

FELCH & COMPANY, LLC

Certified Public Accountants

CITY OF CARIBOU, MAINE

as of

DECEMBER 31, 2015

Financial Statements

CITY OF CARIBOU, MAINE

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CITY OF CARIBOU, MAINE

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FELCH & COMPANY, LLC

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INDEPENDENT AUDITORS' REPORT

To the City Council of the
City of Caribou, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Caribou, Maine as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the City Council of the
City of Caribou, Maine

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Caribou, Maine, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of the City of Caribou, Maine, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. These primary government financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the City of Caribou, Maine, as of December 31, 2015, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the City of Caribou, Maine, as of and for the year ended December 31, 2015, and our report thereon, dated June 24, 2016, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary information and public pension information on Pages I through X and Supplements 1 through 4, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Council of the
City of Caribou, Maine

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Caribou's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016 on our consideration of the City of Caribou'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 Caribou's internal control over financial reporting and compliance.

Felch & Company LLC

Caribou, Maine
June 24, 2016

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

The following narrative is an overview and discussion of the financial activities of the City of Caribou for the financial year ending December 31, 2015. Management's discussion and analysis should be viewed as a tool to aid the reader in understanding the City's financial performance along with an enhanced insight to the attached financial statements and notes to the financials.

Financial highlights:

- The City of Caribou, Maine adheres to the standards of GASB 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Under these standards management has prepared statements of comparison indicating the relative changes within the City's organizational and financial structures. Much of the detail as well as the summary presented within this text can be found in Exhibit D that highlights the end results of operations for the City in 2015.
- The Financial Administrators of the City have implemented a modified approach towards valuing its infrastructure. This approach includes the establishment of condition statements for much of the City's infrastructure and a plan of capital actions to maintain and improve assets in accordance with prudent financial practices.
- The City has also implemented infrastructure management and measurement tools as a result of these standards. The City has implemented and integrated a full depreciation basis of all capital infrastructures in a further effort to measure the ability of appropriately maintaining the existing infrastructure as well as accounting for future needs.

The Financial Statements

The discussion and analysis is intended to provide an introduction to the City's basic financial statements, which are comprised of three major components: 1) City-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Financial Statements. Supplementary information to the basic financial statement is also provided to fulfill mandatory requirements and clarification.

City-Wide Financial Statements

The City-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting, similar in manner to private sector accounting statements. These statements also include all assets of the City (including infrastructure) as well as the liabilities with certain interfund activities eliminated.

The Statement of Net Position presents information on the City's assets and liabilities, with the difference between the two reported as net position. The capital assets reported under the non-current assets are based upon historical values less the total amount of depreciation accumulated to date. The City has implemented the modified approach for infrastructure assets allowing this statement to yield a more reflective position of the actual maintenance of the City's capital assets.

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

The Statement of Activities presents information demonstrating how the City's net position changed during the last calendar year on a department-by-department basis. All changes in net position are reported as soon as the activity occurs, regardless of the timing of the related cash flow relevant to the event. Therefore, revenues and expenses are reported in this statement for some items that will only result in a change in cash in future fiscal periods.

Both of these statements within the City-wide financials distinguish between governmental-type functions, principally supported by taxes, and intergovernmental revenues for the City. Governmental Activities for Caribou are defined as general government, health and sanitation, public works, police department, fire and ambulance, insurance and retirement, recreation, library, County tax, general assistance, Chamber of Commerce, Section 8 Housing, capital projects and other activities.

Fund Financial Statements

The fund financial statements are a grouping of related accounts that are used to maintain control over the resources that have been segregated through the budgetary process for specific activities or objectives. The City of Caribou utilizes fund accounting practices to ensure compliance with finance-related legal requirements as well as performance measures to monitor activity throughout the year. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are synonymous with the activities reported as governmental activities under the City-wide financial statements. The governmental funds define how money flows into and out of those funds and the balances left at year-end. These funds use modified accrual accounting to measure the cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the City's general government operations and the basic services they provide. Governmental fund information aids in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs and services. The differences in the governmental fund statements and those of the City-wide statements are defined in the reconciliation statements as part of the audit.

