted	2,287,668	2,774,735	868,881	1,018,644	3,156,549	3,793,379
Unrestricted	<u>3,280,306</u>	<u>3,789,633</u>	<u>(155,821)</u>	<u>(85,851)</u>	<u>3,124,485</u>	<u>3,703,782</u>
Total net position	<u>\$ 24,518,430</u>	<u>\$ 25,397,285</u>	<u>\$ 7,196,146</u>	<u>\$ 7,116,468</u>	<u>\$ 31,714,576</u>	<u>\$ 32,513,753</u>

As of June 30, 2017, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its governmental activities. The City was also able to report positive balances in two categories of its net position for the business-type activities, but had a negative balance in unrestricted net position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

The following table presents a summary of the City's operations for the fiscal year ended June 30, 2017 with comparative totals for the fiscal year ended June 30, 2016.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues						
Charges for services	\$ 2,389,471	\$ 2,320,507	\$ 1,180,153	\$ 1,191,533	\$ 3,569,624	\$ 3,512,040
Operating grants & contributions	460,205	498,389	184,368	-	644,573	498,389
Capital grants & contributions	-	4,226,481	-	-	-	4,226,481
General revenues						
Property taxes levied for general purposes	9,516,024	9,027,726	-	-	9,516,024	9,027,726
Excise taxes	1,589,662	1,449,834	-	-	1,589,662	1,449,834
Grants and contributions not restricted to specific programs	1,210,052	1,171,893	-	-	1,210,052	1,171,893
Licenses, permits and fees	164,090	161,432	-	-	164,090	161,432
Unrestricted investment income	288,813	42,938	4,095	1,484	292,908	44,422
Total revenues	<u>15,618,317</u>	<u>18,899,200</u>	<u>1,368,616</u>	<u>1,193,017</u>	<u>16,986,933</u>	<u>20,092,217</u>
Expenses:						
General government	2,371,210	2,237,540	-	-	2,371,210	2,237,540
Public safety	4,054,725	3,817,011	-	-	4,054,725	3,817,011
Public works	1,964,597	2,039,087	-	-	1,964,597	2,039,087
Health, welfare and sanitation	597,317	589,462	-	-	597,317	589,462
Culture and recreation	675,935	666,388	-	-	675,935	666,388
Airport	387,224	276,922	-	-	387,224	276,922
Education	5,722,337	5,588,660	-	-	5,722,337	5,588,660
County tax	624,980	614,680	-	-	624,980	614,680
Interest on long-term debt	106,226	119,920	101,388	106,907	207,614	226,827
Sewer	-	-	1,180,154	1,263,459	1,180,154	1,263,459
Total expenses	<u>16,504,551</u>	<u>15,949,670</u>	<u>1,281,542</u>	<u>1,370,366</u>	<u>17,786,093</u>	<u>17,320,036</u>
Excess (deficiency) before special items	(886,234)	2,949,530	87,074	(177,349)	(799,160)	2,772,181
Special Items						
Gain/(loss) on disposition of assets	7,379	117,399	(7,396)	-	(17)	117,399
Change in net position	(878,855)	3,066,929	79,678	(177,349)	(799,177)	2,889,580
Beginning net position	25,397,285	22,330,356	7,116,468	7,293,817	32,513,753	29,624,173
Ending net position	<u>\$ 24,518,430</u>	<u>\$ 25,397,285</u>	<u>\$ 7,196,146</u>	<u>\$ 7,116,468</u>	<u>\$ 31,714,576</u>	<u>\$ 32,513,753</u>

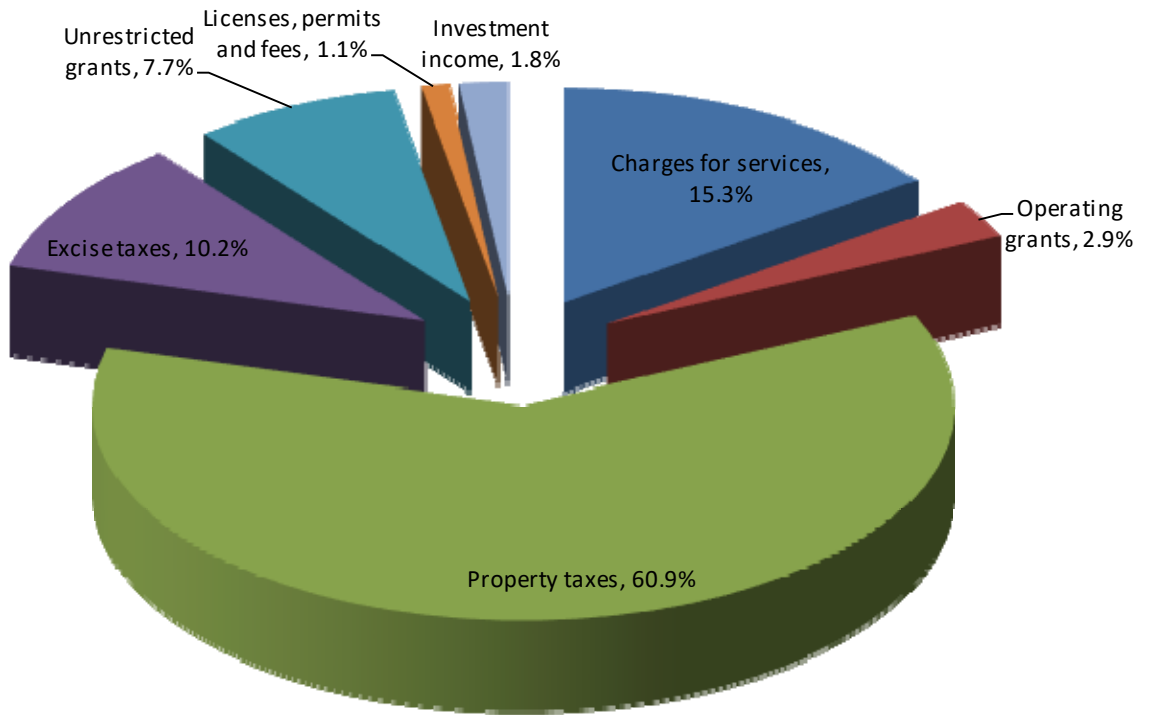
GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

Analysis of the City's Operations

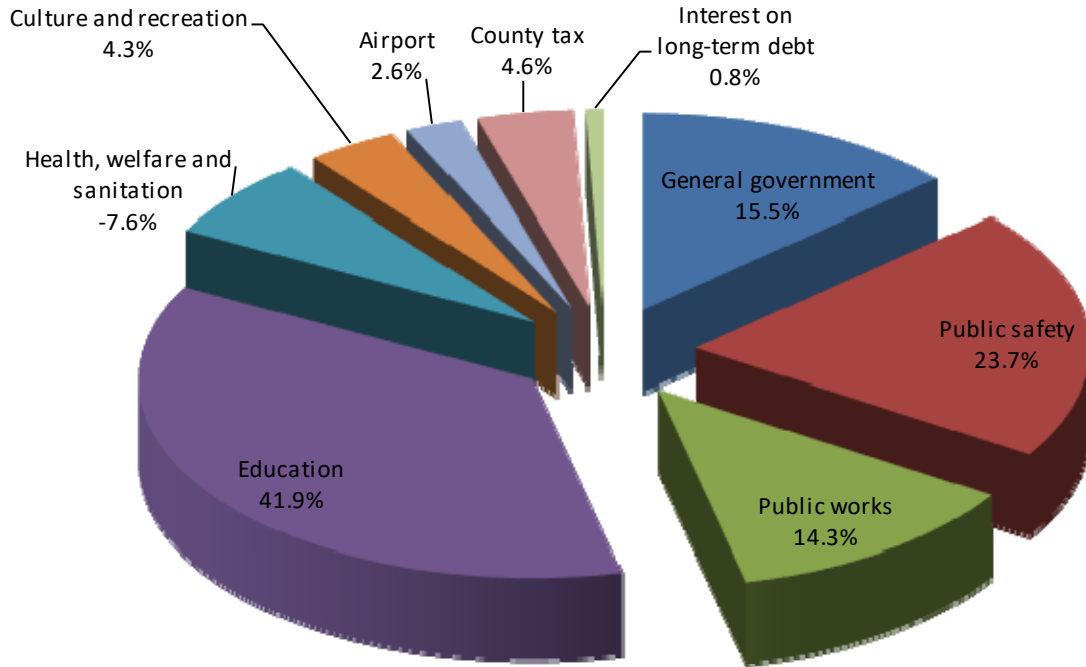
Overall the City had a decrease in net position of \$799,177.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2017.

Governmental Revenues



Governmental Activities



Governmental Activities

Governmental activities decreased its net position by \$878,855. Net investment in capital assets increased by \$117,539, or 0.62%, due to a net change in additions, retirements, and depreciation. Unrestricted net position decreased by \$509,327, or 13.44%.

Total revenues for governmental activities decreased from the prior year by \$3,280,883. Of this amount, charges for services increased \$68,964, or 2.97% over prior year. Operating grants and contributions decreased \$38,184, or 0.81% from the prior fiscal year; capital grants and contributions decreased \$4,226,481, or 100.00%, from the prior fiscal year. Property taxes increased \$488,298, or 5.41%.

Expenses of governmental activities include depreciation expense of \$1,049,076, an increase of 23.41% over the prior fiscal year. Depreciation expense has been allocated and is included in the various function/program expenses of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following illustration presents the cost of each of the City's four largest programs – general government, public safety, public works, and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

	Governmental Activities		Governmental Activities	
	Total Cost		Net Cost	
	2017	2016	2017	2016
General government	\$ 2,371,210	\$ 2,237,540	\$ 2,111,232	\$ 2,011,308
Public Safety	4,054,725	3,817,011	3,241,005	2,923,692
Public Works	1,964,597	2,039,087	1,950,497	2,014,714
Education	5,722,337	5,588,660	5,722,337	5,588,660
	<u>\$ 14,112,869</u>	<u>\$ 13,682,298</u>	<u>\$ 13,025,071</u>	<u>\$ 12,538,374</u>

Business-type Activities

Net position from business-type activities increased by \$79,678, 1.12%, from \$7,116,468 to \$7,196,146. This increase was primarily due to the operating grants for sewer projects.

