

City of Old Town, Maine
Financial Statements and Supplemental Data
With Independent Auditors' Reports
June 30, 2018



TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	18
Statement of Activities	19
<i>Fund Financial Statements</i>	
Governmental Funds	
Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Proprietary Funds	
Statement of Net Position	24
Statement of Revenues, Expenses, and Changes in Fund Net Position	25
Statement of Cash Flows	26
<i>Notes to Financial Statements</i>	27
Required Supplementary Information:	
Schedule of Changes in the City's Total OPEB Liability and Related Ratios	63
Schedule of the City's Proportionate Share of the Net Pension Liability	64
Schedule of City Contributions	65
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (with budget to GAAP difference)	66
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (with variances)	67

TABLE OF CONTENTS - Continued

	<u>PAGE</u>
Other Supplementary Information:	
Sewer Fund	
Statement of Revenues, Expenditures and Changes in Fund Net Position - Budget and Actual (with budget to GAAP difference)	68
Statement of Revenues, Expenditures and Changes in Fund Net Position - Budget and Actual (with variances)	69
Non-Major Governmental Funds	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	71
Various Capital Reserves	
Schedule of Revenues, Expenditures and Changes in Fund Balances	72
General Fund	
Taxes Receivable, Tax Liens and Tax Acquired Property	76

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, 2018, 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 includes 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the City's Total OPEB Liability and Related Ratios, 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 basic financial statements that collectively comprise the City of Old Town's basic financial statements. The other supplementary information described in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

Visit us online: www.roycpas.com

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 information is 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 December 6, 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 City of Old Town's internal control over financial reporting and compliance.

Roy & Associates, CPAs, P.A

Bangor, Maine
December 6, 2018

Visit us online: www.roycpas.com

City of Old Town, Maine
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

The Management Discussion & Analysis (MD&A) is a report of the City of Old Town for the fiscal year ending June 30, 2018. 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, 2018 was \$1,404,176.
- The City's bonds payable decreased by \$51,078 from \$9,230,164 to \$9,179,086; the City's capital lease obligations increased \$594,514 from \$0 to \$594,514.
- Under the government-wide basis of reporting, the City's total net position increased by \$168,447 to \$31,883,023.
- The governmental fund balance as reported on the City's governmental fund financial statements increased by \$122,948 to \$7,154,345.
- The City budgeted revenues, debt proceeds, transfers-in, and special items of \$16,182,949, and expenditures and transfers out of \$17,070,615. Budgeted expenditures include \$643,948 of amounts carried forward from prior years. On a budget basis, the City's actual revenues and transfers-in exceeded its expenditures and transfers-out by \$67,626. This budget variance increases 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 Management's 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 position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities 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 18-19 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 20-23 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 24-26 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 27-62 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), changes in the City's other post employment benefit liability and the City's net pension liability. Required supplementary information can be found on pages 63-67 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 68-76 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 \$31,883,023 as of June 30, 2018. However, of the \$31,883,023, only \$2,707,761 of governmental net position and \$129,492 of sewer net position is unrestricted and uncommitted at June 30, 2018.

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, *91.10%*, represents resources that are restricted. Unrestricted net position of \$2,837,253 or *8.90%* 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 10,777,700	\$ 11,069,470	\$ 2,410,085	\$ 4,440,684	\$ 13,187,785	\$ 15,510,154
Capital assets	22,878,341	22,281,422	11,183,338	9,558,588	34,061,679	31,840,010
Total assets	<u>33,656,041</u>	<u>33,350,892</u>	<u>13,593,423</u>	<u>13,999,272</u>	<u>47,249,464</u>	<u>47,350,164</u>
Deferred outflows of resources	<u>1,263,600</u>	<u>1,584,071</u>	<u>6,762</u>	<u>-</u>	<u>1,270,362</u>	<u>1,584,071</u>
Current Liabilities	2,071,709	1,686,379	2,301,415	3,957,678	4,373,124	5,644,057
Noncurrent Liabilities	<u>7,601,703</u>	<u>8,185,369</u>	<u>3,832,713</u>	<u>2,845,448</u>	<u>11,434,416</u>	<u>11,030,817</u>
Total liabilities	<u>9,673,412</u>	<u>9,871,748</u>	<u>6,134,128</u>	<u>6,803,126</u>	<u>15,807,540</u>	<u>16,674,874</u>
Deferred inflows of resources	<u>829,263</u>	<u>544,785</u>	<u>-</u>	<u>-</u>	<u>829,263</u>	<u>544,785</u>
Net position:						
Net investment in capital assets	19,413,050	18,950,456	6,340,916	6,483,086	25,753,966	25,433,542
Restricted	2,296,155	2,287,668	995,649	868,881	3,291,804	3,156,549
Unrestricted	<u>2,707,761</u>	<u>3,280,306</u>	<u>129,492</u>	<u>(155,821)</u>	<u>2,837,253</u>	<u>3,124,485</u>
Total net position	<u>\$ 24,416,966</u>	<u>\$ 24,518,430</u>	<u>\$ 7,466,057</u>	<u>\$ 7,196,146</u>	<u>\$ 31,883,023</u>	<u>\$ 31,714,576</u>

As of June 30, 2018, 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 all three categories of its net position for the business-type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

The following table presents a summary of the City's operations for the fiscal year ended June 30, 2018 with comparative totals for the fiscal year ended June 30, 2017.

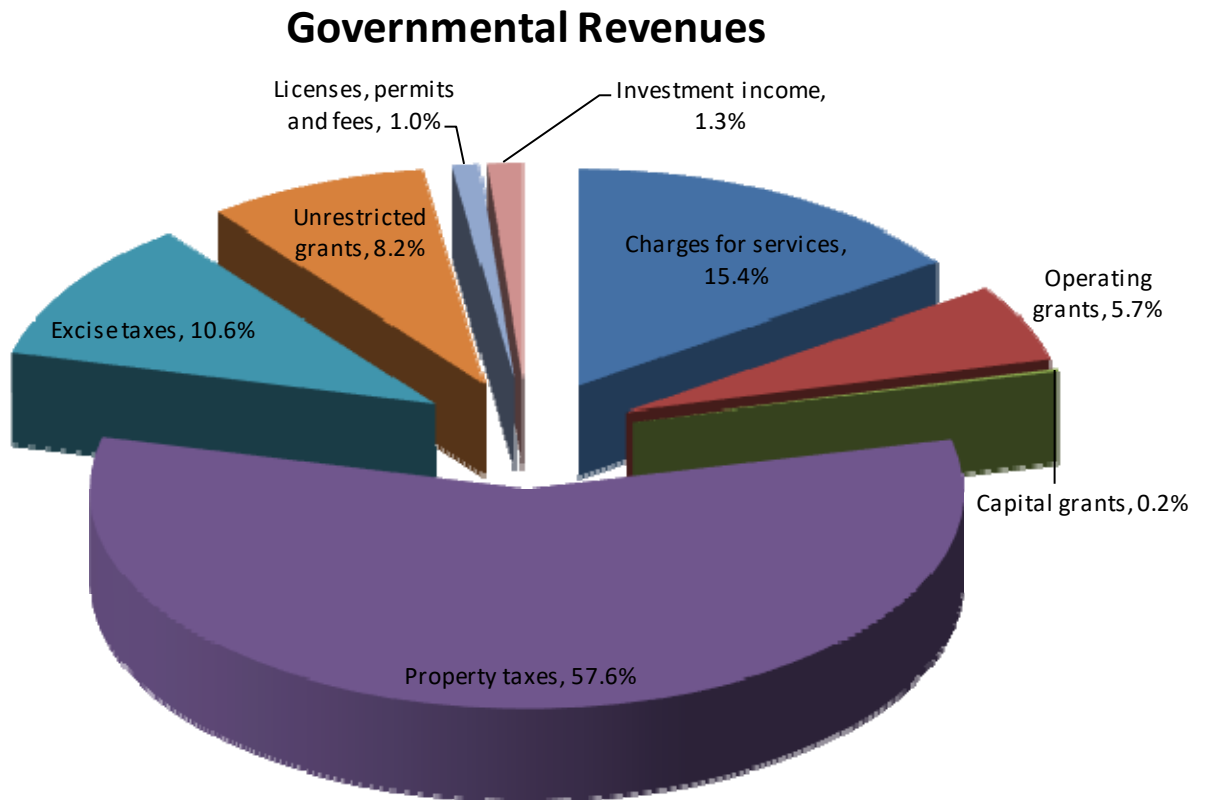
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues						
Charges for services	\$ 2,462,683	\$ 2,389,471	\$ 1,196,398	\$ 1,180,153	\$ 3,659,081	\$ 3,569,624
Operating grants & contributions	917,497	460,205	-	184,368	917,497	644,573
Capital grants & contributions	34,535	-	557,035	-	591,570	-
General revenues						
Property taxes levied for general purposes	9,219,228	9,516,024	-	-	9,219,228	9,516,024
Excise taxes	1,702,473	1,589,662	-	-	1,702,473	1,589,662
Grants and contributions not restricted to specific programs	1,313,885	1,210,052	-	-	1,313,885	1,210,052
Licenses, permits and fees	157,906	164,090	-	-	157,906	164,090
Unrestricted investment income	211,223	288,813	8,371	4,095	219,594	292,908
Other	792,912	-	-	-	792,912	-
Total revenues	<u>16,812,342</u>	<u>15,618,317</u>	<u>1,761,804</u>	<u>1,368,616</u>	<u>18,574,146</u>	<u>16,986,933</u>
Expenses:						
General government	2,420,915	2,371,210	-	-	2,420,915	2,371,210
Public safety	4,359,641	4,054,725	-	-	4,359,641	4,054,725
Public works	2,067,826	1,964,597	-	-	2,067,826	1,964,597
Health, welfare and sanitation	595,659	597,317	-	-	595,659	597,317
Culture and recreation	740,229	675,935	-	-	740,229	675,935
Airport	655,952	387,224	-	-	655,952	387,224
Education	5,262,006	5,722,337	-	-	5,262,006	5,722,337
County tax	627,134	624,980	-	-	627,134	624,980
Interest on long-term debt	112,184	106,226	109,887	101,388	222,071	207,614
Sewer	-	-	1,341,444	1,180,154	1,341,444	1,180,154
Total expenses	<u>16,841,546</u>	<u>16,504,551</u>	<u>1,451,331</u>	<u>1,281,542</u>	<u>18,292,877</u>	<u>17,786,093</u>
Excess (deficiency) before special items	(29,204)	(886,234)	310,473	87,074	281,269	(799,160)
Special Items						
Gain/(loss) on disposition of assets	65,176	7,379	-	(7,396)	65,176	(17)
Transfers	22,450	-	(22,450)	-	-	-
Change in net position	58,422	(878,855)	288,023	79,678	346,445	(799,177)
Beginning net position	24,518,430	25,397,285	7,196,146	7,116,468	31,714,576	32,513,753
Prior period adjustment	(159,886)	-	(18,112)	-	(177,998)	-
Ending net position	<u>\$ 24,416,966</u>	<u>\$ 24,518,430</u>	<u>\$ 7,466,057</u>	<u>\$ 7,196,146</u>	<u>\$ 31,883,023</u>	<u>\$ 31,714,576</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