The City also utilizing non-major funds. These funds are funded completely through special revenues and are not funded through general property tax dollars. These non-major funds include Economic Development, Section 8 Housing, Family Self Sufficiency, and Snowmobile Trail Maintenance.

Notes to the financial statements are provided as additional information that is essential for the reader's full understanding of the data provided within the statements. The notes include schedules of significant activities including Property Taxes, Capital Outlays, Non-Capital Outlays, Trust and Agency Funds and Fixed Assets. Schedules are also included detailing the receipt and expenditures of State and Federal Financial Assistance. These schedules detail the total anticipated receipts, receipts and expenditures to date and the outstanding balances not yet encumbered at the time of the statements.

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

The Statement of Net Position (Exhibit A) reports total net position of \$25,491,085 from the operations of the Governmental activity. This aggregate amount consists of total assets less depreciation and liabilities and the difference between deferred net inflows and outflows of resources. Exhibit A is delineated into Assets: Current and Non-current, Deferred outflows of resources, Liabilities: Current and Non-current, Deferred inflows of resources and Net Position: Net Investment in Capital Assets, Restricted and Unrestricted.

The reader should refer to Table I as a comparison of Exhibit A of the net changes from 2014 to 2015. Please note that 2014 has been restated to include pension information as required for 2015 in order to maintain comparability for the two years. Total Current Assets increased by \$4,303,806 in 2015 primarily due to a cash refund from MainePERS of \$3,441,152. Capital Assets, net of depreciation, increased by \$125,325.

Table I indicates Current Liabilities increased by \$90,136 and long-term liabilities increased by \$172,932 primarily due to an increase in the net pension liability. Net Position increased by \$4,343,434 for 2015.

The reader should refer to Table II as a comparison of the changes in Net Position from 2014 to 2015. Total City net Expenditures for Governmental activities combined were \$9,966,486, as compared to \$7,798,999 for 2014 for an increase of \$2,167,487. Capital projects for 2014 showed net revenue of \$2,805,482 due to grant monies received for the runway project, a capital asset that will be depreciated over time versus expensed in 2014.

For 2015, the total General Revenues were \$10,868,768 as compared to \$10,766,529 for 2014, an increase of \$102,239. Taxes decreased by \$92,809 while Excise tax increased by approximately \$73,000 and other revenues increased by about \$92,000.

Pie charts follow to give the reader a visual indication of City Revenues and Expenses for 2015 as compared to 2014.

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

Table I provides data for the Governmental Activities for the years ended 2015 and 2014.

Table I
Net Position

	<u>2015</u>	(Restated) <u>2014</u>
Current Assets		
Cash and temporary investments	\$ 7,259,995	\$ 3,082,347
Taxes receivable	1,242,240	1,210,014
Notes receivable	291,517	298,468
Other receivables	486,064	413,523
Other current assets	<u>75,433</u>	<u>47,091</u>
Total Current Assets	<u>9,355,249</u>	<u>5,051,443</u>
Noncurrent Assets		
Capital assets, net of depreciation	<u>18,278,944</u>	<u>18,153,619</u>
Total Assets	<u>27,634,193</u>	<u>23,205,062</u>
Deferred Outflows of Resources	<u>204,204</u>	<u>26,805</u>
Current Liabilities		
Accounts payable and accrued expenses	105,181	118,986
Deferred compensation	722,580	624,232
Current portion note payable	<u>32,292</u>	<u>26,699</u>
	<u>860,053</u>	<u>769,917</u>
Noncurrent Liabilities		
Note payable, net of current portion	793,836	859,359
Net pension liability	<u>451,917</u>	<u>213,462</u>
	<u>1,245,753</u>	<u>1,072,821</u>
Total Liabilities	<u>2,105,806</u>	<u>1,842,738</u>
Deferred Inflows of Resources	<u>241,506</u>	<u>241,478</u>
Net Position		
Net investment in capital assets	17,452,816	17,267,561
Restricted for special revenue funds	290,449	263,116
Unrestricted	<u>7,747,820</u>	<u>3,616,974</u>
TOTAL NET POSITION	<u>\$25,491,085</u>	<u>\$21,147,651</u>