Charges for services decreased \$11,380, or 0.96%, from the prior year, while expenses decreased \$88,824 or 6.48%. Depreciation expense decreased \$8,231, or 1.72%, from \$478,227 to \$469,996, from the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$7,031,397, \$940,065 lower than the previous year. Approximately \$1,804,132 of this amount, or 25.66%, constitutes unassigned fund balance, a decrease of \$429,835 over the previous year. The remainder of the fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued

Total governmental fund expenditures for the year were \$16,370,471, representing a decrease of \$4,375,799, or 21.1% from the previous fiscal year. The City paid \$704,785 in capital outlays which includes the acquisition of police vehicles, an ambulance, public works vehicles, airport improvements, infrastructure improvements as well as several other projects.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer fund was (\$155,821) which represents a \$69,970 decrease from the previous year.

General Fund Budgetary Highlights

In the general fund, the City originally budgeted for a decrease in the fund balance on a budget basis of \$563,477. The City Council authorized revisions to the original approved appropriations. Overall these changes resulted in an increase in budgeted expenditures from the original budget of \$888,634 or 5.6%. Increases were in operational expenditures and additional funding for capital outlays. Budget modifications increased the budgeted deficit to \$1,452,111 as reflected in the final budgeted balances. Budgeted expenditures included \$830,927 of carry forwards. Actual revenues were more than budgeted; in addition actual expenses were less than budgeted and transfers and proceeds from long-term debt were more than budgeted, therefore, the actual fund balance decrease for fiscal year 2017 was \$486,206 on a budget basis.

Revenues from property taxes totaled \$9,319,176. Charges for services accounted for \$2,391,091 and intergovernmental revenue accounted for \$1,430,763 of total revenue of \$15,354,747 on a budget basis. Revenues from property taxes increased by \$355,935, revenues from charges for services increased by \$189,249 and revenues from intergovernmental sources decreased by \$4,215,322 on a budget basis.

There were a few significant budget-to-actual variances. Of these, intergovernmental revenues were more than budgeted due to grant activity. General government and capital outlay expenditures were less than budgeted. General government costs were less due to various items throughout several departments. There are several capital outlay projects uncompleted as of year-end and a number of those account balances have been carried forward to next year. Public safety expenditures exceeded the budget due to personnel turnover and use of overtime to fill unscheduled shifts, which resulted in higher than anticipated costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$31,840,010, net of accumulated depreciation. The investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. Major capital asset events during the current fiscal year include police vehicles, a truck, continuation of the airport runway improvement projects and sewer improvements. The following summarizes capital assets at year end:

	Capital Assets at Year-End (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land & Improvements	\$ 3,385,317	\$ 1,985,176	\$ 179,427	\$ 179,427	\$ 3,564,744	\$ 2,164,603
Construction in Progress	5,451,155	6,684,953	1,245,924	316,692	6,697,079	7,001,645
Infrastructure	8,038,136	7,895,466	4,235,713	4,235,713	12,273,849	12,131,179
Buildings & Improvements	9,161,540	9,150,685	5,682,698	5,682,698	14,844,238	14,833,383
Equipment	2,900,851	3,204,501	6,613,876	6,712,216	9,514,727	9,916,717
Vehicles	2,864,274	2,590,662	302,979	362,056	3,167,253	2,952,718
Total capital assets	31,801,273	31,511,443	18,260,617	17,488,802	50,061,890	49,000,245
Accumulated depreciation	(9,519,851)	(8,866,963)	(8,702,029)	(8,382,054)	(18,221,880)	(17,249,017)
Capital assets, net	<u>\$ 22,281,422</u>	<u>\$ 22,644,480</u>	<u>\$ 9,558,588</u>	<u>\$ 9,106,748</u>	<u>\$ 31,840,010</u>	<u>\$ 31,751,228</u>

Additional information on the City's capital assets can be found in Note 5 on pages 26-27 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Debt Administration

The City's debt consists of ten bonds from various lending sources.

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Bonds Payable	\$6,154,662	\$ 7,226,689	\$3,075,502	\$2,923,073	\$ 9,230,164	\$10,149,762
Bond Anticipation Note	-	-	3,110,000	-	3,110,000	-
Totals	<u>\$6,154,662</u>	<u>\$ 7,226,689</u>	<u>\$6,185,502</u>	<u>\$2,923,073</u>	<u>\$12,340,164</u>	<u>\$10,149,762</u>

A summary of the City's debt activity for the year ended June 30, 2017 is detailed in Note 6 on pages 28-30 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Old Town has been preparing for its future by working on five distinct and significant development projects which will position the City to respond to anticipated future development needs. These projects will place the City of Old Town in an excellent position for new, diversified growth and economic opportunities; Airport, Airport Business Park, Old Town Enterprise Park, Stillwater Avenue and Eco-Cultural Tourism. Most of these projects have had significant capital support in past years and should not need the same level of investment to support or institute their use in the future. Old Town has a population of 7,840 according to the 2010 Maine Census. The regional labor force of almost 90,000 is well known for its quality skills and abilities. The labor skill set readily adapts to the needs and demands of new retail, service and industrial firms of the region.

The FY18 budget will provide the necessary resources to address most service and capital needs of the community and its residents at a tax rate that is reasonable. The City has, in the past, made significant cuts in the budget prior to presenting it to the City Council, but given the current economic conditions the City is certainly affected by increased costs due to certain commodity cost increases.

Due to demands from Citizens not to decrease services, the City's goal is to maintain the existing level of service while finding ways to reduce costs. The mil rate was \$22.15 in FY17 and increased to \$22.35 in FY18. During the past 15 years the total increase to the City budget has averaged at or below the cost of living.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - Continued

The City continues to develop properties that can be marketed for industrial and business growth in the City. These projects include Airport-Aviation Projects, Airport Business Park, Private Hangars, Old Town Canoe grants and TIF, Former Old Town Canoe Brownfield site, Old Town Enterprise Park (Penny Road) and Eco-Cultural Tourism projects. Funding is from grants and City reserve accounts.

The Strategy of this base development is to increase the taxable property in the City to offset budgetary increases for the City, School and County services, especially in light of the last few years of changes to the existing industrial tax base, as well as developing new opportunities for future generations to live and work in Old Town.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information concerning these financial reports, contact the Finance Department, Attn: Finance Director, 265 Main Street, Old Town, Maine 04468, telephone 207-827-3965.

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Old Town, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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, Schedule of Funding Progress – Retiree Healthcare Plan, Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of City Contributions, and budgetary comparison information, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Old Town's financial statements as a whole. The proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, and tax receivable schedule, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, and tax receivable schedule are the responsibility of management and were derived from and

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relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, and tax receivable schedule are fairly stated in all material respects in relation to the 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 March 7, 2018 on our consideration of the City of Old Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Old Town's internal control over financial reporting and compliance.

Roy & Associates, CPAs, P.A

March 7, 2018
Bangor, Maine

Visit us online: www.roycpas.com

209 State St · Bangor, Maine 04401-5412 · Tel: 207-990-8909 · Fax: 207-990-1504

City of Old Town, Maine

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 722,012	\$ 3,386,761	\$ 4,108,773
Investments	6,042,149	384,209	6,426,358
Taxes receivable, net	720,073	-	720,073
Other receivables, net	423,256	362,317	785,573
Due from other governments	198,230	216,024	414,254
Inventories	28,872	-	28,872
Prepays	37,151	-	37,151
Long-term notes and receivables, net	74,031	91,373	165,404
Due from RSU #34 for debt service payments	2,823,696	-	2,823,696
Capital Assets			
Non-depreciable	6,873,274	1,425,351	8,298,625
Depreciable, net	15,408,148	8,133,237	23,541,385
Total assets	33,350,892	13,999,272	47,350,164
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,584,071	-	1,584,071
Total deferred outflows of resources	1,584,071	-	1,584,071
LIABILITIES			
Accounts payable and accrued expenses	400,621	503,384	904,005
Due to other governments	41,535	-	41,535
Deferred revenues	67,495	-	67,495
Long-term liabilities			
Due within one year			
Bond anticipation notes payable	-	3,110,000	3,110,000
Bonds payable	1,051,619	303,456	1,355,075
Accrued interest	46,199	32,150	78,349
Compensated absences	78,910	8,688	87,598
Due in more than one year			
Bonds payable	5,103,043	2,772,046	7,875,089
Compensated absences	315,642	34,754	350,396
Accrued post retirement benefits	334,395	38,648	373,043
Pension	2,432,289	-	2,432,289
Total liabilities	9,871,748	6,803,126	16,674,874
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	12,018	-	12,018
Pensions	532,767	-	532,767
Total deferred inflows of resources	544,785	-	544,785
NET POSITION			
Net investment in capital assets	18,950,456	6,483,086	25,433,542
Restricted for:			
Capital projects	2,111,683	490,958	2,602,641
Other purposes	175,985	377,923	553,908
Unrestricted	3,280,306	(155,821)	3,124,485
Total net position	\$ 24,518,430	\$ 7,196,146	\$ 31,714,576

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental Activities:							
General government	\$ 2,371,210	\$ 7,597	\$ 252,381	\$ -	\$ (2,111,232)	\$ -	\$ (2,111,232)
Public safety	4,054,725	755,391	58,329	-	(3,241,005)	-	(3,241,005)
Public works	1,964,597	-	14,100	-	(1,950,497)	-	(1,950,497)
Health, welfare and sanitation	597,317	1,507,559	133,327	-	1,043,569	-	1,043,569
Culture and recreation	675,935	85,125	2,068	-	(588,742)	-	(588,742)
Airport	387,224	33,799	-	-	(353,425)	-	(353,425)
Education	5,722,337	-	-	-	(5,722,337)	-	(5,722,337)
County tax	624,980	-	-	-	(624,980)	-	(624,980)
Interest on long-term debt	106,226	-	-	-	(106,226)	-	(106,226)
Total governmental activities	<u>16,504,551</u>	<u>2,389,471</u>	<u>460,205</u>	<u>-</u>	<u>(13,654,875)</u>	<u>-</u>	<u>(13,654,875)</u>
Business-type activities:							
Sewer fund	1,281,542	1,180,153	184,368	-	-	82,979	82,979
Total business-type activities	<u>1,281,542</u>	<u>1,180,153</u>	<u>184,368</u>	<u>-</u>	<u>-</u>	<u>82,979</u>	<u>82,979</u>
Total primary government	<u>\$ 17,786,093</u>	<u>\$ 3,569,624</u>	<u>\$ 644,573</u>	<u>\$ -</u>	<u>(13,654,875)</u>	<u>82,979</u>	<u>(13,571,896)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					9,516,024	-	9,516,024
Public service taxes					1,589,662	-	1,589,662
Grants and contributions not restricted to specific programs					1,210,052	-	1,210,052
Licenses, permits and fees					164,090	-	164,090
Unrestricted investment earnings (loss)					288,813	4,095	292,908
<i>Special items</i> - gain (loss) on disposition of asset					7,379	(7,396)	(17)
Total general revenues and special items					<u>12,776,020</u>	<u>(3,301)</u>	<u>12,772,719</u>
Change in net position					(878,855)	79,678	(799,177)
Net position - beginning					<u>25,397,285</u>	<u>7,116,468</u>	<u>32,513,753</u>
Net position - ending					<u>\$ 24,518,430</u>	<u>\$ 7,196,146</u>	<u>\$ 31,714,576</u>