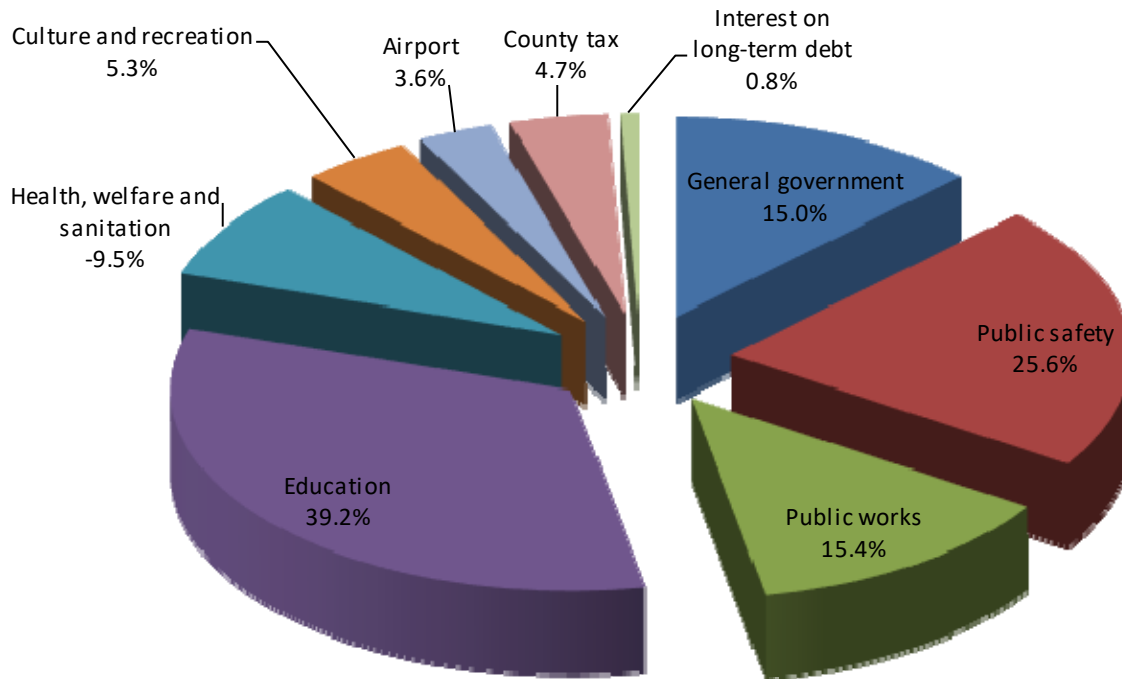
Analysis of the City's Operations

Overall the City had an increase in net position of \$168,447.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2018.



Governmental Activities



Governmental Activities

Governmental activities decreased its net position by \$101,464. Net investment in capital assets increased by \$462,594, or 2.44%, due to a net change in additions, retirements, and depreciation. Unrestricted net position decreased by \$572,545, or 17.45%.

Total revenues for governmental activities increased from the prior year by \$1,194,025. Of this amount, charges for services increased \$73,212, or 3.06% over prior year. Operating grants and contributions increased \$457,292, or 99.37% from the prior fiscal year; capital grants and contributions increased \$34,535, or 100.00%, from the prior fiscal year. Property taxes decreased \$296,796, or 3.12%.

Expenses of governmental activities include depreciation expense of \$1,298,649, an increase of 29.36% 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			
	Total Cost		Net Cost	
	2018	2017	2018	2017
General government	\$ 2,420,915	\$ 2,371,210	\$ 2,018,234	\$ 2,111,232
Public Safety	4,359,641	4,054,725	3,435,011	3,241,005
Public Works	2,067,826	1,964,597	2,062,022	1,950,497
Education	5,262,006	5,722,337	5,262,006	5,722,337
	<u>\$ 14,110,388</u>	<u>\$ 14,112,869</u>	<u>\$ 12,777,273</u>	<u>\$ 13,025,071</u>

Business-type Activities

Net position from business-type activities increased by \$269,911, 3.75%, from \$7,196,146 to \$7,466,057. This increase was primarily due to the capital grants for sewer projects.

Charges for services increased \$16,245, or 1.38%, from the prior year, while expenses increased \$173,360 or 13.53%. Depreciation expense decreased \$9,894, or 2.1%, from \$469,996 to \$460,102, 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 \$7,154,345, \$122,948 higher than the previous year. Approximately \$1,871,646 of this amount, or 26.16%, constitutes unassigned fund balance, an increase of \$67,514 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 \$17,595,494, representing an increase of \$1,225,023, or 7.5% from the previous fiscal year. The City paid \$1,895,568 in capital outlays which includes the acquisition of police vehicles, a fire truck, 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 \$129,492 which represents a \$285,313 increase 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 \$0. 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 \$887,666 or 5.5%. Increases were in operational expenditures and additional funding for capital outlays. Budget modifications increased the budgeted deficit to \$887,666 as reflected in the final budgeted balances. Budgeted expenditures included \$643,948 of carry forwards. Actual revenues were more than budgeted; in addition actual expenses were more than budgeted and transfers and proceeds from long-term debt were more than budgeted, therefore, the actual fund balance increase for fiscal year 2018 was \$67,626 on a budget basis.

Revenues from property taxes totaled \$9,440,988. Charges for services accounted for \$2,368,318 and intergovernmental revenue accounted for \$2,145,667 of total revenue of \$16,981,330 on a budget basis. Revenues from property taxes increased by \$121,812, revenues from charges for services decreased by \$22,773 and revenues from intergovernmental sources increased by \$714,904 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, public works, culture and recreation, education 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, 2018, amounts to \$34,061,679, 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	
	2018	2017	2018	2017	2018	2017
Land & Improvements	\$ 3,385,317	\$ 3,385,317	\$ 179,427	\$ 179,427	\$ 3,564,744	\$ 3,564,744
Construction in Progress	24,947	5,451,155	3,330,776	1,245,924	3,355,723	6,697,079
Infrastructure	14,157,685	8,038,136	4,235,713	4,235,713	18,393,398	12,273,849
Buildings & Improvements	9,389,561	9,161,540	5,682,698	5,682,698	15,072,259	14,844,238
Equipment	3,093,035	2,900,851	6,613,876	6,613,876	9,706,911	9,514,727
Vehicles	3,646,296	2,864,274	302,979	302,979	3,949,275	3,167,253
Total capital assets	33,696,841	31,801,273	20,345,469	18,260,617	54,042,310	50,061,890
Accumulated depreciation	(10,818,500)	(9,519,851)	(9,162,131)	(8,702,029)	(19,980,631)	(18,221,880)
Capital assets, net	\$ 22,878,341	\$ 22,281,422	\$ 11,183,338	\$ 9,558,588	\$ 34,061,679	\$ 31,840,010

Additional information on the City's capital assets can be found in Note 5 on pages 41-42 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Debt Administration

The City’s debt consists of ten bonds from various lending sources, as well as bond anticipation notes and capital leases.

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Bonds Payable	\$ 5,103,043	\$ 6,154,662	\$ 4,076,043	\$ 3,075,502	\$ 9,179,086	\$ 9,230,164
Bond Anticipation Note	-	-	1,650,000	3,110,000	1,650,000	3,110,000
Capital Lease Obligations	594,514	-	-	-	594,514	-
Totals	<u>\$ 5,697,557</u>	<u>\$ 6,154,662</u>	<u>\$ 5,726,043</u>	<u>\$ 6,185,502</u>	<u>\$ 11,423,600</u>	<u>\$ 12,340,164</u>

A summary of the City’s debt activity for the year ended June 30, 2018 is detailed in Note 6 on pages 43-46 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 FY19 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 \$22.35 in FY18 and increased to \$22.86 in FY19. 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.