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

Table II
Change in Net Position

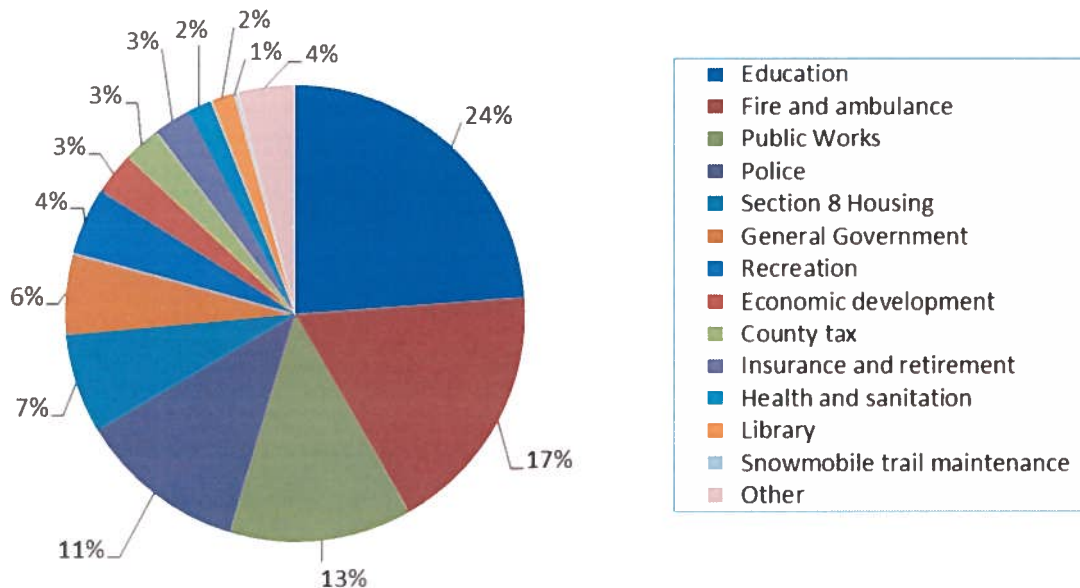
	<u>2015</u>	(Restated) <u>2014</u>
<u>General Revenues</u>		
Taxes	\$ 8,339,896	\$ 8,432,705
Federal and state assistance	568,158	538,280
Excise taxes	1,376,932	1,303,885
Other revenues	<u>583,782</u>	<u>491,659</u>
Total general revenues	<u>10,868,768</u>	<u>10,766,529</u>
<u>General Expenses, net of related revenues</u>		
General Government	519,200	729,342
Public Works	1,525,070	1,826,603
Police department	1,649,270	1,549,855
Fire and ambulance	232,154	366,917
Education	3,528,938	3,460,276
Recreation	677,006	627,421
County tax	402,177	410,995
Health and Sanitation	253,355	260,203
Insurance and retirement	389,403	422,521
Library	244,554	213,796
Capital projects	(47,471)	(2,805,482)
Other	<u>592,830</u>	<u>736,552</u>
Total general activities expenses	<u>9,966,486</u>	<u>7,798,999</u>
Change in Net Position before special item	902,282	2,967,530
Special item - refund from MainePERS	<u>3,441,152</u>	<u>-</u>
Change in Net Position	<u>4,343,434</u>	<u>2,967,530</u>
Net Position January 1	21,147,651	18,608,256
Prior period adjustment	<u>-</u>	<u>(428,135)</u>
Net Position January 1 (restated)	<u>21,147,651</u>	<u>18,180,121</u>
Net Position December 31	<u>\$25,491,085</u>	<u>\$21,147,651</u>