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine

BALANCE SHEET

Governmental Funds

June 30, 2017

	General Fund	Various Capital Reserves	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 611,428	\$ -	\$ 110,584	\$ 722,012
Investments	4,148,126	-	1,894,023	6,042,149
Taxes receivable, net	720,073	-	-	720,073
Due from other funds	124,737	2,449,431	-	2,574,168
Receivable from other governments	198,230	-	-	198,230
Other receivables, net	497,287	-	-	497,287
Inventories	28,872	-	-	28,872
Total assets	6,328,753	2,449,431	2,004,607	10,782,791
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	250,008	-	-	250,008
Due to other funds	2,449,431	22,407	102,330	2,574,168
Payable to other governments	41,535	-	-	41,535
Other accrued expenses	74,115	-	-	74,115
Other payables	76,498	-	-	76,498
Total liabilities	2,891,587	22,407	102,330	3,016,324
 Deferred inflows of resources:				
Prepaid property taxes	12,018	-	-	12,018
Unavailable revenues	723,052	-	-	723,052
Total deferred inflows of resources	735,070	-	-	735,070
 Fund balances:				
Nonspendable:				
Inventories	28,872	-	-	28,872
Loans receivable	78,031	-	-	78,031
Restricted	147,113	-	1,632,543	1,779,656
Committed	643,948	2,427,024	-	3,070,972
Assigned	-	-	269,734	269,734
Unassigned	1,804,132	-	-	1,804,132
Total fund balances	2,702,096	2,427,024	1,902,277	7,031,397
Total liabilities, deferred inflows of resources and fund balances	\$ 6,328,753	\$ 2,449,431	\$ 2,004,607	\$ 10,782,791

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 June 30, 2017

Total fund balance, governmental funds	\$ 7,031,397
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Prepays are not reported as assets in the fund financial statements but are reported as assets in the governmental activities of the Statement of Net Position.	37,151
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	22,281,422
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	2,823,696
Deferred property tax revenue included in fund financial statements not included in governmental activities of the Statement of Net Position.	655,557
Deferred outflows related to pensions are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,584,071
Deferred inflows related to pensions are not due and payable in the current period and are not included in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	(532,767)
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(9,362,097)
Net Position of Governmental Activities in the Statement of Net Position	\$ 24,518,430

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2017

	<u>General Fund</u>	<u>Various Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 9,319,176	\$ -	\$ -	\$ 9,319,176
Excise and miscellaneous taxes	1,589,662	-	-	1,589,662
Fees and fines	11,426	-	-	11,426
Licenses and permits	152,664	-	-	152,664
Intergovernmental	1,355,763	100,124	-	1,455,887
Charges for services	2,388,991	480	-	2,389,471
Investment earnings	43,126	229	245,458	288,813
Miscellaneous	154,545	59,825	-	214,370
Total revenues	<u>15,015,353</u>	<u>160,658</u>	<u>245,458</u>	<u>15,421,469</u>
EXPENDITURES				
Current:				
General government	2,004,252	195,316	-	2,199,568
Public safety	3,608,924	18,342	-	3,627,266
Public works	1,394,911	-	-	1,394,911
Health, welfare and sanitation	597,208	-	-	597,208
Culture and recreation	501,291	37,153	64,519	602,963
Airport	217,524	80,789	-	298,313
Education	5,722,337	-	-	5,722,337
County tax	624,980	-	-	624,980
Debt Service:				
Principal	480,597	-	-	480,597
Interest	117,543	-	-	117,543
Capital Outlay	687,576	-	17,209	704,785
Total expenditures	<u>15,957,143</u>	<u>331,600</u>	<u>81,728</u>	<u>16,370,471</u>
Excess (deficiency) of revenues over expenditures	<u>(941,790)</u>	<u>(170,942)</u>	<u>163,730</u>	<u>(949,002)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	762,081	612,039	-	1,374,120
Transfers out	(612,039)	(762,081)	-	(1,374,120)
Total other financing sources and uses	<u>150,042</u>	<u>(150,042)</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM				
Proceeds from sale of capital assets	8,937	-	-	8,937
Total Special Items	<u>8,937</u>	<u>-</u>	<u>-</u>	<u>8,937</u>
Net change in fund balances	(782,811)	(320,984)	163,730	(940,065)
Fund balances - beginning	<u>3,484,907</u>	<u>2,748,008</u>	<u>1,738,547</u>	<u>7,971,462</u>
Fund balances - ending	<u>\$ 2,702,096</u>	<u>\$ 2,427,024</u>	<u>\$ 1,902,277</u>	<u>\$ 7,031,397</u>

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds:	\$ (940,065)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>	
This is the amount by which depreciation, \$1,049,076, exceeded capital outlays, \$687,576, in the current period.	(361,500)
<p>Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.</p>	
	(1,558)
<p>Prepays are not reported as assets in the fund financial statements but are reported as assets in the governmental activities of the statement of net assets.</p>	
	6,476
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>	
	196,848
<p>Governmental funds report proceeds of long-term debt as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt as an expenditure, in contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.</p>	
	480,597
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>	
Accrued interest not reflected on governmental funds	11,317
Accrued compensated absences	(2,737)
Accrued post employment benefits	(22,899)
Pension expense	(245,334)
Change in net position of governmental activities	\$ (878,855)

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2017

	Enterprise Funds
	Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,386,761
Investments	384,209
Accounts receivable, net	362,317
Receivables from other governments	216,024
Other receivables	91,373
Total current assets	4,440,684
Non-current assets:	
Capital Assets	
Construction in progress	1,245,924
Nondepreciable	179,427
Depreciable, net	8,133,237
Total non-current assets	9,558,588
Total assets	13,999,272
LIABILITIES	
Current Liabilities:	
Accounts payable	496,972
Salaries payable	6,412
Accrued interest payable	32,150
Compensated absences	8,688
Bond anticipation notes payable	3,110,000
Bonds payable	303,456
Total current liabilities	3,957,678
Non-current liabilities:	
Compensated absences	73,402
Bonds payable	2,772,046
Total non-current liabilities	2,845,448
Total liabilities	6,803,126
NET POSITION	
Net investment in capital assets	6,483,086
Restricted for capital projects	490,958
Restricted for other purposes	377,923
Unrestricted	(155,821)
Total net position	\$ 7,196,146

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
Proprietary Funds
For the year ended June 30, 2017

	Enterprise Funds
	Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 1,180,153
Total operating revenues	1,180,153
OPERATING EXPENSES	
Administration	488,481
Maintenance	36,813
Waste treatment facility	133,907
Sludge disposal	50,957
Depreciation	469,996
Total Operating Expenses	1,180,154
Operating income (loss)	(1)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	4,095
Interest expense	(101,388)
Total non-operating revenue (expenses)	(97,293)
Income (loss) before contributions and transfers	(97,294)
Capital contributions	184,368
Special item - gain (loss) on sale of land	(7,396)
Change in net position	79,678
Total net position - beginning	7,116,468
Total net position - ending	\$ 7,196,146

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine
STATEMENT OF CASH FLOWS
Proprietary Fund
For the year ended June 30, 2017

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 973,823
Receipts for administrative services	254,241
Payments to employees	(265,531)
Payments to suppliers for goods and services	(221,677)
Net cash provided by operating activities	740,856
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Collection of notes receivable	13,285
Acquisition of capital assets	(929,232)
Interest paid on debt	(104,092)
Proceeds of bonds	3,549,000
Repayment of bonds and capital leases	(286,571)
Capital contributions	184,368
Net cash used by capital activities	2,426,758
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(59,941)
Interest on cash and investments	4,095
Net cash used by investing activities	(55,846)
Net decrease in cash and cash equivalents	3,111,768
Cash and cash equivalents, beginning	274,993
Cash and cash equivalents, ending	\$ 3,386,761
Reconciliation of operating income (loss) to	
net cash used by operating activities	
Operating income (loss)	\$ (1)
Adjustments to reconcile operating income (loss)	
to net cash flows from operating activities:	
Depreciaton	469,996
Changes in assets and liabilities	
(Increase) decrease in receivable, net	(206,330)
Increase (decrease) in accounts payable	475,062
Increase (decrease) in interfund payables	(5,213)
Increase (decrease) in accrued wages	3,365
Increase (decrease) in other accrued expenses	2,600
Increase (decrease) in compensated absences	1,377
Net cash provided by operating activities	\$ 740,856

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Old Town (the “City”) was incorporated on March 30, 1891 under the laws of the State of Maine. The City operates under a Council-Manager form of government and provides the following services: general government services, public safety, public works, health and welfare, sanitation, waste water treatment, education and library.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and the Financial Accounting Standards Board Standards, when applicable. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The City’s basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB’s *Codification of Governmental Accounting and Financial reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in its own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization’s board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Old Town has one component unit, Old Town Development, LLC. Old Town Development is a legally separate organization that has its board appointed by the city council and whose sole member is the City. Therefore, the City reports Old Town Development’s balances and transactions as though they were a part of the City, using the blending method.