City of Old Town, Maine
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 253,260	\$ 1,150,916	\$ 1,404,176
Investments	6,076,564	314,760	6,391,324
Taxes receivable, net	514,910	-	514,910
Other receivables, net	1,239,830	343,834	1,583,664
Internal balances	26,603	(26,603)	-
Due from other governments	275,114	546,300	821,414
Inventories	56,344	-	56,344
Prepays	68,407	3,791	72,198
Long-term notes and receivables, net	34,402	77,087	111,489
Due from RSU #34 for debt service payments	2,232,266	-	2,232,266
Capital Assets			
Non-depreciable	1,447,066	3,510,203	4,957,269
Depreciable, net	21,431,275	7,673,135	29,104,410
Total assets	<u>33,656,041</u>	<u>13,593,423</u>	<u>47,249,464</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,204,002	-	1,204,002
Other post employment benefits	59,598	6,762	66,360
Total deferred outflows of resources	<u>1,263,600</u>	<u>6,762</u>	<u>1,270,362</u>
LIABILITIES			
Accounts payable and accrued expenses	830,397	248,964	1,079,361
Due to other governments	43,529	-	43,529
Deferred revenues	-	11,824	11,824
Accrued interest	53,224	32,605	85,829
Bond anticipation notes payable	-	1,650,000	1,650,000
Long-term liabilities			
Due within one year			
Bonds payable	951,619	348,421	1,300,040
Capital leases	86,393	-	86,393
Compensated absences	106,547	9,601	116,148
Due in more than one year			
Bonds payable	4,151,424	3,727,622	7,879,046
Capital leases	508,121	-	508,121
Compensated absences	426,186	38,404	464,590
Accrued post retirement benefits	581,505	66,687	648,192
Pension	1,934,467	-	1,934,467
Total liabilities	<u>9,673,412</u>	<u>6,134,128</u>	<u>15,807,540</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	14,959	-	14,959
Pensions	814,304	-	814,304
Total deferred inflows of resources	<u>829,263</u>	<u>-</u>	<u>829,263</u>
NET POSITION			
Net investment in capital assets	19,413,050	6,340,916	25,753,966
Restricted for:			
Capital projects	2,028,665	326,286	2,354,951
Other purposes	267,490	669,363	936,853
Unrestricted	2,707,761	129,492	2,837,253
Total net position	<u>\$ 24,416,966</u>	<u>\$ 7,466,057</u>	<u>\$ 31,883,023</u>

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, 2018

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	\$ 2,420,915	\$ 5,433	\$ 397,248	\$ -	\$ (2,018,234)	\$ -	\$ (2,018,234)
Public safety	4,359,641	781,456	143,174	-	(3,435,011)	-	(3,435,011)
Public works	2,067,826	-	5,804	-	(2,062,022)	-	(2,062,022)
Health, welfare and sanitation	595,659	1,509,246	361,355	-	1,274,942	-	1,274,942
Culture and recreation	740,229	32,954	1,916	-	(705,359)	-	(705,359)
Airport	655,952	133,594	8,000	34,535	(479,823)	-	(479,823)
Education	5,262,006	-	-	-	(5,262,006)	-	(5,262,006)
County tax	627,134	-	-	-	(627,134)	-	(627,134)
Interest on long-term debt	112,184	-	-	-	(112,184)	-	(112,184)
Total governmental activities	<u>16,841,546</u>	<u>2,462,683</u>	<u>917,497</u>	<u>34,535</u>	<u>(13,426,831)</u>	<u>-</u>	<u>(13,426,831)</u>
Business-type activities:							
Sewer fund	1,451,331	1,196,398	-	557,035	-	302,102	302,102
Total business-type activities	<u>1,451,331</u>	<u>1,196,398</u>	<u>-</u>	<u>557,035</u>	<u>-</u>	<u>302,102</u>	<u>302,102</u>
Total primary government	<u>\$ 18,292,877</u>	<u>\$ 3,659,081</u>	<u>\$ 917,497</u>	<u>\$ 591,570</u>	<u>(13,426,831)</u>	<u>302,102</u>	<u>(13,124,729)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					9,219,228	-	9,219,228
Public service taxes					1,702,473	-	1,702,473
Grants and contributions not restricted to specific programs					1,313,885	-	1,313,885
Licenses, permits and fees					157,906	-	157,906
Unrestricted investment earnings (loss)					211,223	8,371	219,594
Miscellaneous revenue					792,912	-	792,912
Special items - gain (loss) on disposition of asset					65,176	-	65,176
Transfers					22,450	(22,450)	-
Total general revenues and special items					<u>13,485,253</u>	<u>(14,079)</u>	<u>13,471,174</u>
Change in net position					58,422	288,023	346,445
Net position - beginning					24,518,430	7,196,146	31,714,576
Prior period adjustments					(159,886)	(18,112)	(177,998)
Net position - ending					<u>\$ 24,416,966</u>	<u>\$ 7,466,057</u>	<u>\$ 31,883,023</u>

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

City of Old Town, Maine

BALANCE SHEET

Governmental Funds

June 30, 2018

	General Fund	Various Capital Reserves	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 129,923	\$ -	\$ 123,337	\$ 253,260
Investments	4,152,651	-	1,923,913	6,076,564
Taxes receivable, net	514,910	-	-	514,910
Due from other funds	72,758	2,351,743	-	2,424,501
Receivable from other governments	275,114	-	-	275,114
Other receivables, net	1,274,232	-	-	1,274,232
Inventories	56,344	-	-	56,344
Total assets	6,475,932	2,351,743	2,047,250	10,874,925
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	637,733	-	-	637,733
Due to other funds	2,351,743	-	46,155	2,397,898
Payable to other governments	43,529	-	-	43,529
Other accrued expenses	191,123	-	-	191,123
Other payables	1,541	-	-	1,541
Total liabilities	3,225,669	-	46,155	3,271,824
 Deferred inflows of resources:				
Prepaid property taxes	14,959	-	-	14,959
Unavailable revenues	433,797	-	-	433,797
Total deferred inflows of resources	448,756	-	-	448,756
 Fund balances:				
Nonspendable:				
Inventories	56,344	-	-	56,344
Loans receivable	38,402	-	-	38,402
Restricted	211,146	-	1,736,358	1,947,504
Committed	623,969	2,351,743	-	2,975,712
Assigned	-	-	264,737	264,737
Unassigned	1,871,646	-	-	1,871,646
Total fund balances	2,801,507	2,351,743	2,001,095	7,154,345
Total liabilities, deferred inflows of resources and fund balances	\$ 6,475,932	\$ 2,351,743	\$ 2,047,250	\$ 10,874,925

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, 2018

Total fund balance, governmental funds	\$ 7,154,345
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</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 Position.	68,407
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.	22,878,341
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.	2,232,266
Deferred property tax revenue included in fund financial statements not included in governmental activities of the Statement of Net Position.	433,797
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.	1,204,002
Deferred outflows related to other post employment benefits 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.	59,598
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.	(814,304)
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.	(8,799,486)
Net Position of Governmental Activities in the Statement of Net Position	\$ 24,416,966

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, 2018

	<u>General Fund</u>	<u>Various Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 9,440,988	\$ -	\$ -	\$ 9,440,988
Excise and miscellaneous taxes	1,702,473	-	-	1,702,473
Fees and fines	5,943	-	-	5,943
Licenses and permits	151,963	-	-	151,963
Intergovernmental	1,870,667	101,624	-	1,972,291
Charges for services	2,368,318	93,685	-	2,462,003
Investment earnings	59,497	229	151,497	211,223
Miscellaneous	935,249	151,969	-	1,087,218
Total revenues	<u>16,535,098</u>	<u>347,507</u>	<u>151,497</u>	<u>17,034,102</u>
EXPENDITURES				
Current:				
General government	2,088,039	159,798	-	2,247,837
Public safety	3,935,594	7,672	-	3,943,266
Public works	1,433,233	-	-	1,433,233
Health, welfare and sanitation	595,656	-	-	595,656
Culture and recreation	556,416	52,293	52,679	661,388
Airport	361,857	-	-	361,857
Education	5,262,006	-	-	5,262,006
County tax	627,134	-	-	627,134
Debt Service:				
Principal	462,390	-	-	462,390
Interest	105,159	-	-	105,159
Capital Outlay	1,895,568	-	-	1,895,568
Total expenditures	<u>17,323,052</u>	<u>219,763</u>	<u>52,679</u>	<u>17,595,494</u>
Excess (deficiency) of revenues over expenditures	<u>(787,954)</u>	<u>127,744</u>	<u>98,818</u>	<u>(561,392)</u>
OTHER FINANCING SOURCES (USES)				
Capital leases	596,714	-	-	596,714
Transfers in	626,190	423,165	-	1,049,355
Transfers out	(400,715)	(626,190)	-	(1,026,905)
Total other financing sources and uses	<u>822,189</u>	<u>(203,025)</u>	<u>-</u>	<u>619,164</u>
SPECIAL ITEM				
Proceeds from sale of capital assets	65,176	-	-	65,176
Total Special Items	<u>65,176</u>	<u>-</u>	<u>-</u>	<u>65,176</u>
Net change in fund balances	99,411	(75,281)	98,818	122,948
Fund balances - beginning	2,702,096	2,427,024	1,902,277	7,031,397
Fund balances - ending	<u>\$ 2,801,507</u>	<u>\$ 2,351,743</u>	<u>\$ 2,001,095</u>	<u>\$ 7,154,345</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, 2018

Net change in fund balances - total governmental funds:	\$ 122,948
<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> <p>This is the amount by which capital outlays, \$1,895,568, exceeded depreciation, \$1,298,649, in the current period.</p>	596,919
<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 position.</p>	31,256
<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>	(221,760)
<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>	(134,325)
<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	(7,025)
Accrued compensated absences	(138,181)
Accrued post employment benefits	(27,626)
Pension expense	(163,784)
Change in net position of governmental activities	\$ 58,422

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

City of Old Town, Maine
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2018