City of Caribou, Maine

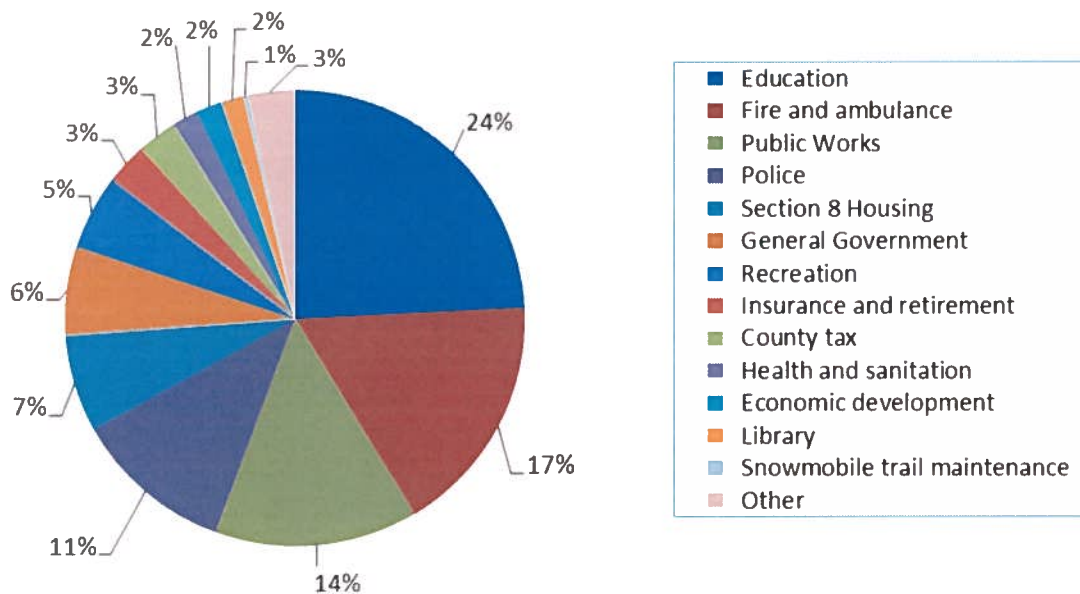
Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