Old Town Development was created in 2010 for purposes related to the promotion and facilitation of economic development within the City of Old Town, including, but not limited to, the application for and receipt of grant and/or other funds identified by the Managers and the disbursement of such funds, to own, hold, manage, develop, rehabilitate and/or lease land and buildings located in Old Town, Maine and for such other purposes reasonably related to or ancillary to the foregoing as approved by the Managers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity within the governmental and business-type activities columns, if applicable, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds and/or component units that are fiduciary in nature are not included in government-wide financial statements.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary and fiduciary activities (when applicable). These statements present each major fund as a separate column on the fund financial statements, all non-major funds are aggregated and presented in a single column.

C. Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Governmental Funds - Continued

The City has presented the following governmental funds:

General Fund

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Capital Reserves Fund

The capital reserves fund is used to account for funds reserved by authorization of City Council.

D. Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the statement of net assets.

The City has presented the following major proprietary fund:

Enterprise Fund

The enterprise fund is used to account for the operations of the waste water treatment plant. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt for the sewer fund. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Fiduciary Funds (Not included in the government-wide statements)

Fiduciary funds are not included in the government-wide statements. The City currently has no fiduciary funds.

F. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Agency funds are also presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, intergovernmental revenues and charges for services. All other governmental fund revenues are recognized when received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Fund Balance Restrictions

Fund balances for governmental funds have been classified in accordance with section 1800, Classification and Terminology, of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The City reported the following fund balance restrictions:

Nonspendable Fund Balance – indicates items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless those proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted Fund Balances – includes balances that are legally restricted for specific purposes due to constraints that are either externally imposed by creditors, grantors, contributors, or imposed by law through a constitutional provision or enabling legislation.

Committed Fund Balances – indicates assets that can be used only for specific purposes pursuant to constraints imposed by a formal action of a vote of the City Council, the City's highest level of decision-making authority. This formal action is the passage of the City budget, creating, modifying, or rescinding an appropriation.

Assigned Fund Balances – includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

Unassigned Fund Balance – is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

H. Revenues and Expenses

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g. general government, public safety, education, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Revenues and Expenses - Continued

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as restricted or unrestricted, which can further be classified as committed, assigned or unassigned. The City's policy is that restricted amounts are spend first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the City's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the governmental fund financial statements, expenditures are reported by function.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are sub-classified by object. The City uses the criteria prescribed in Section 2450 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, Cash Flows Statements, paragraphs .114 and .115 to determine operating revenues and expenses. Operating revenue includes sewer user fees, and all other revenues that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities. Operating expenses include salaries and wages, utilities, maintenance, depreciation of fixed assets, administrative expenses and all other expenses that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities.

I. Budgets and Budgetary Accounting

The City utilizes a formal budgetary accounting system to control revenues accounted for in the general fund and the enterprise fund. These budgets are established in accordance with the various laws which govern the City's operations.

Generally, appropriations for the general fund and the enterprise fund lapse at year end, except for balances approved to be carried forward by City Council.

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the special revenue funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the City's fiscal year.

The City prepares its general fund annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). Additional information is presented in Note 2.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Deposits and Investments

For purposes of the statement of cash flows, the proprietary and fiduciary funds consider all highly liquid investments, except for money market mutual funds, with a maturity of three months or less to be cash equivalents. Additional information is presented in Note 3.

Investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Additional information is presented in Note 3.

K. Inventories

Inventories of gasoline, diesel and aviation fuel in the general fund are valued at the lower of cost or market value.

L. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

M. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

N. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds, if applicable. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are stated at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

N. Capital Assets - Continued

General fixed assets capitalized have an original cost of \$5,000 or more and over one year of useful life. General infrastructure assets capitalized have an original cost of \$25,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated useful lives:

Buildings & Improvements	20-50 (Years)
Sewer Systems	50-100
Machinery & Equipment	3-50
Vehicles	3-25
Infrastructure	20-35

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

O. Long-term Debt

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable and capital leases.

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

P. Compensated Absences

The City's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these governmental compensated absences is recorded in both the government-wide and fund financials. The proprietary funds report the liability as it is incurred, also in both the government-wide and fund financials.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Q. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

R. Property Taxes

Property taxes (real and personal, except vehicles) are assessed to the owner of record on April 1. On August 25, 2016 the taxes were committed to the tax collector for collection. One half of the taxes were due on September 29, 2016 and the second half was due on March 15, 2017. Interest is assessed from September 29, 2016 and March 15, 2017 at 7.00% per year on any amount unpaid as of September 30, 2016 and March 16, 2017 respectively. Tax liens on delinquent taxes may be placed on real property after eight months and within twelve months following the commitment date. The City may foreclose on property if the lien, interest and costs are not paid within eighteen months from the date the lien is filed.

The City is permitted by statute to levy taxes up to 105% of its net budgeted expenditures for the fiscal year.

Included in the City's tax assessment of \$22.15 per \$1,000 of assessed valuation is \$1.46 which represents the local assessment for county taxes and \$13.24 which represents the local assessment for Education. These taxes are collected by the City and forwarded as required by the taxing agency.

The 2017 tax levy is summarized as follows:

Assessed Value	
Real property	\$ 410,320,300
Personal property	18,962,800
	<hr/> 429,283,100
Tax rate (per \$1,000)	<hr/> 22.15
Commitment	9,508,621
Supplementals	52,156
Less abatements	44,761
Less collections	8,989,983
Receivable at June 30, 2017	<hr/> <hr/> \$ 526,033
Collection rate	95.02%

2. BUDGET BASIS OF ACCOUNTING

The City prepares its general fund annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions on page 49 are presented in accordance with the City’s method (budget basis) in the Budget and Actual (with budget to GAAP differences) – General Fund to provide a meaningful comparison of actual results with the budget. The major difference between budget and GAAP basis in the general fund is compensated absences are recognized for GAAP basis only.

Adjustments necessary to convert the general fund’s excess of revenues and other sources over expenditures and other uses on the budget basis to GAAP basis are provided below:

Change in fund balances - budget basis	\$ (486,206)
Billing revenue in expenditures - revenue	(22,213)
Billing revenue in expenditures - expenditures	22,213
Other financing source in revenue - revenue	(762,081)
Other financing use in expenditures - expenditures	465,476
Change in fund balances - GAAP basis	<u><u>\$ (782,811)</u></u>

The City also prepares its sewer fund annual budget on a basis which differs from GAAP. The budget and all transactions on page 51 are presented in accordance with the City’s method (budget basis) in the Budget and Actual (with budget to GAAP differences) – Sewer Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the sewer fund are depreciation and other post employment benefits which are recognized for GAAP basis only and capital asset additions and principal payments which are recognized for budget basis only, and certain revenue is reported as a direct increase in equity.

Adjustments necessary to convert the sewer fund’s excess of revenues and other sources over expenditures and other uses on the budget basis to GAAP basis are provided below:

Change in net position - budget basis	\$ (1,151,295)
Current year depreciation expense	(469,996)
Current year capital asset additions	929,232
Current year principal payments	286,571
Other post employment benefits	(2,600)
Charges for services not recognized as revenue	487,766
Change in net position - GAAP basis	<u><u>\$ 79,678</u></u>

3. DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2017, the City reported deposits of \$4,108,773 with bank balances of \$4,108,246. Of the City’s total bank balance of \$4,108,246, \$4,108,246 was collateralized by underlying securities held by the related bank, which were not in the City’s name.

Reported in governmental funds	\$ 722,012
Reported in proprietary funds	<u>3,386,761</u>
Total Deposits	<u><u>\$4,108,773</u></u>

B. Investments

Maine statutes authorize the City to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the City can invest in direct debt securities obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks and bonds and certificates of deposit.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments. The City does not have an investment policy for custodial credit risk. The City’s investments of \$6,426,358, invested in money market funds, U.S. Treasury notes, U.S. Agency notes, corporate bonds, stock mutual funds and common stock, are not exposed to custodial credit risk as the investments are in the City’s name.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. There is no concentration of credit risk policy for the City’s investments. At June 30, 2017, there were no investments that represent five percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are excluded from this requirement.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement.

3. DEPOSITS AND INVESTMENTS – Continued

B. Investments – Continued

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City does not have a policy related to interest rate risk. The City is required to disclose the interest rate risk of its debt investments as follows.

	<u>Due in less than one Year</u>	<u>Due in 1-5 Years</u>	<u>No Maturity</u>
U.S. Agency Notes	\$ 240,091	\$ 878,279	\$ -
Corporate Bonds	744,017	744,687	-
Repurchase Agreements	1,925,261	-	-
Equities	-	-	1,351,025
Mutual Funds	-	-	539,752
Real Estate	-	-	3,246
Total debt investments	<u>\$ 2,909,369</u>	<u>\$ 1,622,966</u>	<u>\$ 1,894,023</u>

Investments of \$6,426,358 have been reported as follows:

Reported in governmental funds	\$ 6,042,149
Reported in proprietary funds	384,209
Total Investments	<u>\$ 6,426,358</u>

The City's investments by type are as follows:

U.S. Agency Notes	\$ 1,118,370
Corporate Bonds	1,488,704
Repurchase Agreements	1,925,261
Mutual Funds	539,752
Equities	1,351,025
Real Estate	3,246
	<u>\$ 6,426,358</u>

4. RECEIVABLES

Receivable balances are segregated by type, and presented in the fund financial statements net of allowance for uncollectible amounts. The following table disaggregates amounts considered to be uncollectible by fund and type of receivable as of June 30, 2017:

	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
Governmental Funds:				
General Fund	\$ 509,256	\$ 78,031	<u>\$ (90,000)</u>	\$ 497,287
Allowance for Uncollectibles	<u>(86,000)</u>	<u>(4,000)</u>		
Net Receivables	<u>\$ 423,256</u>	<u>\$ 74,031</u>		<u>\$ 497,287</u>
Proprietary Funds:				
Sewer Fund	\$ 412,317	\$ 96,373	<u>\$ (55,000)</u>	\$ 453,690
Allowance for Uncollectibles	<u>(50,000)</u>	<u>(5,000)</u>		
Net Receivables	<u>\$ 362,317</u>	<u>\$ 91,373</u>		<u>\$ 453,690</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is summarized below.