	Enterprise Funds
	Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,150,916
Investments	314,760
Accounts receivable, net	343,834
Receivables from other governments	546,300
Other receivables	77,087
Prepaid Expenses	3,791
Total current assets	2,436,688
Non-current assets:	
Capital Assets	
Construction in progress	3,330,776
Nondepreciable	179,427
Depreciable, net	7,673,135
Total non-current assets	11,183,338
Total assets	13,620,026
 DEFERRED OUTFLOWS OF RESOURCES	
OPEB	6,762
Total deferred outflows of resources	6,762
 LIABILITIES	
Current Liabilities:	
Accounts payable	232,885
Accrued wages	16,079
Accrued interest payable	32,605
Due to other funds	26,603
Unearned revenue	11,824
Compensated absences	9,601
Bond anticipation notes payable	1,650,000
Bonds payable	348,421
Total current liabilities	2,328,018
Non-current liabilities:	
Compensated absences	38,404
Other post employment benefits	66,687
Bonds payable	3,727,622
Total non-current liabilities	3,832,713
Total liabilities	6,160,731
 NET POSITION	
Net investment in capital assets	6,340,916
Restricted for capital projects	326,286
Restricted for other purposes	669,363
Unrestricted	129,492
Total net position	\$ 7,466,057

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, 2018

	Enterprise Funds
	Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 1,196,398
Total operating revenues	1,196,398
OPERATING EXPENSES	
Administration	558,744
Maintenance	109,850
Waste treatment facility	163,008
Sludge disposal	49,740
Depreciation	460,102
Total Operating Expenses	1,341,444
Operating income (loss)	(145,046)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	8,371
Interest expense	(109,887)
Total non-operating revenue (expenses)	(101,516)
Income (loss) before contributions and transfers	(246,562)
Capital contributions	557,035
Transfers out	(22,450)
Change in net position	288,023
Total net position - beginning	7,196,146
Prior period adjustment	(18,112)
Total net position - ending	\$ 7,466,057

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, 2018

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 884,605
Receipts for administrative services	(488,883)
Payments to employees	(275,155)
Payments to suppliers for goods and services	(329,360)
Net cash used by operating activities	(208,793)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(22,450)
Net cash used by noncapital financing activities	(22,450)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Collection of notes receivable	14,286
Acquisition of capital assets	(2,084,852)
Interest paid on debt	(109,432)
Proceeds of bonds	1,304,000
Repayment of bonds and capital leases	(1,763,459)
Capital contributions	557,035
Net cash used by capital activities	(2,082,422)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	69,449
Interest on cash and investments	8,371
Net cash provided by investing activities	77,820
Net decrease in cash and cash equivalents	(2,235,845)
Cash and cash equivalents, beginning	3,386,761
Cash and cash equivalents, ending	\$ 1,150,916
Reconciliation of operating income (loss) to	
net cash used by operating activities	
Operating income (loss)	\$ (145,046)
Adjustments to reconcile operating income (loss)	
to net cash flows from operating activities:	
Depreciaton	460,102
Changes in assets and liabilities	
(Increase) decrease in receivable, net	(311,793)
(Increase) decrease in prepaid expenses	(3,791)
(Increase) decrease in deferred outflows of resources	(6,762)
Increase (decrease) in accounts payable	(264,087)
Increase (decrease) in interfund payables	26,603
Increase (decrease) in unearned revenue	11,824
Increase (decrease) in accrued wages	9,667
Increase (decrease) in other post employment benefits	9,927
Increase (decrease) in compensated absences	4,563
Net cash provided by operating activities	\$ (208,793)

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

City of Old Town, Maine
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, airport, 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 *Audit and Accounting Guide – State and Local Governments* 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 is member managed.

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 in years:

Buildings & Improvements	20-50
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 24, 2017 the taxes were committed to the tax collector for collection. One half of the taxes were due on September 29, 2017 and the second half was due on March 15, 2018. Interest is assessed from October 5, 2017 and March 15, 2018 at 7.00% per year on any amount unpaid as of September 30, 2017 and March 16, 2018 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 \$22.35 per \$1,000 of assessed valuation is \$1.47 which represents the local assessment for county taxes and \$12.36 which represents the local assessment for Education. These taxes are collected by the City and forwarded as required by the taxing agency.

The 2018 tax levy is summarized as follows:

Assessed Value	
Real property	\$ 406,866,500
Personal property	18,927,700
	<hr/>
	425,794,200
Tax rate (per \$1,000)	<hr/> 22.35
Commitment	9,516,500
Supplementals	65,647
Less abatements	(78,045)
Less collections	<hr/> (9,211,266)
Receivable at June 30, 2018	<hr/> <hr/> \$ 292,836
Collection rate	97.61%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

S. Tax Abatements

The City enters into property tax abatement agreements with individuals. Taxes are reduced through reduction of the assessed value. The abatement is determined by a specific dollar amount. For the fiscal year ended June 30, 2018, the City abated property taxes totaling \$78,045 related to errors in assessments.

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MainePERS Participating Local District (PLD) Consolidated Retirement Plan and additions to/deductions from the PLD's fiduciary net position have been determined on the same basis as they are reported by the PLD. For this purpose, benefit payments (including refunds to employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

U. Accounting Changes

During fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 established standards of accounting and financial reporting for defined benefit and defined contribution other postemployment benefits (OPEB), such as insurance, that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements.

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 66 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 interfund transfers 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	\$ 67,626
Transfers recorded in revenues	(446,232)
Transfers not budgeted/budget to revenues	562,732
Capital outlay budgeted in functional expenses	262,012
Other functional expense budgeted in capital outlay	(262,771)
Capital outlay not budgeted	(26,092)
Special items not budgeted	26,851
Change in fund balances - GAAP basis	<u>\$ 184,126</u>

The City also prepares its sewer fund annual budget on a basis which differs from GAAP. The budget and all transactions on page 68 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	\$ (2,143,911)
Current year depreciation expense	(460,102)
Current year capital asset additions	2,084,902
Current year principal payments	303,455
Transfers	(22,450)
Other post employment benefits	(3,165)
Charges for services not recognized as revenue	529,294
Change in net position - GAAP basis	<u>\$ 288,023</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, 2018, the City reported deposits of \$1,404,176 with bank balances of \$1,600,791. Of the City’s total bank balance of \$1,600,791, \$1,556,963 was collateralized by underlying securities held by the related bank, which were not in the City’s name, and \$43,828 was uncollateralized and unsecured.

Reported in governmental funds	\$ 253,260
Reported in proprietary funds	<u>1,150,916</u>
Total Deposits	<u><u>\$ 1,404,176</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 \$6,391,324, 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, 2018, 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	\$ 249,503	\$ 963,719	\$ -
Corporate Bonds	494,044	1,212,159	-
Repurchase Agreements	1,547,986	-	-
Equities	-	-	1,408,209
Mutual Funds	-	-	512,973
Real Estate	-	-	2,731
Total debt investments	<u>\$ 2,291,533</u>	<u>\$ 2,175,878</u>	<u>\$ 1,923,913</u>

Investments of \$6,391,324 have been reported as follows:

Reported in governmental funds	\$ 6,076,564
Reported in proprietary funds	314,760
Total Investments	<u>\$ 6,391,324</u>

The City's investments by type are as follows:

U.S. Agency Notes	\$ 1,213,222
Corporate Bonds	1,706,203
Repurchase Agreements	1,547,986
Mutual Funds	512,973
Equities	1,408,209
Real Estate	2,731
	<u>\$ 6,391,324</u>

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments use Level 1 inputs.

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, 2018:

	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
Governmental Funds:				
General Fund	\$ 1,329,830	\$ 38,402	<u>\$ (94,000)</u>	\$ 1,274,232
Allowance for Uncollectibles	<u>(90,000)</u>	<u>(4,000)</u>		
Net Receivables	<u>\$ 1,239,830</u>	<u>\$ 34,402</u>		<u>\$ 1,274,232</u>
Proprietary Funds:				
Sewer Fund	\$ 416,834	\$ 82,087	<u>\$ (78,000)</u>	\$ 420,921
Allowance for Uncollectibles	<u>(73,000)</u>	<u>(5,000)</u>		
Net Receivables	<u>\$ 343,834</u>	<u>\$ 77,087</u>		<u>\$ 420,921</u>

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2018

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is summarized below.

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
Governmental Activities:				
<i>Non-Depreciable Assets:</i>				
Land	\$ 1,422,119	\$ -	\$ -	\$ 1,422,119
Construction in Progress	5,451,155	-	(5,426,208)	24,947
Total Non-Depreciable Assets	<u>6,873,274</u>	<u>-</u>	<u>(5,426,208)</u>	<u>1,447,066</u>
<i>Depreciable Assets:</i>				
Buildings & Improvements	9,161,540	228,021	-	9,389,561
Equipment & Furniture	2,900,851	192,184	-	3,093,035
Vehicles	2,864,274	782,022	-	3,646,296
Land Improvements	1,963,198	-	-	1,963,198
Infrastructure	8,038,136	6,119,549	-	14,157,685
Total Depreciable Assets	<u>24,927,999</u>	<u>7,321,776</u>	<u>-</u>	<u>32,249,775</u>
<i>Less accumulated depreciation for:</i>				
Buildings & Improvements	(2,912,015)	(214,448)	-	(3,126,463)
Equipment & Furniture	(2,216,804)	(162,871)	-	(2,379,675)
Vehicles	(1,569,622)	(312,744)	-	(1,882,366)
Land Improvements	(291,236)	(92,092)	-	(383,328)
Infrastructure	(2,530,174)	(516,494)	-	(3,046,668)
Total accumulated depreciation	<u>(9,519,851)</u>	<u>(1,298,649)</u>	<u>-</u>	<u>(10,818,500)</u>
Total capital assets being depreciated, net	<u>15,408,148</u>	<u>6,023,127</u>	<u>-</u>	<u>21,431,275</u>
Governmental activities capital assets, net	<u>\$ 22,281,422</u>	<u>\$ 6,023,127</u>	<u>\$ (5,426,208)</u>	<u>\$ 22,878,341</u>