2015 Government Activity Expense



2014 Government Activity Expense

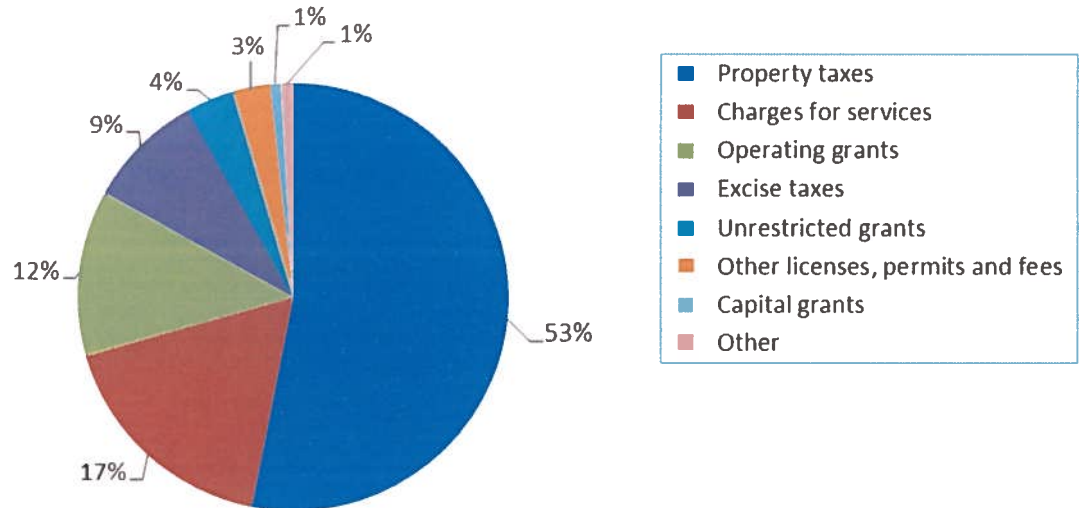


City of Caribou, Maine

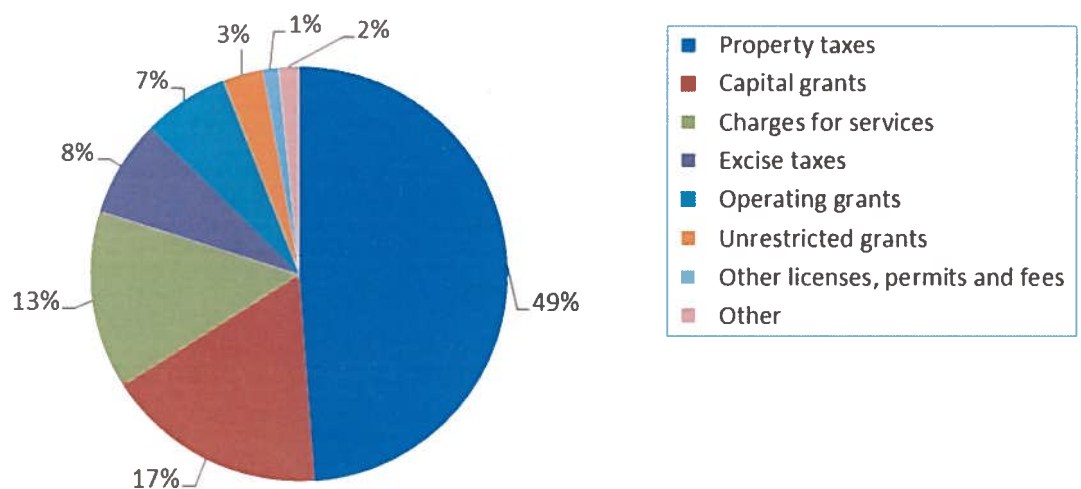
Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

2015 Government Activity Revenue



2014 Government Activity Revenue



City of Caribou, Maine
Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

Management has produced Table III to further assist the reader in assessing the major changes in Revenues for the City comparing the current year to that of 2014. Please refer to page VII for pie charts illustrating the same.

Table III
Percentage of Revenue Sources

	2015 <u>Revenues</u>	2015 (by <u>percentage</u>)	(Restated) 2014 <u>Revenues</u>	2014 (by <u>percentage</u>)
<u>Governmental Revenues:</u>				
Program revenues				
Charges for services	\$ 2,743,089	17%	\$ 2,405,882	13%
Operating grants	1,975,739	12%	1,147,707	7%
Capital grants	131,468	1%	2,956,919	17%
General revenues				
Property taxes	8,339,896	53%	8,432,705	49%
Excise taxes	1,376,932	9%	1,303,885	8%
Unrestricted grants	568,158	4%	538,280	3%
Other licenses, permits and fees	439,544	3%	211,272	1%
Other	<u>144,238</u>	<u>1%</u>	<u>280,387</u>	<u>2%</u>
Total City Revenues	<u>\$15,719,064</u>	<u>100%</u>	<u>\$17,277,037</u>	<u>100%</u>

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

Management has produced Table IV to illustrate any significant changes within the Governmental Expenses from 2015 to 2014 as a percentage of total expenses for each year. Please refer to page VI for pie charts illustrating the same.

Table IV
Percentage of Expenses

	2015 <u>Expenses</u>	2015 (by <u>percentage</u>)	(Restated) 2014 <u>Expenses</u>	2014 (by <u>percentage</u>)
<u>Governmental Expenses:</u>				
General Government	\$ 850,300	6%	\$ 904,770	6%
Economic development	445,199	3%	258,099	2%
Health and sanitation	253,355	2%	260,203	2%
Public Works	1,905,660	13%	2,050,387	14%
Police Department	1,759,280	11%	1,624,416	11%
Fire and ambulance	2,654,074	17%	2,450,615	17%
Education	3,528,938	24%	3,460,276	24%
Recreation	699,430	4%	747,567	5%
Snowmobile trail maintenance	43,918	1%	47,981	1%
County tax	402,177	3%	410,995	3%
Section 8 Housing	1,040,756	7%	972,591	7%
Insurance and retirement	389,403	3%	422,521	3%
Library	244,554	2%	223,812	2%
Other	<u>599,738</u>	<u>4%</u>	<u>475,274</u>	<u>3%</u>
Total Governmental Expenses	<u>\$14,816,782</u>	<u>100%</u>	<u>\$14,309,507</u>	<u>100%</u>

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2015

UNAUDITED

The Reader may refer to Supplement 1 as the report comparing the City's Governmental Fund activity for the year as they compared to budget. Total Expenditures for the year were \$12,831,119, \$390,006 less than budgeted. Revenues were \$13,486,005, \$175,751 more than budgeted. Revenues exceeded Expenditures by \$654,886 for the year. Total Other Sources consist of a refund from MainePERS of \$3,441,152 and appropriations in excess of capital outlays of \$186,610. The resulting net increase in the General Fund Balance was \$4,282,648.