	Balance 06/30/16	Additions	Retirements	Balance 06/30/17
Governmental Activities:				
<i>Non-Depreciable Assets:</i>				
Land	\$ 1,422,119	\$ -	\$ -	\$ 1,422,119
Construction in Progress	6,684,953	154,568	(1,388,366)	5,451,155
Total Non-Depreciable Assets	<u>8,107,072</u>	<u>154,568</u>	<u>(1,388,366)</u>	<u>6,873,274</u>
<i>Depreciable Assets:</i>				
Buildings & Improvements	9,150,685	10,855	-	9,161,540
Equipment & Furniture	3,204,501	19,160	(322,810)	2,900,851
Vehicles	2,590,662	348,548	(74,936)	2,864,274
Land Improvements	563,057	1,400,141	-	1,963,198
Infrastructure	7,895,466	142,670	-	8,038,136
Total Depreciable Assets	<u>23,404,371</u>	<u>1,921,374</u>	<u>(397,746)</u>	<u>24,927,999</u>
<i>Less accumulated depreciation for:</i>				
Buildings & Improvements	(2,699,475)	(212,540)	-	(2,912,015)
Equipment & Furniture	(2,385,804)	(153,721)	322,721	(2,216,804)
Vehicles	(1,353,446)	(289,643)	73,467	(1,569,622)
Land Improvements	(203,880)	(87,356)	-	(291,236)
Infrastructure	(2,224,358)	(305,816)	-	(2,530,174)
Total accumulated depreciation	<u>(8,866,963)</u>	<u>(1,049,076)</u>	<u>396,188</u>	<u>(9,519,851)</u>
Total capital assets being depreciated, net	<u>14,537,408</u>	<u>872,298</u>	<u>(1,558)</u>	<u>15,408,148</u>
Governmental activities capital assets, net	<u>\$ 22,644,480</u>	<u>\$ 1,026,866</u>	<u>\$ (1,389,924)</u>	<u>\$ 22,281,422</u>

5. CAPITAL ASSETS – Continued

	Balance 06/30/16	Additions	Retirements	Balance 06/30/17
Business-type Activities:				
<i>Non-Depreciable Assets:</i>				
Land	\$ 179,427	\$ -	\$ -	\$ 179,427
Construction in Progress	316,692	929,232	-	1,245,924
Total Non-Depreciable Assets	<u>496,119</u>	<u>929,232</u>	<u>-</u>	<u>1,425,351</u>
<i>Depreciable Assets:</i>				
Infrastructure	4,235,713	-	-	4,235,713
Buildings & Improvements	5,682,698	-	-	5,682,698
Equipment & Furniture	6,712,216	-	(98,340)	6,613,876
Vehicles	362,056	-	(59,077)	302,979
Total Depreciable Assets	<u>16,992,683</u>	<u>-</u>	<u>(157,417)</u>	<u>16,835,266</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(932,527)	(70,625)	-	(1,003,152)
Buildings & Improvements	(2,876,973)	(130,911)	-	(3,007,884)
Equipment & Furniture	(4,244,986)	(257,946)	90,944	(4,411,988)
Vehicles	(327,568)	(10,514)	59,077	(279,005)
Total accumulated depreciation	<u>(8,382,054)</u>	<u>(469,996)</u>	<u>150,021</u>	<u>(8,702,029)</u>
Total capital assets being depreciated, net	<u>8,610,629</u>	<u>(469,996)</u>	<u>(7,396)</u>	<u>8,133,237</u>
Business-type activities capital assets, net	<u>\$ 9,106,748</u>	<u>\$ 459,236</u>	<u>\$ (7,396)</u>	<u>\$ 9,558,588</u>

Depreciation expense for the year ended June 30, 2017 was charged as direct expense to programs as follows:

<i>Governmental Activities</i>	
General government	\$ 149,631
Public safety	237,529
Public works	525,695
Culture and recreation	47,289
Airport	88,932
Total depreciation expense - Governmental activities	<u>\$ 1,049,076</u>

Total interest costs of \$207,614 were incurred during the year ending June 30, 2017. All interest was expensed.

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2017

6. LONG-TERM DEBT

General obligation and proprietary fund bonds payable

The following is a summary of general obligation and proprietary fund bonds payable transactions of the City for the year ended June 30, 2017:

<u>Governmental Debt</u>	Original Amount	Principal Balance 06/30/16	Proceeds	Payments	Principal Balance 06/30/17	Due in 1 year
General Obligation Bonds Payable						
<i>Maine Municipal Bond Bank</i>						
2007 school renovation bond, due 2017, with annual principal payments and semi-annual interest payments. Interest ranges from 1.000% to 6.000%.	\$ 1,000,000	\$ 200,000	\$ -	\$ (100,000)	\$ 100,000	\$ 100,000
2002 public improvement bond, due 2022, with annual principal payments and semi-annual interest payments. Interest ranges from 3.050% to 5.250%	2,500,000	875,000	-	(125,000)	750,000	125,000
2002 school construction bond, due 2022, with annual principal payments and semi-annual interest payments. Interest ranges from 3.050% to 5.250%	11,316,198	3,960,670	-	(565,810)	3,394,860	565,810
2008 school renovation revolving loan fund due 2018, with annual principal payments with no interest	2,000,000	203,460	-	(67,820)	135,640	67,820
2009 Bangor Savings Bank Municipal Building due 2029, with annual payments of \$70,545 during the first five years and \$70,540 thereafter with interest at 3.7% for the first five years and 65% of the Libor Swaps five year rate plus 2.85% as determined at the beginning of each successive five year period.	1,410,825	987,559	-	(70,540)	917,019	70,540
2015 general obligation bond, due 2023, with annual principal payments and semi-annual interest payments, with an interest rate of 2.15%.	1,000,000	1,000,000	-	(142,857)	857,143	122,449
Total General Obligation Bonds	<u>\$ 7,226,689</u>	<u>\$ -</u>	<u>\$ (1,072,027)</u>	<u>\$ 6,154,662</u>	<u>\$ 1,051,619</u>	

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2017

6. LONG-TERM DEBT – Continued

<i>Business-type Debt</i>	Original Amount	Principal Balance 06/30/16	Proceeds	Payments	Principal Balance 06/30/17	Due in 1 year
Proprietary Fund Bonds Payable						
<i>Rural Development</i>						
2003 treatment facility construction and improvements bond, due 2031 with annual principal and semi-annual interest. Interest at 4.250%.	2,000,000	1,142,856	-	(71,428)	1,071,428	71,428
2007 treatment facility construction and improvement bond, due 2022 with annual principal and semi-annual interest. Interest at 4.125%.	914,000	620,215	-	(32,643)	587,572	32,643
2016 treatment facility construction and improvement bond, due 2029 with annual principal and semi-annual interest. Interest at 1.375%.	439,000	-	439,000	-	439,000	16,885
<i>Maine Municipal Bond Bank</i>						
2002 treatment facility construction bond, due 2022 with annual principal and semi-annual interest. Interest at 2.380%.	3,000,000	900,001	-	(150,000)	750,001	150,000
2003 treatment facility construction and improvement bond, due 2024 with annual principal and semi-annual interest. Interest at 1.600%.	1,525,290	260,001	-	(32,500)	227,501	32,500
Total Proprietary Fund Bonds		<u>2,923,073</u>	<u>439,000</u>	<u>(286,571)</u>	<u>3,075,502</u>	<u>303,456</u>
Total general obligation and proprietary fund bonds payable		<u>\$ 10,149,762</u>	<u>\$ 439,000</u>	<u>\$ (1,358,598)</u>	9,230,164	<u>\$ 1,355,075</u>
Less current portion					<u>(1,355,075)</u>	
					<u>\$ 7,875,089</u>	

Future maturities of general obligation and proprietary fund bonds payable are as follows:

Year ended June 30	General Obligations		Proprietary Obligations		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,051,619	\$ 251,149	\$ 303,456	\$ 94,732	\$ 1,355,075	\$ 345,881
2019	951,619	214,339	303,456	86,028	1,255,075	300,367
2020	883,799	166,684	303,456	77,338	1,187,255	244,022
2021	883,799	125,037	303,456	68,619	1,187,255	193,656
2022	883,799	83,490	303,456	59,917	1,187,255	143,407
2023-2027	1,288,408	96,275	669,780	204,849	1,958,188	301,124
2028-2032	211,619	11,955	604,780	90,665	816,399	102,620
2033-2037	-	-	182,352	15,932	182,352	15,932
2038-2042	-	-	84,423	4,066	84,423	4,066
2043-2047	-	-	16,887	116	16,887	116
Totals	<u>\$ 6,154,662</u>	<u>\$ 948,929</u>	<u>\$ 3,075,502</u>	<u>\$ 702,262</u>	<u>\$ 9,230,164</u>	<u>\$ 1,651,191</u>

6. LONG-TERM DEBT – Continued

As of July 1, 2009, the City of Old Town School Department joined Regional School Unit (RSU) #34. As part of the agreement, certain liabilities of the school department were transferred to RSU #34, except for general obligation bonds which remain obligations of the City of Old Town. RSU #34 is obligated to reimburse the City for the annual debt service payments on the school-related bonds of \$2,823,696. This obligation has been recorded as a long-term receivable from RSU #34 on the entity wide statement of net position.

Other Long-Term Debt

The following is a summary of other long-term debt transactions of the City for the fiscal year ended June 30, 2017:

	Balance 06/30/16	Additions	Reductions	Balance 06/30/17	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 391,815	\$ 57,327	\$ 54,590	\$ 394,552	\$ 78,910
Other post employment benefits	311,496	50,717	27,818	334,395	-
Pension	1,337,053	1,095,236	-	2,432,289	-
Total Governmental Activities	<u>\$ 2,040,364</u>	<u>\$ 1,203,280</u>	<u>\$ 82,408</u>	<u>\$ 3,161,236</u>	<u>\$ 78,910</u>
Business-Type Activities					
Compensated absences	\$ 42,065	\$ 2,096	\$ 719	\$ 43,442	\$ 8,688
Other post employment benefits	36,048	5,759	3,159	38,648	-
Total Business-Type Activities	<u>\$ 78,113</u>	<u>\$ 7,855</u>	<u>\$ 3,878</u>	<u>\$ 82,090</u>	<u>\$ 8,688</u>

Short-Term Obligations

The City issued \$3,110,000 of bond anticipation notes during the year ending June 30, 2017. Short-term obligations are used to meet temporary cash flow needs. At June 30, 2017 \$3,110,000 of bond anticipation notes were outstanding.