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2018

5. CAPITAL ASSETS – Continued

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
Business-type Activities:				
<i>Non-Depreciable Assets:</i>				
Land	\$ 179,427	\$ -	\$ -	\$ 179,427
Construction in Progress	1,245,924	2,084,852	-	3,330,776
Total Non-Depreciable Assets	<u>1,425,351</u>	<u>2,084,852</u>	<u>-</u>	<u>3,510,203</u>
<i>Depreciable Assets:</i>				
Infrastructure	4,235,713	-	-	4,235,713
Buildings & Improvements	5,682,698	-	-	5,682,698
Equipment & Furniture	6,613,876	-	-	6,613,876
Vehicles	302,979	-	-	302,979
Total Depreciable Assets	<u>16,835,266</u>	<u>-</u>	<u>-</u>	<u>16,835,266</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(1,003,152)	(70,625)	-	(1,073,777)
Buildings & Improvements	(3,007,884)	(122,995)	-	(3,130,879)
Equipment & Furniture	(4,411,988)	(255,968)	-	(4,667,956)
Vehicles	(279,005)	(10,514)	-	(289,519)
Total accumulated depreciation	<u>(8,702,029)</u>	<u>(460,102)</u>	<u>-</u>	<u>(9,162,131)</u>
Total capital assets being depreciated, net	<u>8,133,237</u>	<u>(460,102)</u>	<u>-</u>	<u>7,673,135</u>
Business-type activities capital assets, net	<u>\$ 9,558,588</u>	<u>\$ 1,624,750</u>	<u>\$ -</u>	<u>\$ 11,183,338</u>

Depreciation expense for the year ended June 30, 2018 was charged as direct expense to programs as follows:

<i>Governmental Activities</i>	
General government	\$ 149,631
Public safety	239,593
Public works	567,751
Culture and recreation	47,579
Airport	294,095
Total depreciation expense - Governmental activities	<u>\$ 1,298,649</u>

Total interest costs of \$222,071 were incurred during the year ending June 30, 2018. All interest was expensed.

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2018

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, 2018:

<u>Governmental Debt</u>	Original Amount	Principal Balance 06/30/17	Proceeds	Payments	Principal Balance 06/30/18	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	\$ 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	750,000	-	(125,000)	625,000	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	3,394,860	-	(565,810)	2,829,050	565,810
2008 school renovation revolving loan fund due 2018, with annual principal payments with no interest	2,000,000	135,640	-	(67,820)	67,820	67,820
2009 Bangor Savings Bank Municipal Building due 2029, with annual payments of \$70,540 with interest at 65% of the Libor Swaps five year rate plus 2.85% as determined at the beginning of each five year period.	1,410,825	917,019	-	(70,540)	846,479	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	857,143	-	(122,449)	734,694	122,449
Total General Obligation Bonds		<u>\$ 6,154,662</u>	<u>\$ -</u>	<u>\$ (1,051,619)</u>	<u>\$ 5,103,043</u>	<u>\$ 951,619</u>

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2018

6. LONG-TERM DEBT – Continued

	Original Amount	Principal Balance 06/30/17	Proceeds	Payments	Principal Balance 06/30/18	Due in 1 year
<i>Business-type Debt</i>						
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	1,071,428	-	(71,428)	1,000,000	71,428
2007 treatment facility construction and improvement bond, due 2022 with annual principal and semi-annual interest. Interest at 4.125%.	914,000	587,572	-	(32,644)	554,928	32,642
2016 treatment facility construction and improvement bond, due 2029 with annual principal and semi-annual interest. Interest at 1.375%.	439,000	439,000	-	(16,885)	422,115	16,885
2017 treatment facility construction and improvement bond, due 2029 with annual principal and semi-annual interest. Interest at 1.375%.	1,304,000	-	1,304,000	-	1,304,000	44,966
<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	750,001	-	(150,001)	600,000	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	227,501	-	(32,501)	195,000	32,500
Total Proprietary Fund Bonds		<u>3,075,502</u>	<u>1,304,000</u>	<u>(303,459)</u>	<u>4,076,043</u>	<u>348,421</u>
Total general obligation and proprietary fund bonds payable		<u>\$ 9,230,164</u>	<u>\$ 1,304,000</u>	<u>\$ (1,355,078)</u>	9,179,086	<u>\$ 1,300,040</u>
Less current portion					<u>(1,300,040)</u>	
					<u>\$ 7,879,046</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
2019	\$ 951,619	\$ 251,149	\$ 348,421	\$ 110,058	\$ 1,300,040	\$ 361,207
2020	883,799	166,684	348,421	100,525	1,232,220	267,209
2021	883,799	125,037	348,421	91,023	1,232,220	216,060
2022	883,799	83,490	348,422	81,417	1,232,221	164,907
2023	883,799	41,944	198,422	71,868	1,082,221	113,812
2024-2028	475,149	60,972	862,108	271,697	1,337,257	332,669
2029-2033	141,079	5,314	758,179	138,737	899,258	144,051
2034-2038	-	-	374,536	59,913	374,536	59,913
2039-2043	-	-	309,251	30,326	309,251	30,326
2044-2048	-	-	179,862	6,746	179,862	6,746
Totals	<u>\$ 5,103,043</u>	<u>\$ 734,590</u>	<u>\$ 4,076,043</u>	<u>\$ 962,310</u>	<u>\$ 9,179,086</u>	<u>\$ 1,696,900</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 \$2,232,266. 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, 2018:

	Balance 06/30/17	Additions	Reductions	Balance 06/30/18	Due Within One Year
Governmental Activities:					
Capital lease	\$ -	\$ 596,714	\$ 2,200	\$ 594,514	\$ 86,393
Compensated absences	394,552	211,600	73,419	532,733	106,547
Other post employment benefits	334,395	247,110	-	581,505	-
Pension	2,432,289	-	497,822	1,934,467	-
Total Governmental Activities	<u>\$ 3,161,236</u>	<u>\$ 1,055,424</u>	<u>\$ 573,441</u>	<u>\$ 3,643,219</u>	<u>\$ 192,940</u>
Business-Type Activities					
Compensated absences	\$ 43,442	\$ 6,397	\$ 1,834	\$ 48,005	\$ 9,601
Other post employment benefits	38,648	28,039	-	66,687	-
Total Business-Type Activities	<u>\$ 82,090</u>	<u>\$ 34,436</u>	<u>\$ 1,834</u>	<u>\$ 114,692</u>	<u>\$ 9,601</u>

Short-Term Obligations

The City had \$3,110,000 of bond anticipation notes (BANs) outstanding at July 01, 2017. Short-term obligations are used to meet temporary cash flow needs. During the year, \$1,460,000 of BANs were retired. At June 30, 2018 \$1,650,000 of bond anticipation notes were outstanding.

6. LONG-TERM DEBT – Continued

Capital Leases

The City has capital leases for equipment and vehicles. Leases contain a bargain purchase option. Amortization expense of \$8,998 was incurred during fiscal year ending June 30, 2018; amortization expense is included with depreciation expense. The following is an analysis of the leased property under capital lease.

Class of Property	
Vehicles	\$ 553,314
Machinery and equipment	43,400
	<u>596,714</u>
Less: accumulated amortization	8,998
	<u><u>\$ 587,716</u></u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2018.

Year Ended June 30	
2019	\$ 104,011
2020	104,011
2021	101,355
2022	88,076
2023	88,075
Thereafter	176,151
Total minimum payments	<u>661,679</u>
Less: amount representing interest (a)	67,165
Present value of future minimum payments (b)	<u><u>\$ 594,514</u></u>

(a) Amount necessary to reduce net minimum lease payments to present value calculated at the City's incremental borrowing rate at lease inception.

(b) Reflected in the Statement of Net Position as current and noncurrent obligations under capital leases of \$86,393 and \$508,121, respectively.

7. TAX INCREMENT FINANCING

The City currently has an approved tax increment financing (TIF) district. 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 the district:

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, 2018 are as follows:

	Due from Other Funds	Due to Other Funds	Transfers In	Transfers Out
General fund	\$ 72,758	\$ 2,351,743	\$ 626,190	\$ 400,715
Capital reserves fund	2,351,743	-	423,165	626,190
Other governmental funds	-	46,155	-	-
Proprietary funds	-	26,603	-	22,450
	<u>\$ 2,424,501</u>	<u>\$ 2,424,501</u>	<u>\$ 1,049,355</u>	<u>\$ 1,049,355</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 2018, the City of Old Town, in accordance with the authorized budget, recorded the following non-routine, nonrecurring transfers.

The Highway Block Grant Reserve transferred \$275,000 to the General Fund. The Airport Hangar Reserve transferred \$112,000 to the General Fund.

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

At June 30, 2018, the enterprise fund’s restricted fund balance for other purposes was comprised of the following:

Capital outlay - equipment and facility	<u>\$ 669,363</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, 2018 are as follows:

General Fund:	
Bullet Proof Vest	\$ 911
2017 Data Driven Speed Enforcement	723
Penobscot JAG Project	19,729
2018 Click It or Ticket	1,962
FEMA	85,233
Brownfield Cleanup	<u>102,588</u>
Total General Fund	<u>211,146</u>
Permanent Funds:	
Cemetery	896,191
Public Library	<u>840,167</u>
Total Permanent Funds	<u>1,736,358</u>
Total Restricted Fund Balance	<u>\$ 1,947,504</u>

Committed fund balances for the year ended June 30, 2018 are as follows:

General Fund:	
Employee Benefits	\$ 6,561
City Manager	9,851
Information Technology	34,698
Juniper Ridge Landfill	258,242
Library	3,456
Capital Projects	<u>311,161</u>
Total General Fund Committed Balance	<u>623,969</u>

10. FUND BALANCES – Continued

Capital Reserves:	
TIF financing plan	70,377
Old Town Development LLC	314,137
Tech equipment	287,895
Heavy equipment	702,290
Highway block grant	42,572
Economic development	114,048
Airport hangar	138,770
Community development block grant	56,567
City facilities	379,092
Debt service	167,395
Donations - library	9,674
Community festival	8,203
175th anniversary	4,082
Concerts in the park	2,790
Skateboard park	38,120
Public safety programs	6,375
Book restoration	415
Save the pool	3,834
Library friends	5,107
Total Capital Reserves Committed Balance	<u>2,351,743</u>
Total fund balance - committed	<u>\$ 2,975,712</u>

At June 30, 2018, 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, 2017 there were 300 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 2.45%.