7. TAX INCREMENT FINANCING

The City currently has three approved tax increment financing (TIF) districts. The objective of these TIF districts is to stimulate new investment in the community, through various tax increment financing projects. Taxes derived from increased assessed valuation within the districts can be “captured” for approved uses. The City accounts for its portion of the activity of the TIF districts, including captured taxes and expenditures for approved purposes, in a capital reserve fund. The following is a brief description of each district:

Penobscot County Federal Credit Union –This TIF was established in 2007 and is for 10 years. The amount set aside for Penobscot County Federal Credit Union is 75% of the captured assessed value in the District for the first five years and 50% for the final five years. The remaining percentage is retained by the City for economic development within the City.

Humble Beginnings, LLC/Old Town Industrial Park –This TIF was established in 2007 and the original term was for 10 years. On October 23, 2009, the City’s application to amend the original agreement was approved. The new agreement extends the term from 10 to 11 years. The amount set aside for Humble Beginnings, LLC/Old Town Industrial Park is 100% of the captured assessed value in the District for the first 10 years and 50% for the final year. The final year is unsheltered and can be deposited into the City’s general fund.

The percentage of TIF revenues to be returned to the Developer as part of a Credit Enhancement Agreement (CEA) is 80% for years one and two and 100% for years three to eleven. For years one and two the remaining TIF revenues will be applied in accordance with the original agreement.

8. INTERFUND TRANSACTIONS

Interfund balances of amounts due to/from other funds and operating transfers by fund at and for the year ended June 30, 2017 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Transfers In</u>	<u>Tranfers Out</u>
General fund	\$ 124,737	\$ 2,449,431	\$ 762,081	\$ 612,039
Capital reserves fund	2,449,431	22,407	612,039	762,081
Other governmental funds	-	102,330	-	-
	<u>\$ 2,574,168</u>	<u>\$ 2,574,168</u>	<u>\$ 1,374,120</u>	<u>\$ 1,374,120</u>

Interfund transactions between governmental funds are eliminated in the government wide statement of net position and statement of activities.

8. INTERFUND TRANSACTIONS – Continued

Transfers are used to (1) move revenues that are collected in accordance with the budget to the appropriate fund to expend and (2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorization.

During fiscal year 2017, the City of Old Town, in accordance with the authorized budget, recorded the following non-routine, nonrecurring transfer.

The Heavy Equipment Replacement Reserve transferred \$384,900 to the General Fund.

9. NET POSITION – ENTERPRISE FUND – RESTRICTED – OTHER PURPOSES

At June 30, 2017, the enterprise fund’s restricted fund balance for other purposes was comprised of the following:

Capital outlay - equipment and facility	<u>\$ 377,923</u>
-----------------------------------------	-------------------

10. FUND BALANCES

The City’s fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council; (3) assigned purposes, which includes residual amounts within the funds that are neither restricted nor committed.

Restricted fund balances for the year ended June 30, 2017 are as follows:

General Fund:	
Bullet Proof Vest	\$ 783
2017 Data Driven Speed Enforcement	1,751
COPS	9,329
Penobscot JAG Project	2,979
2015 Evidence Based Impaired Driving	563
2016 Evidence Based Impaired Driving	948
Airport Runway	96,758
Brownfield Cleanup	<u>34,002</u>
Total General Fund	<u>147,113</u>
Permanent Funds:	
Cemetery	842,581
Public Library	<u>789,962</u>
Total Permanent Funds	<u>1,632,543</u>
Total Restricted Fund Balance	<u><u>\$ 1,779,656</u></u>

Committed fund balances for the year ended June 30, 2017 are as follows:

General Fund:	
Employee Benefits	\$ 1,973
City Manager	12,518
Information Technology	62,083
Juniper Ridge Landfill	233,933
Library	2,354
Capital Projects	<u>331,087</u>
Total General Fund Committed Balance	<u>643,948</u>

10. FUND BALANCES – Continued

Capital Reserves:	
TIF Financing Plan	45,224
Old Town Development LLC	306,566
Tech equipment	274,430
Heavy equipment	631,040
Community center reserve	28,500
Highway block grant	215,948
Economic development	113,877
Airport hangar	157,085
J Ridge landfill	34,958
City facilities	374,092
Debt service	167,395
Donations - library	9,658
Community festival	3,965
175th Anniversary	3,952
Concerts in the park	2,181
Skateboard park	38,062
Public safety programs	10,952
Book restoration	364
Save the pool	3,834
Library friends	4,941
Total Capital Reserves Committed Balance	<u>2,427,024</u>
Total fund balance - committed	<u><u>\$ 3,070,972</u></u>

At June 30, 2017, the governmental fund assigned fund balances were comprised of the residual balance in governmental funds other than the general fund.

11. PENSION PLANS

A. Defined Benefit Pension Plans

The City has contributed to the MainePERS Participating Local District (PLD) Consolidated Retirement Plan. The PLD Plan is a multiple-employer cost sharing plan. Eligible employers (districts) are defined in Maine statute. As of June 30, 2016 there were 283 employers in the plan.

Pension Benefits

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. The City made matching contributions of \$242,355 and employees contributed \$305,849 for a total contribution of \$548,204 for municipal employees.

11. PENSION PLANS - Continued

B. Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The following methods and assumptions applied to all periods included in the measurement:

Actuarial Assumptions

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

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

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

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

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

Significant actuarial assumptions employed by the actuary for funding purposes of June 30, 2016 are as follows:

Investment Rate of Return – 6.875% per annum, compounded annually

Salary Increases, Merit and Inflation – 2.75% to 9.00% per year

Mortality Rates – RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females

Cost of Living Benefit Increases – 2.20% per annum

11. PENSION PLANS - Continued

B. Net Pension Liability - Continued

Actuarial Assumptions – Continued

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2016 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	5.7%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	5.2%
Infrastructure	10%	5.3%
Hard Assets	5%	5.0%
Fixed Income	25%	2.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2016 for the PLD Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

11. PENSION PLANS – Continued

C. Changes in the Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016 with the following exceptions.

Differences between Expected and Actual Experience – The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members of the plan. For 2016, this was four years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings – Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

Changes in Assumptions – Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members of the plan. The discount rate was decreased from 7.125% to 6.875% and the cost of living benefit increase assumption was changed from 2.55% to 2.20%

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions – Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in the plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

11. PENSION PLANS – Continued

C. Changes in the Net Pension Liability - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table show how the net pension liability/(asset) as of June 30, 2016 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
City's net pension liability	\$ 4,037,161	\$ 2,432,289	\$ 921,359

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the plan can be found in the MainePERS' 2016 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

11. PENSION PLANS – Continued

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

For the year ended June 30, 2017, the City recognized pension expense of \$487,689. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 29,485	\$ 156,442
Net difference between projected and actual investment earnings on pension plan investments	898,810	374,073
Changes of assumptions	260,748	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	152,673	2,252
Contributions subsequent to the measurement date	242,355	-
	<u>\$ 1,584,071</u>	<u>\$ 532,767</u>

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 190,100
2019	145,583
2020	333,082
2021	140,184

11. PENSION PLANS – Continued

F. Deferred Compensation Plan

The City also provides a 457 Deferred Compensation Plan (defined contribution plan – DCP) and a 401 qualified plan both of which are administered by International City Manager Association (ICMA) Retirement Corporation. Copies of the most recent financial reports may be obtained from the plan administrator.

The City contributes at rates which vary from 0 to 6.5%, depending on the monthly elections and contributions of participants. Employees may elect to contribute up to 25% of earnings, but the City limits its match to 6.5%. The City made matching contributions of \$40,401 and employees elected to defer \$168,600 for a contribution of \$209,001, for municipal employees.

12. OTHER POST EMPLOYMENT BENEFITS

In June of 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45 which addressed the reporting and disclosure requirements for other postemployment benefits (OPEB). GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, was implemented by the City for the year ended June 30, 2010. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

Description of the Plan –

The City sponsors a single-employer post-retirement benefit plan providing health insurance to retiring employees through MMEHT. MMEHT issues a publicly available financial report that may be obtained through their website www.cigna.com. The City does not provide any payment toward employee retirement benefits for health, dental or life insurances. However, if an employee meets the requirements, they may, at their own cost, remain on the employer’s health insurance plan.

Funding Policy and Annual OPEB Cost –

GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 13,095
Amortization of unfunded accrued liability	28,653
Interest	827
Annual required contribution (ARC)	<u>42,575</u>
Interest on net OPEB obligation	13,902
Amortizing adjustment to ARC	<u>(20,099)</u>
Annual OPEB cost	36,378
Contributions paid in 2017	<u>(10,879)</u>
Increase (decrease) in net OPEB obligation	25,499
Net OPEB obligation, beginning of year	<u>347,544</u>
Net OPEB obligation, end of year	<u><u>\$ 373,043</u></u>

12. OTHER POST EMPLOYMENT BENEFITS - Continued

The annual OPEB cost for the current year and two preceding years, the percentage of annual OPEB cost contributed to the plan, and the net OPEB (asset) obligation are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB (Asset) Obligation</u>
06/30/17	\$ 36,378	29.91%	\$ 373,043
06/30/16	37,657	9.26%	347,544
06/30/15	38,245	12.17%	313,373

Funding Status and Funding Progress – The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2017 was as follows:

Annual required contribution	\$ 42,575
Actual contribution	10,879
Percent contributed	25.55%
Actuarial accrued liability	\$ 515,283
Plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 515,283</u>
Covered payroll	\$ 2,640,808
UAAL as percentage of covered payroll	19.51%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial methods and assumptions – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets.

12. OTHER POST EMPLOYMENT BENEFITS – Continued

Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	30 years

Actuarial assumptions:

Investment rate of return	4.0%
Projected salary increases	2.75%
Healthcare inflation rate	4.00 - 8.50%

13. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The City pays an annual premium to the Fund for its worker’s compensation coverage. The City’s agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies’ reinsurance contracts, individual stop loss coverage for member Cities for claims in excess of \$400,000 with an excess limit of \$2,000,000.

The City is also a member of the Maine Municipal Association – Property and Casualty Pool (“Pool”). As with the Fund above, the Pool was created to obtain lower rates for its members. The City pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$200,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

14. CONTINGENCIES

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

15. JOINTLY GOVERNED ORGANIZATION

The City and various entities in the region have jointly agreed to operate a vocational education school. A separate legal entity known as the United Technologies Center (UTC) was established by State law and is governed by a nine-member board, of which one member represents the City. Complete financial statements for the UTC can be obtained from the United Technologies Center, 200 Hogan Road, Bangor, Maine, 04401.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 7, 2018, the date on which the financial statements were available to be issued.

City of Old Town, Maine
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTHCARE PLAN
For the year ended June 30, 2017

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll [(b-a)/c]
2010	1/1/2009	\$ -	\$ 713,502	\$ 713,502	0.00%	\$3,938,372	18.12%
2011	1/1/2011	-	586,694	586,694	0.00%	3,299,493	17.78%
2012	1/1/2011	-	586,694	586,694	0.00%	3,675,671	15.96%
2013	1/1/2013	-	492,023	492,023	0.00%	3,455,535	14.24%
2014	1/1/2013	-	492,023	492,023	0.00%	3,361,255	14.64%
2015	1/1/2015	-	452,315	452,315	0.00%	3,899,519	11.60%
2016	1/1/2015	-	452,315	452,315	0.00%	2,570,129	17.60%
2017	1/1/2017	-	515,283	515,283	0.00%	2,640,808	19.51%

Major changes in actuarial assumptions include the following:

Valuation Date	Investment Rate of Return	Projected Salary Increases	Health Care Cost Trend
1/1/2017	4.0%	2.8%	4.0 - 8.5%
1/1/2015	4.0%	3.0%	4.25 - 8.5%
1/1/2013	4.0%	3.0%	4.25 - 8.5%
1/1/2011	4.0%	N/A	4.0 - 8.7%
1/1/2009	4.0%	N/A	4.0 - 9.6%

City of Old Town, Maine
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Last Fiscal Year*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.457773%	0.419077%	0.393519%
City's proportionate share of the net pension liability (asset)	\$ 2,432,289	\$ 1,337,051	\$ 605,552
City's covered-employee payroll	\$ 3,451,334	\$ 3,342,432	\$ 3,246,713
City's proportional share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.47%	40.00%	18.65%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.27%	94.10%

* The amounts presented for each fiscal year were determined as of 6/30.

City of Old Town, Maine
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
 Last Fiscal Year*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 242,355	\$ 214,808	\$ 171,304
Contributions in relation to the contractually required contribution	<u>(242,355)</u>	<u>(214,808)</u>	<u>(171,304)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,451,334	\$ 3,342,432	\$ 3,246,713
City's proportional share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.02%	6.43%	5.28%

* The amounts presented for each fiscal year were determined as of 6/30.

City of Old Town, Maine
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
General Fund
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Budget to	Actual
	Original	Final	Amounts, Budgetary Basis	GAAP Differences	Amounts, GAAP Basis
REVENUES					
Property Taxes	\$ 9,472,349	\$ 9,472,349	\$ 9,319,176	\$ -	\$ 9,319,176
Excise and miscellaneous taxes	1,474,000	1,474,000	1,589,662	-	1,589,662
Fees and fines	10,300	10,300	11,426	-	11,426
Licenses and permits	143,600	143,600	152,664	-	152,664
Intergovernmental	779,035	779,035	1,430,763	(75,000)	1,355,763
Charges for services	2,076,328	2,076,328	2,391,091	(2,100)	2,388,991
Investment earnings	46,000	46,000	43,126	-	43,126
Miscellaneous	383,681	383,681	416,839	(262,294)	154,545
Total revenues	<u>14,385,293</u>	<u>14,385,293</u>	<u>15,354,747</u>	<u>(339,394)</u>	<u>15,015,353</u>
EXPENDITURES					
Current:					
General government	1,713,267	2,183,502	2,009,242	(4,990)	2,004,252
Public safety	3,338,478	3,353,431	3,600,387	8,537	3,608,924
Public works	1,384,741	1,384,741	1,415,636	(20,725)	1,394,911
Health, welfare and sanitation	566,614	566,614	597,208	-	597,208
Culture and recreation	556,508	557,888	496,678	4,613	501,291
Airport	278,189	278,520	379,429	(161,905)	217,524
Education	5,685,052	5,685,052	5,722,337	-	5,722,337
County Tax	624,980	624,980	624,980	-	624,980
Debt Service:					
Principal	471,651	471,651	480,597	-	480,597
Interest	156,854	156,854	117,543	-	117,543
Capital Outlay	646,900	1,048,635	535,319	152,257	687,576
Total Expenditures	<u>15,423,234</u>	<u>16,311,868</u>	<u>15,979,356</u>	<u>(22,213)</u>	<u>15,957,143</u>
Excess (deficiency) of revenues over expenditures	<u>(1,037,941)</u>	<u>(1,926,575)</u>	<u>(624,609)</u>	<u>(317,181)</u>	<u>(941,790)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	764,898	764,898	444,900	317,181	762,081
Transfers out	(315,434)	(315,434)	(315,434)	(296,605)	(612,039)
Total other financing sources and uses	<u>449,464</u>	<u>449,464</u>	<u>129,466</u>	<u>20,576</u>	<u>150,042</u>
SPECIAL ITEMS					
Proceeds from sale of capital assets	25,000	25,000	8,937	-	8,937
Total Special Items	<u>25,000</u>	<u>25,000</u>	<u>8,937</u>	<u>-</u>	<u>8,937</u>
Net change in fund balances	(563,477)	(1,452,111)	(486,206)	(296,605)	(782,811)
Fund balances - beginning	3,484,907	3,484,907	3,484,907	-	3,484,907
Fund balances - ending	<u>\$ 2,921,430</u>	<u>\$ 2,032,796</u>	<u>\$ 2,998,701</u>	<u>\$ (296,605)</u>	<u>\$ 2,702,096</u>

City of Old Town, Maine
BUDGET AND ACTUAL (WITH VARIANCES)
General Fund
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 9,472,349	\$ 9,472,349	\$ 9,319,176	\$ (153,173)
Excise and miscellaneous taxes	1,474,000	1,474,000	1,589,662	115,662
Fees and fines	10,300	10,300	11,426	1,126
Licenses and permits	143,600	143,600	152,664	9,064
Intergovernmental	779,035	779,035	1,430,763	651,728
Charges for services	2,076,328	2,076,328	2,391,091	314,763
Investment earnings	46,000	46,000	43,126	(2,874)
Miscellaneous	383,681	383,681	416,839	33,158
Total revenues	<u>14,385,293</u>	<u>14,385,293</u>	<u>15,354,747</u>	<u>969,454</u>
EXPENDITURES				
Current:				
General government	1,713,267	2,183,502	2,009,242	174,260
Public safety	3,338,478	3,353,431	3,600,387	(246,956)
Public works	1,384,741	1,384,741	1,415,636	(30,895)
Health, welfare and sanitation	566,614	566,614	597,208	(30,594)
Culture and recreation	556,508	557,888	496,678	61,210
Airport	278,189	278,520	379,429	(100,909)
Education	5,685,052	5,685,052	5,722,337	(37,285)
County tax	624,980	624,980	624,980	-
Debt Service:				
Principal	471,651	471,651	480,597	(8,946)
Interest	156,854	156,854	117,543	39,311
Capital Outlay	646,900	1,048,635	535,319	513,316
Total Expenditures	<u>15,423,234</u>	<u>16,311,868</u>	<u>15,979,356</u>	<u>332,512</u>
Excess (deficiency) of revenues over expenditures	<u>(1,037,941)</u>	<u>(1,926,575)</u>	<u>(624,609)</u>	<u>1,301,966</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	764,898	764,898	444,900	(319,998)
Transfers out	(315,434)	(315,434)	(315,434)	-
Total other financing sources and uses	<u>449,464</u>	<u>449,464</u>	<u>129,466</u>	<u>(319,998)</u>
SPECIAL ITEMS				
Proceeds from sale of capital assets	25,000	25,000	8,937	(16,063)
Total Special Items	<u>25,000</u>	<u>25,000</u>	<u>8,937</u>	<u>(16,063)</u>
Net change in fund balances	(563,477)	(1,452,111)	(486,206)	<u>\$ 965,905</u>
Fund balances - beginning	3,484,907	3,484,907	3,484,907	
Fund balances - ending	<u>\$ 2,921,430</u>	<u>\$ 2,032,796</u>	<u>\$ 2,998,701</u>	

City of Old Town, Maine
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
Sewer Fund
For the year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
	<u>Original</u>	<u>Final</u>			
OPERATING REVENUES					
Charges for services	\$ 693,000	\$ 693,000	\$ 667,072	\$ 487,766	\$ 1,154,838
Other	15,900	15,900	25,315	-	25,315
Total operating revenues	<u>708,900</u>	<u>708,900</u>	<u>692,387</u>	<u>487,766</u>	<u>1,180,153</u>
OPERATING EXPENSES					
Current:					
Administration	536,877	536,877	485,881	2,600	488,481
Maintenance	381,000	614,705	966,045	(929,232)	36,813
Waste treatment facility	202,500	202,500	133,907	-	133,907
Sludge disposal	52,950	52,950	50,957	-	50,957
Depreciation	-	-	-	469,996	469,996
Total operating expenses	<u>1,173,327</u>	<u>1,407,032</u>	<u>1,636,790</u>	<u>(456,636)</u>	<u>1,180,154</u>
Operating income	<u>(464,427)</u>	<u>(698,132)</u>	<u>(944,403)</u>	<u>944,402</u>	<u>(1)</u>
NON-OPERATING REVENUES (EXPENSES)					
Debt Service:					
Principal	(391,572)	(391,572)	(286,571)	286,571	-
Interest	(228,163)	(228,163)	(101,388)	-	(101,388)
Investment earnings	1,000	1,000	4,095	-	4,095
Capital contributions	-	-	184,368	-	184,368
Total non-operating revenues (expenses)	<u>(618,735)</u>	<u>(618,735)</u>	<u>(199,496)</u>	<u>286,571</u>	<u>87,075</u>
SPECIAL ITEM					
Gain (loss) from sale of capital assets	-	-	(7,396)	-	(7,396)
Change in net position	(1,083,162)	(1,316,867)	(1,151,295)	1,230,973	79,678
Net position - beginning	7,116,468	7,116,468	7,116,468	-	7,116,468
Net position - ending	<u>\$ 6,033,306</u>	<u>\$ 5,799,601</u>	<u>\$ 5,965,173</u>	<u>\$ 1,230,973</u>	<u>\$ (155,821)</u>