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 \$249,340 and employees contributed \$303,466 for a total contribution of \$552,806 for municipal employees.

11. PENSION PLANS - Continued

B. Net Pension Liability

The net pension liability was measured as of June 30, 2017, 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, 2017 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, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2017 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

B. Changes in the Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 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 2017, this was three 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. There were no changes in assumptions for the fiscal year ended June 30, 2017.

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 shows how the net pension liability/(asset) as of June 30, 2017 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	\$ 3,881,136	\$ 1,934,467	\$ 468,928

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the plan can be found in the MainePERS' 2017 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, 2018, the City recognized pension expense of \$412,931. At June 30, 2018, 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
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ 92,936
Net difference between projected and actual investment earnings on pension plan investments	666,673	719,867
Changes of assumptions	164,611	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	123,378	1,501
Contributions subsequent to the measurement date	249,340	-
	<u>\$ 1,204,002</u>	<u>\$ 814,304</u>

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:	
2019	\$ 32,478
2020	226,608
2021	12,978
2022	(131,706)

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 \$31,118 and employees elected to defer \$149,001 for a contribution of \$180,119, for municipal employees.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. General Information About the OPEB Plan

Plan description. The City sponsors a single-employer post-retirement benefit plan providing health insurance to retiring employees through MMEHT (the plan). No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided. 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.

Employees covered by benefit terms. At January 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Active employees	<u>48</u>
	<u><u>55</u></u>

B. Total OPEB Liability

The City’s total OPEB liability of \$648,192 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.75 percent
Discount rate	3.44 percent
Healthcare cost trend rates	8.46 percent for 2018, decreasing to an ultimate rate of 4 percent for 2032 and later years
Retirees’ share of benefit-related costs	100 percent

The discount rate was based upon high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer index.

The mortality rates were based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.0% for ages 111-120, and convergence to the ultimate rate in the year 2020.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

B. Total OPEB Liability – Continued

The actuarial assumptions used in the January 1, 2018 valuation are the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015.

C. Changes in the Total OPEB Liability

	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 01/01/2017 (Reporting June 30, 2017)	\$ 550,780	\$ -	\$ 550,780
Changes for the year:			
Service cost	14,360	-	14,360
Interest	21,124	-	21,124
Changes of benefits	-	-	-
Differences between expected and actual experience	2,435	-	2,435
Changes of assumptions	72,220	-	72,220
Contributions - employer	-	12,727	(12,727)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(12,727)	(12,727)	-
Administrative expense	-	-	-
Net changes	97,412	-	97,412
Balances at 01/01/2018 (Reporting June 30, 2018)	\$ 648,192	\$ -	\$ 648,192

Changes of assumptions reflect a change in the discount rate from 3.78% in 2017 to 3.44% in 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.44%) or 1-percentage-point higher (4.44%) than the current discount rate:

	1% Decrease 2.44%	Discount Rate 3.44%	1% Increase 4.44%
Total OPEB liability	\$ 745,796	\$ 648,192	\$ 568,711

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

C. Changes in the Total OPEB Liability – Continued

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.46% decreasing to 3%) or 1-percentage-point higher (9.46% decreasing to 5%) than the current healthcare cost trend rates:

	1% Decrease 7.46% decreasing to 3%	Healthcare Trend Rates 8.46% decreasing to 4%	1% Increase 9.46% decreasing to 5%
Total OPEB liability	\$ 564,863	\$ 648,192	\$ 752,887

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$43,779. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,164	\$ -
Changes of assumptions	64,196	-
	<u>\$ 66,360</u>	<u>\$ -</u>

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

Year ended June 30:	
2019	\$ 8,295
2020	8,295
2021	8,295
2022	8,295
2023	8,295
Thereafter	24,885

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. PRIOR PERIOD ADJUSTMENT

The net position of governmental activities decreased \$159,886 and the net position of business-type activities and proprietary funds decreased \$18,112 due to the effect of net OPEB liability and deferred outflow of resources related to the implementation of Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 6, 2018, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Old Town, Maine
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
 Last Fiscal Year*

	2018
<u>Total OPEB Liability</u>	
Service cost (BOY)	\$ 14,360
Interest (includes interest on service cost)	21,124
Changes of benefit terms	-
Differences between expected and actual experience	2,435
Changes of assumptions	72,220
Benefit payments, including refunds of member contributions	(12,727)
Net change in total OPEB liability	97,412
Total OPEB liability - beginning	550,780
Total OPEB liability - ending	\$ 648,192
Covered employee payroll	\$ 2,348,020
Net OPEB liability as a percentage of covered employee payroll	27.6%

* The amounts presented for each fiscal year were determined as of 1/1.

Notes to Schedule:

Changes in benefit terms. None

Changes of assumptions. None

No assets are accumulated in a trust that meet the criteria of GASB Statement 75 paragraph 4.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.472471%	0.457773%	0.419077%	0.393519%
City's proportionate share of the net pension liability (asset)	\$ 1,934,467	\$ 2,432,289	\$ 1,337,051	\$ 605,552
City's covered-employee payroll	\$ 3,434,500	\$ 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	56.32%	70.47%	40.00%	18.65%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	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*

	2018	2017	2016	2015
Contractually required contribution	\$ 249,340	\$ 242,355	\$ 214,808	\$ 171,304
Contributions in relation to the contractually required contribution	(249,340)	(242,355)	(214,808)	(171,304)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 3,434,500	\$ 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	7.26%	7.02%	6.43%	5.28%

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

Notes to Required Supplementary Information:

Changes in benefit terms. None

Changes in assumptions. Amounts reported in 2016 reflect an adjustment of the expectation of life after disability to more closely reflect actual experience. For 2016 and later, the expectation of retiree life mortality was based on RP2014 Total Dataset Healthy Annuitant Mortality Tables rather than on the RP2000 Tables projected forward to 2015 using Scale AA, which were used to determine amounts reported prior to 2016.

The plan changed the discount rate from 7.25% in the 2014 valuation to 7.125% in the 2015 valuation to 6.875% in the 2016 and subsequent valuations.

The cost of living benefit increase assumption for the Plan was changed from 3.12% in the 2014 valuation to 2.55% in the 2015 valuation to 2.20% in the 2016 and subsequent valuations.

City of Old Town, Maine
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)

General Fund

For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Property Taxes	\$ 9,749,848	\$ 9,749,848	\$ 9,440,988	\$ -	\$ 9,440,988
Excise and miscellaneous taxes	1,472,700	1,472,700	1,702,473	-	1,702,473
Fees and fines	11,200	11,200	5,943	-	5,943
Licenses and permits	131,338	131,338	151,963	-	151,963
Intergovernmental	1,978,623	1,978,623	2,145,667	(275,000)	1,870,667
Charges for services	2,277,600	2,277,600	2,368,318	-	2,368,318
Investment earnings	52,000	52,000	59,497	-	59,497
Miscellaneous	421,182	421,182	1,106,481	(171,232)	935,249
Total revenues	16,094,491	16,094,491	16,981,330	(446,232)	16,535,098
EXPENDITURES					
Current:					
General government	1,806,134	2,123,358	1,983,133	104,906	2,088,039
Public safety	3,370,126	3,370,126	3,906,958	28,636	3,935,594
Public works	1,468,163	1,468,163	1,428,524	4,709	1,433,233
Health, welfare and sanitation	564,353	564,353	595,656	-	595,656
Culture and recreation	573,030	575,384	562,348	(5,932)	556,416
Airport	324,354	436,354	493,417	(131,560)	361,857
Education	5,559,615	5,559,615	5,262,006	-	5,262,006
County Tax	627,134	627,134	627,134	-	627,134
Debt Service:					
Principal	480,598	480,598	462,390	-	462,390
Interest	107,458	107,458	105,159	-	105,159
Capital Outlay	985,984	1,442,072	1,869,476	26,092	1,895,568
Total Expenditures	15,866,949	16,754,615	17,296,201	26,851	17,323,052
Excess (deficiency) of revenues over expenditures	227,542	(660,124)	(314,871)	(473,083)	(787,954)
OTHER FINANCING SOURCES (USES)					
Capital leases	-	-	596,714	-	596,714
Transfers in	63,458	63,458	63,458	562,732	626,190
Transfers out	(316,000)	(316,000)	(316,000)	-	(316,000)
Total other financing sources and uses	(252,542)	(252,542)	344,172	562,732	906,904
SPECIAL ITEMS					
Proceeds from sale of capital assets	25,000	25,000	38,325	26,851	65,176
Total Special Items	25,000	25,000	38,325	26,851	65,176
Net change in fund balances	-	(887,666)	67,626	116,500	184,126
Fund balances - beginning	2,702,096	2,702,096	2,702,096	-	2,702,096
Fund balances - ending	\$ 2,702,096	\$ 1,814,430	\$ 2,769,722	\$ 116,500	\$ 2,886,222

City of Old Town, Maine
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (WITH VARIANCES)

General Fund

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 9,749,848	\$ 9,749,848	\$ 9,440,988	\$ (308,860)
Excise and miscellaneous taxes	1,472,700	1,472,700	1,702,473	229,773
Fees and fines	11,200	11,200	5,943	(5,257)
Licenses and permits	131,338	131,338	151,963	20,625
Intergovernmental	1,978,623	1,978,623	2,145,667	167,044
Charges for services	2,277,600	2,277,600	2,368,318	90,718
Investment earnings	52,000	52,000	59,497	7,497
Miscellaneous	421,182	421,182	1,106,481	685,299
Total revenues	<u>16,094,491</u>	<u>16,094,491</u>	<u>16,981,330</u>	<u>886,839</u>
EXPENDITURES				
Current:				
General government	1,806,134	2,123,358	1,983,133	140,225
Public safety	3,370,126	3,370,126	3,906,958	(536,832)
Public works	1,468,163	1,468,163	1,428,524	39,639
Health, welfare and sanitation	564,353	564,353	595,656	(31,303)
Culture and recreation	573,030	575,384	562,348	13,036
Airport	324,354	436,354	493,417	(57,063)
Education	5,559,615	5,559,615	5,262,006	297,609
County tax	627,134	627,134	627,134	-
Debt Service:				
Principal	480,598	480,598	462,390	18,208
Interest	107,458	107,458	105,159	2,299
Capital Outlay	985,984	1,442,072	1,869,476	(427,404)
Total Expenditures	<u>15,866,949</u>	<u>16,754,615</u>	<u>17,296,201</u>	<u>(541,586)</u>
Excess (deficiency) of revenues over expenditures	<u>227,542</u>	<u>(660,124)</u>	<u>(314,871)</u>	<u>345,253</u>
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	596,714	(596,714)
Transfers in	63,458	63,458	63,458	-
Transfers out	(316,000)	(316,000)	(316,000)	-
Total other financing sources and uses	<u>(252,542)</u>	<u>(252,542)</u>	<u>344,172</u>	<u>(596,714)</u>
SPECIAL ITEMS				
Proceeds from sale of capital assets	25,000	25,000	38,325	13,325
Total Special Items	<u>25,000</u>	<u>25,000</u>	<u>38,325</u>	<u>13,325</u>
Net change in fund balances	-	(887,666)	67,626	<u>\$ (238,136)</u>
Fund balances - beginning	2,702,096	2,702,096	2,702,096	
Fund balances - ending	<u>\$ 2,702,096</u>	<u>\$ 1,814,430</u>	<u>\$ 2,769,722</u>	

SUPPLEMENTARY INFORMATION

City of Old Town, Maine
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)

Sewer Fund

For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
OPERATING REVENUES					
Charges for services	\$ 715,900	\$ 715,900	\$ 659,519	\$ 529,294	\$ 1,188,813
Other	15,900	15,900	7,585	-	7,585
Total operating revenues	<u>731,800</u>	<u>731,800</u>	<u>667,104</u>	<u>529,294</u>	<u>1,196,398</u>
OPERATING EXPENSES					
Current:					
Administration	549,106	549,106	555,579	3,165	558,744
Maintenance	3,859,000	4,236,923	2,194,752	(2,084,902)	109,850
Waste treatment facility	201,500	201,500	163,008	-	163,008
Sludge disposal	54,950	54,950	49,740	-	49,740
Depreciation	-	-	-	460,102	460,102
Total operating expenses	<u>4,664,556</u>	<u>5,042,479</u>	<u>2,963,079</u>	<u>(1,621,635)</u>	<u>1,341,444</u>
Operating income	<u>(3,932,756)</u>	<u>(4,310,679)</u>	<u>(2,295,975)</u>	<u>2,150,929</u>	<u>(145,046)</u>
NON-OPERATING REVENUES (EXPENSES)					
Debt Service:					
Principal	(286,572)	(286,572)	(303,455)	303,455	-
Interest	(119,125)	(119,125)	(109,887)	-	(109,887)
Investment earnings	1,000	1,000	8,371	-	8,371
Capital contributions	-	-	557,035	-	557,035
Transfers out	-	-	-	(22,450)	(22,450)
Total non-operating revenues (expenses)	<u>(404,697)</u>	<u>(404,697)</u>	<u>152,064</u>	<u>281,005</u>	<u>433,069</u>
Change in net position	(4,337,453)	(4,715,376)	(2,143,911)	2,431,934	288,023
Net position - beginning	7,196,146	7,196,146	7,196,146	-	7,196,146
Prior period adjustment	-	-	(18,112)	-	(18,112)
Net position - ending	<u>\$ 2,858,693</u>	<u>\$ 2,480,770</u>	<u>\$ 5,034,123</u>	<u>\$ 2,431,934</u>	<u>\$ 7,466,057</u>

City of Old Town, Maine
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (WITH VARIANCES)

Sewer Fund

For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 715,900	\$ 715,900	\$ 659,519	\$ (56,381)
Other	15,900	15,900	7,585	(8,315)
Total operating revenues	<u>731,800</u>	<u>731,800</u>	<u>667,104</u>	<u>(64,696)</u>
OPERATING EXPENSES				
Current:				
Administration	549,106	549,106	555,579	(6,473)
Maintenance	3,859,000	4,236,923	2,194,752	2,042,171
Waste treatment facility	201,500	201,500	163,008	38,492
Sludge disposal	54,950	54,950	49,740	5,210
Total operating expenses	<u>4,664,556</u>	<u>5,042,479</u>	<u>2,963,079</u>	<u>2,079,400</u>
Operating income	<u>(3,932,756)</u>	<u>(4,310,679)</u>	<u>(2,295,975)</u>	<u>2,014,704</u>
NON-OPERATING REVENUES (EXPENSES)				
Proceeds from capital leases				
Debt Service:	(286,572)	(286,572)	(303,455)	(16,883)
Principal	(119,125)	(119,125)	(109,887)	9,238
Interest	1,000	1,000	8,371	7,371
Miscellaneous expenses	-	-	557,035	557,035
Total non-operating revenues (expenses)	<u>(404,697)</u>	<u>(404,697)</u>	<u>152,064</u>	<u>556,761</u>
Change in net position	(4,337,453)	(4,715,376)	(2,143,911)	<u>\$ 2,571,465</u>
Net position - beginning	7,196,146	7,196,146	7,196,146	
Prior period adjustment	-	-	(18,112)	
Net position - ending	<u>\$ 2,858,693</u>	<u>\$ 2,480,770</u>	<u>\$ 5,034,123</u>	

City of Old Town, Maine
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2018

	<u>Cemetery</u>	<u>Public Library</u>	<u>Library Trust</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 57,976	\$ 53,062	\$ 12,299	\$ 123,337
Investments	900,160	823,866	199,887	1,923,913
Total assets	<u>958,136</u>	<u>876,928</u>	<u>212,186</u>	<u>2,047,250</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	<u>15,000</u>	<u>12,803</u>	<u>18,352</u>	<u>46,155</u>
Total liabilities	<u>15,000</u>	<u>12,803</u>	<u>18,352</u>	<u>46,155</u>
Fund balances:				
Restricted	896,191	840,167	-	1,736,358
Assigned	<u>46,945</u>	<u>23,958</u>	<u>193,834</u>	<u>264,737</u>
Total fund balances	<u>943,136</u>	<u>864,125</u>	<u>193,834</u>	<u>2,001,095</u>
Total liabilities and fund balances	<u>\$ 958,136</u>	<u>\$ 876,928</u>	<u>\$ 212,186</u>	<u>\$ 2,047,250</u>

City of Old Town, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2018

	<u>Cemetery</u>	<u>Public Library</u>	<u>Library Trust</u>	<u>Total-Other Governmental Funds</u>
REVENUES				
Investment earnings	\$ 72,879	\$ 68,312	\$ 10,306	\$ 151,497
Total revenues	<u>72,879</u>	<u>68,312</u>	<u>10,306</u>	<u>151,497</u>
EXPENDITURES				
Current:				
Culture and recreation	17,255	14,917	20,507	52,679
Capital outlay	-	-	-	-
Total Expenditures	<u>17,255</u>	<u>14,917</u>	<u>20,507</u>	<u>52,679</u>
Net change in fund balances	55,624	53,395	(10,201)	98,818
Fund balances - beginning	<u>887,512</u>	<u>810,730</u>	<u>204,035</u>	<u>1,902,277</u>
Fund balances - ending	<u>\$ 943,136</u>	<u>\$ 864,125</u>	<u>\$ 193,834</u>	<u>\$ 2,001,095</u>

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,624	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	93,685
Interest and dividends	-	-	-	-	-	-	171	-
Miscellaneous	-	12,071	-	-	-	-	-	-
Total revenues	-	12,071	-	-	-	101,624	171	93,685
Expenses								
General government	142,065	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenses	142,065	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses	(142,065)	12,071	-	-	-	101,624	171	93,685
Other Financing Sources (Uses)								
Transfer in	338,450	-	13,465	71,250	-	-	-	-
Transfer out	(171,232)	(4,500)	-	-	(28,500)	(275,000)	-	(112,000)
Total other financing sources (uses)	167,218	(4,500)	13,465	71,250	(28,500)	(275,000)	-	(112,000)
Net change in fund balance	25,153	7,571	13,465	71,250	(28,500)	(173,376)	171	(18,315)
Fund balance - Beginning	45,224	306,566	274,430	631,040	28,500	215,948	113,877	157,085
Fund balance - Ending	\$ 70,377	\$ 314,137	\$ 287,895	\$ 702,290	\$ -	\$ 42,572	\$ 114,048	\$ 138,770