City of Old Town, Maine
BUDGET AND ACTUAL (WITH VARIANCES)
Sewer Fund
For the year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
OPERATING REVENUES				
Charges for services	\$ 693,000	\$ 693,000	\$ 667,072	\$ (25,928)
Other	15,900	15,900	25,315	9,415
Total operating revenues	<u>708,900</u>	<u>708,900</u>	<u>692,387</u>	<u>(16,513)</u>
OPERATING EXPENSES				
Current:				
Administration	536,877	536,877	485,881	50,996
Maintenance	381,000	614,705	966,045	(351,340)
Waste treatment facility	202,500	202,500	133,907	68,593
Sludge disposal	52,950	52,950	50,957	1,993
Total operating expenses	<u>1,173,327</u>	<u>1,407,032</u>	<u>1,636,790</u>	<u>(229,758)</u>
Operating income	<u>(464,427)</u>	<u>(698,132)</u>	<u>(944,403)</u>	<u>(246,271)</u>
NON-OPERATING REVENUES (EXPENSES)				
Proceeds from capital leases				
Debt Service:	(391,572)	(391,572)	(286,571)	105,001
Principal	(228,163)	(228,163)	(101,388)	126,775
Interest	1,000	1,000	4,095	3,095
Miscellaneous expenses	-	-	184,368	184,368
Total non-operating revenues (expenses)	<u>(618,735)</u>	<u>(618,735)</u>	<u>(199,496)</u>	<u>419,239</u>
SPECIAL ITEM				
Gain (loss) from sale of capital assets	-	-	(7,396)	(7,396)
Change in net position	(1,083,162)	(1,316,867)	(1,151,295)	<u>\$ 165,572</u>
Net position - beginning	7,116,468	7,116,468	7,116,468	
Net position - ending	<u>\$ 6,033,306</u>	<u>\$ 5,799,601</u>	<u>\$ 5,965,173</u>	

City of Old Town, Maine
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2017

	<u>Cemetery</u>	<u>Public Library</u>	<u>Library Trust</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 49,448	\$ 47,406	\$ 13,730	\$ 110,584
Investments	838,064	803,444	252,515	1,894,023
Total assets	<u>887,512</u>	<u>850,850</u>	<u>266,245</u>	<u>2,004,607</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	-	40,120	62,210	102,330
Total liabilities	<u>-</u>	<u>40,120</u>	<u>62,210</u>	<u>102,330</u>
Fund balances:				
Restricted	842,581	789,962	-	1,632,543
Assigned	44,931	20,768	204,035	269,734
Total fund balances	<u>887,512</u>	<u>810,730</u>	<u>204,035</u>	<u>1,902,277</u>
Total liabilities and fund balances	<u>\$ 887,512</u>	<u>\$ 850,850</u>	<u>\$ 266,245</u>	<u>\$ 2,004,607</u>

City of Old Town, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2017

	<u>Cemetery</u>	<u>Public Library</u>	<u>Library Trust</u>	<u>Total-Other Governmental Funds</u>
REVENUES				
Investment earnings	\$ 100,985	\$ 103,800	\$ 40,673	\$ 245,458
Total revenues	<u>100,985</u>	<u>103,800</u>	<u>40,673</u>	<u>245,458</u>
EXPENDITURES				
Current:				
Culture and recreation	-	19,002	45,517	64,519
Capital outlay	17,209	-	-	17,209
Total Expenditures	<u>17,209</u>	<u>19,002</u>	<u>45,517</u>	<u>81,728</u>
Net change in fund balances	83,776	84,798	(4,844)	163,730
Fund balances - beginning	<u>803,736</u>	<u>725,932</u>	<u>208,879</u>	<u>1,738,547</u>
Fund balances - ending	<u>\$ 887,512</u>	<u>\$ 810,730</u>	<u>\$ 204,035</u>	<u>\$ 1,902,277</u>

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2017

	TIF Financing Plan	Old Town Development LLC	Tech Equip Reserve	Heavy Equip Reserve	Community Center Reserve	Highway Block Grant	Economic Development	Airport Hanger Reserve
Revenues								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,124	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	480
Interest and dividends	-	-	-	-	-	-	172	-
Miscellaneous	-	11,744	-	-	-	-	-	-
Total revenues	-	11,744	-	-	-	100,124	172	480
Expenses								
General government	188,975	5,000	-	-	-	-	1,233	-
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	80,789
Total expenses	188,975	5,000	-	-	-	-	1,233	80,789
Excess (deficiency) of revenues over expenses	(188,975)	6,744	-	-	-	100,124	(1,061)	(80,309)
Other Financing Sources (Uses)								
Transfer in	315,434	97,597	45,806	36,352	-	-	-	-
Transfer out	(240,081)	-	-	(384,900)	-	(75,000)	-	(2,100)
Total other financing sources (uses)	75,353	97,597	45,806	(348,548)	-	(75,000)	-	(2,100)
Net change in fund balance	(113,622)	104,341	45,806	(348,548)	-	25,124	(1,061)	(82,409)
Fund balance - Beginning	158,846	202,225	228,624	979,588	28,500	190,824	114,938	239,494
Fund balance - Ending	\$ 45,224	\$ 306,566	\$ 274,430	\$ 631,040	\$ 28,500	\$ 215,948	\$ 113,877	\$ 157,085

Continued

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2017

	J Ridge Landfill	City Facilities Reserve	Debt Service Airport	Library Grants	Girlstalk Grant	Madelin Lane/ Coombs Park	Memorial Books
Revenues							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-	-
Miscellaneous	-	128	-	4,559	-	-	2,998
Total revenues	-	128	-	4,559	-	-	2,998
Expenses							
General government	-	-	-	-	108	-	-
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	4,809	-	-	2,952
Airports	-	-	-	-	-	-	-
Total expenses	-	-	-	4,809	108	-	2,952
Excess (deficiency) of revenues over expenses	-	128	-	(250)	(108)	-	46
Other Financing Sources (Uses)							
Transfer in	-	116,850	-	-	-	-	-
Transfer out	-	(60,000)	-	-	-	-	-
Total other financing sources (uses)	-	56,850	-	-	-	-	-
Net change in fund balance	-	56,978	-	(250)	(108)	-	46
Fund balance - Beginning	34,958	317,114	167,395	8,445	112	408	1,005
Fund balance - Ending	\$ 34,958	\$ 374,092	\$ 167,395	\$ 8,195	\$ 4	\$ 408	\$ 1,051

Continued

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2017

	Community Festival	175th Anniversary	Concerts in the Park	Skateboard Park	DARE	Every 15 Minutes	Gayle Seymour Fire Dept
Revenues							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest and dividends	-	-	-	57	-	-	-
Miscellaneous	23,797	302	211	-	7,769	-	-
Total revenues	<u>23,797</u>	<u>302</u>	<u>211</u>	<u>57</u>	<u>7,769</u>	<u>-</u>	<u>-</u>
Expenses							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	4,022	-	-
Culture and recreation	28,242	-	650	-	-	-	-
Airport	-	-	-	-	-	-	-
Total expenses	<u>28,242</u>	<u>-</u>	<u>650</u>	<u>-</u>	<u>4,022</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	<u>(4,445)</u>	<u>302</u>	<u>(439)</u>	<u>57</u>	<u>3,747</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)							
Transfer in	-	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(4,445)	302	(439)	57	3,747	-	-
Fund balance - Beginning	<u>8,410</u>	<u>3,650</u>	<u>2,620</u>	<u>38,005</u>	<u>3,519</u>	<u>1,080</u>	<u>245</u>
Fund balance - Ending	<u>\$ 3,965</u>	<u>\$ 3,952</u>	<u>\$ 2,181</u>	<u>\$ 38,062</u>	<u>\$ 7,266</u>	<u>\$ 1,080</u>	<u>\$ 245</u>

Continued

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2017

	EMS Adolescent Pub Rel Fund	Fire Public Rel	EMS Regionalization	Book Restoration	Save the Pool	Activities/ Library Friends	Totals
Revenues							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,124
Charges for services	-	-	-	-	-	-	480
Interest and dividends	-	-	-	-	-	-	229
Miscellaneous	7,540	-	-	10	-	767	59,825
Total revenues	<u>7,540</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>767</u>	<u>160,658</u>
Expenses							
General government	-	-	-	-	-	-	195,316
Public safety	14,320	-	-	-	-	-	18,342
Culture and recreation	-	-	-	-	-	500	37,153
Airport	-	-	-	-	-	-	80,789
Total expenses	<u>14,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>331,600</u>
Excess (deficiency) of revenues over expenses	<u>(6,780)</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>267</u>	<u>(170,942)</u>
Other Financing Sources (Uses)							
Transfer in	-	-	-	-	-	-	612,039
Transfer out	-	-	-	-	-	-	(762,081)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,042)</u>
Net change in fund balance	(6,780)	-	-	10	-	267	(320,984)
Fund balance - Beginning	<u>7,315</u>	<u>1,497</u>	<u>329</u>	<u>354</u>	<u>3,834</u>	<u>4,674</u>	<u>2,748,008</u>
Fund balance - Ending	<u>\$ 535</u>	<u>\$ 1,497</u>	<u>\$ 329</u>	<u>\$ 364</u>	<u>\$ 3,834</u>	<u>\$ 4,941</u>	<u>\$ 2,427,024</u>

City of Old Town, Maine
TAXES RECEIVABLE, TAX LIENS AND TAX ACQUIRED PROPERTY
General Fund
 June 30, 2017

Taxes receivable	
2017	\$ 123,168
2016	9,722
2015	5,639
2014	5,027
2013	3,356
2012	362
2011	332
2010	160
2009	160
2008	125
2007	187
Total taxes receivable	<u>148,238</u>
Tax Liens	
2016	103,523
2017	402,865
Total tax liens	<u>506,388</u>
Tax acquired property	<u>65,447</u>
Total taxes receivable, tax liens and tax acquired property	<u><u>\$ 720,073</u></u>