Continued

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2018

	Community Dev. Block Grant	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	56,567	-	22,733	-	10,828	-	-	4,934
Total revenues	<u>56,567</u>	<u>-</u>	<u>22,733</u>	<u>-</u>	<u>10,828</u>	<u>-</u>	<u>-</u>	<u>4,934</u>
Expenses								
General government	-	-	17,733	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	10,930	-	-	4,816
Total expenses	<u>-</u>	<u>-</u>	<u>17,733</u>	<u>-</u>	<u>10,930</u>	<u>-</u>	<u>-</u>	<u>4,816</u>
Excess (deficiency) of revenues over expenses	<u>56,567</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>(102)</u>	<u>-</u>	<u>-</u>	<u>118</u>
Other Financing Sources (Uses)								
Transfer in	-	-	-	-	-	-	-	-
Transfer out	-	(34,958)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(34,958)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	56,567	(34,958)	5,000	-	(102)	-	-	118
Fund balance - Beginning	<u>-</u>	<u>34,958</u>	<u>374,092</u>	<u>167,395</u>	<u>8,195</u>	<u>4</u>	<u>408</u>	<u>1,051</u>
Fund balance - Ending	<u>\$ 56,567</u>	<u>\$ -</u>	<u>\$ 379,092</u>	<u>\$ 167,395</u>	<u>\$ 8,093</u>	<u>\$ 4</u>	<u>\$ 408</u>	<u>\$ 1,169</u>

Continued

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2018

	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	-	-	-	58	-	-	-
Miscellaneous	40,282	130	609	-	1,399	-	-
Total revenues	<u>40,282</u>	<u>130</u>	<u>609</u>	<u>58</u>	<u>1,399</u>	<u>-</u>	<u>-</u>
Expenses							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	7,461	-	-
Culture and recreation	36,044	-	-	-	-	-	-
Total expenses	<u>36,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,461</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	<u>4,238</u>	<u>130</u>	<u>609</u>	<u>58</u>	<u>(6,062)</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	4,238	130	609	58	(6,062)	-	-
Fund balance - Beginning	<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>
Fund balance - Ending	<u>\$ 8,203</u>	<u>\$ 4,082</u>	<u>\$ 2,790</u>	<u>\$ 38,120</u>	<u>\$ 1,204</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, 2018

	EMS Adolescent Pub Rel Fund	Fire Public Rel	Smoke & CO Detectors	EMS Regionalization	Book Restoration	Save the Pool	Activities/ Library Friends	Totals
Revenues								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,624
Charges for services	-	-	-	-	-	-	-	93,685
Interest and dividends	-	-	-	-	-	-	-	229
Miscellaneous	-	-	1,696	-	51	-	669	151,969
Total revenues	-	-	1,696	-	51	-	669	347,507
Expenses								
General government	-	-	-	-	-	-	-	159,798
Public safety	-	-	211	-	-	-	-	7,672
Culture and recreation	-	-	-	-	-	-	503	52,293
Total expenses	-	-	211	-	-	-	503	219,763
Excess (deficiency) of revenues over expenses	-	-	1,485	-	51	-	166	127,744
Other Financing Sources (Uses)								
Transfer in	-	-	-	-	-	-	-	423,165
Transfer out	-	-	-	-	-	-	-	(626,190)
Total other financing sources (uses)	-	-	-	-	-	-	-	(203,025)
Net change in fund balance	-	-	1,485	-	51	-	166	(75,281)
Fund balance - Beginning	535	1,497	-	329	364	3,834	4,941	2,427,024
Fund balance - Ending	\$ 535	\$ 1,497	\$ 1,485	\$ 329	\$ 415	\$ 3,834	\$ 5,107	\$ 2,351,743

City of Old Town, Maine
TAXES RECEIVABLE, TAX LIENS AND TAX ACQUIRED PROPERTY
General Fund
 June 30, 2018

Taxes receivable		
2018	\$	13,824
2017		8,640
2016		8,287
2015		4,240
2014		4,144
2013		3,356
2012		362
2011		332
2010		160
2009		160
2008		125
2007		187
Total taxes receivable		<u>43,817</u>
Tax Liens		
2017		141,252
2018		279,012
Total tax liens		<u>420,264</u>
Tax acquired property		<u>50,829</u>
Total taxes receivable, tax liens and tax acquired property	\$	<u><u>514,910</u></u>

City of Old Town, Maine
Single Audit Reporting Package
June 30, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
Annual Financial Report	
Issued separately	
Reports on Compliance and Internal Control	
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance In Accordance With the Uniform Guidance	1
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	4
Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Status of Prior Audit Findings	10

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

City Council
City of Old Town, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Old Town's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City of Old Town's major federal programs for the year ended June 30, 2018. The City of Old Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Old Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Old Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the City's major federal programs. However, our audit does not provide a legal determination on the City of Old Town's compliance.

Visit us online: www.roycpas.com

Opinion on Each Major Federal Program

In our opinion, the City of Old Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City of Old Town is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit of compliance, we considered the City of Old Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express our opinion on the effectiveness of the City of Old Town, Maine's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the 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, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Old Town, Maine's basic financial statements. We issued our report thereon dated December 6, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose

Visit us online: www.roycpas.com

of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Roy & Associates, CPAs, P.A

Bangor, Maine
December 6, 2018

Visit us online: www.roycpas.com

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

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

City Council
City of Old Town, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Old Town's basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We

Visit us online: www.roycpas.com

consider the deficiency described as item 2018-001 in the schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item 2018-002 in the schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Old Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Old Town, Maine's Response to Findings

The City of Old Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Old Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Roy & Associates, CPAs, P.A

Bangor, Maine
December 6, 2018

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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2018

Federal Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities - Grants 2013	10.760	N/A	\$ 255,109
Water and Waste Disposal Systems for Rural Communities - Grants 2016	10.760	N/A	301,926
Water and Waste Disposal Systems for Rural Communities - Loans	10.760	N/A	1,304,000
			<u>1,861,035</u>
U.S. Environmental Protection Agency			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	<u>111,342</u>
U.S. Department of Justice			
Community Oriented Policing Hiring Program	16.710	N/A	<u>50,084</u>
U.S. Department of Transportation			
FAA Grant	20.106	N/A	34,535
Pass through Maine Bureau of Highway Safety 2018 Speed Enforcement	20.600	PT18-031	723
Total Pass through			<u>723</u>
Total U.S. Department of Transportation			<u>35,258</u>
U.S. Federal Emergency Management Agency			
Disaster Grants - Public Assistance	97.044	N/A	<u>85,232</u>
Total Federal Awards			<u>\$ 2,142,951</u>

Note A – BASIS OF PRESENTATION

This Schedule of Expenditure of Federal Awards includes the federal grant activity of the City of Old Town and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - INDIRECT COST RATE

The City did not elect to use the 10% de minimus indirect cost rate allowed in the Uniform Guidance section 414.

City of Old Town, Maine
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2018

**Summary of
Auditor's Results**

Section 1

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|--|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 2. Type of auditor's report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 500.516(a)? | No |
| 4. Identification of major program(s): | |
| <u>CFDA Number</u>
10.760 | <u>Name of Federal Program</u>
Water and Waste Disposal Systems for Rural Communities |
| 5. Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

City of Old Town, Maine
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
Year Ended June 30, 2018

Section II FINANCIAL STATEMENT FINDINGS

Finding 2018-001 – Fund accounting principles

Prior Year Finding: Yes

Type of Finding: Material weakness

Condition: The City of Old Town records all governmental funds in one fund (the General Fund).

Criteria/Context: A governmental unit is accounted for through several separate fund entities, each accounting for designated assets, liabilities, and equity or other balances. *Special Revenue Funds* should be used to account for the proceeds of specific revenue sources (other than trusts) that are legally restricted to expenditure for a specified purpose. *Capital Projects Funds* should be used to account for financial resources to be used for the acquisition or construction of major capital facilities. *Permanent Funds* should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's government.

Each fund must be accounted for in a separate self-balancing set of accounts for its assets, liabilities, equity, revenues, expenditures or expenses, and transfers.

(Section 1300 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, *Fund Accounting*)

Effect: Significant audit adjustments are made. Management may not be able to identify an error or misstatement in the financial statements.

Recommendation: We recommend that management follow Governmental Accounting Standards Board standards regarding fund accounting, and implement internal controls to ensure that any new funds created in the future follow these standards.

Response: Management will work towards adopting GASB standards regarding fund accounting and will work to influence the City Council to follow these standards on any new funds created in the future.

Finding 2018-002 - Accruals in governmental funds and proprietary funds

Prior Year Finding: Yes

Type of Finding: Significant deficiency

Condition: Revenues earned for grants during the prior fiscal year were not correctly recorded in the financial statements as revenue with a corresponding receivable.

City of Old Town, Maine

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year Ended June 30, 2018

Criteria/Context: Revenues are not recognized in the accounting period in which they become susceptible to accrual (when they are both measurable and available).

(Section 1600 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, *Basis of Accounting*)

Effect: Without adjustment, revenues and receivables would be understated in the General Fund and Sewer Fund.

Recommendation: We recommend that management implement internal controls to ensure that revenue and expenditure recognition standards are followed.

Response: Management will work towards implementing internal controls to ensure that revenue and expenditure recognition standards are followed.

Section III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

(None Reported)

City of Old Town, Maine

STATUS OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2018

Finding 2017-001 – Fund accounting principles

Condition:

The City of Old Town records all governmental funds in one fund (the General Fund).

Current Status:

The City is still recording all governmental funds in the General fund. Significant entries to record activity and reclassifications were required to enable preparation of financial statements in conformity with generally accepted accounting principles. The City continues its efforts towards elimination of this deficiency. This has been identified as a current year audit finding.

Finding 2017-002 - Accruals in governmental funds

Condition:

Revenues for fire department services and sewer fund grant revenues earned during the prior fiscal year were not correctly recorded in the financial statements as revenue with a corresponding receivable.

Current Status:

The City continues to work towards implementing internal controls to ensure that revenue and expenditure recognition standards are followed. This has been identified as a current year finding.

Finding 2017-003 – Controls over expenditures

Condition:

When testing internal controls over expenditures the following issues were identified:

- Of 20 employees tested, 13 did not have evidence of supervisor approval.
- Four warrants only had one signature.

Current Status:

Current year testing showed time cards had supervisor approval. Warrants reviewed had two signatures. This finding is considered closed.