A more complete understanding of the capital outlay is summarized in Note 7 of this financial statement. Note 7 indicates that the City's capital assets, net of depreciation, increased by \$300,261. Additions to buildings, vehicles and equipment totaled \$985,304 while depreciation across land improvements, buildings, vehicles and equipment totaled \$685,043. The retirements of capital assets totaled \$174,936 of book value. Management recognizes that the relationship of depreciation expense being less than additions by \$300,261 as one of timing as the annualized rate of contribution supporting capital assets can be greater or less than a given year's replacements or upgrades. Management does, however, recognize the trend over the past decade has been a positive input greater than depreciation, an indication of prudent maintenance of the City's capital assets.

The City of Caribou continues to be fiscally strong. The City continues to maximize non-property tax revenue sources to lower the overall burden on property taxation. Management recognizes the future difficulties of funding municipal operations as the State Revenue Sharing distributions continue to decline for the foreseeable near term with potential increased burden upon property taxation.

Management concludes this section of the 2015 Audit with the continued pledge of researching and applying where possible economies of scale, regionalized services, best practices and efficiencies to minimize these pending impacts. This concludes the Management Discussion and Analysis Statement for the calendar year of 2015. A complete copy of the 2015 audited financials for the City of Caribou may be viewed at the Caribou City Office, 25 High Street during normal business hours of 8:00AM to 5:00PM Monday through Friday.

CITY OF CARIBOU, MAINE
STATEMENT OF NET POSITION
DECEMBER 31, 2015

EXHIBIT A

ASSETS

CURRENT ASSETS

Cash and temporary investments (Note 2)	\$ 7,259,995
Uncollected taxes	1,195,847
Tax acquired property	46,393
Accounts receivable	590,439
Allowance for uncollectibles	(104,375)
Inventories	41,420
Notes receivable (Notes 3 and 4)	291,517
Restricted cash (Note 5)	33,749
Other assets	264
	<u>9,355,249</u>

NONCURRENT ASSETS

Capital assets (Note 7)	
Non-depreciable	10,088,059
Depreciable	15,014,247
Less allowance for depreciation	(6,823,362)
	<u>18,278,944</u>
Total assets	<u>27,634,193</u>

DEFERRED OUTFLOWS OF RESOURCES (Note 1)	<u>204,204</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	71,432
Accrued payroll	78,548
Escrow (Note 5)	33,749
Compensated absences (Note 1)	644,032
Current portion, notes payable	32,292
	<u>860,053</u>

NONCURRENT LIABILITIES

Notes payable, net of current portion (Note 8)	793,836
Net pension liability (Note 9)	451,917
	<u>1,245,753</u>
Total liabilities	<u>2,105,806</u>

DEFERRED INFLOWS OF RESOURCES (Note 1)	<u>241,506</u>
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NET POSITION

Net investment in capital assets	17,452,816
Restricted for:	
Special revenue funds	290,449
Unrestricted	7,747,820
	<u>25,491,085</u>
Total net position	<u>\$ 25,491,085</u>

CITY OF CARIBOU, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT B

Function/Programs	Expenses	Charges for Services	Operating Revenues	Capital Contributions	Net (Cost)
General government	\$ 850,300	\$ 132,201	\$ 198,899	\$ -	\$ (519,200)
Economic development	445,199	365,853	-	-	(79,346)
Health and sanitation	253,355	-	-	-	(253,355)
Public works	1,905,660	97,218	283,372	-	(1,525,070)
Police department	1,759,280	58,397	51,613	-	(1,649,270)
Fire and ambulance	2,654,074	2,089,420	332,500	-	(232,154)
Insurance and retirement	389,403	-	-	-	(389,403)
Recreation	699,430	-	-	21,000	(678,430)
Snowmobile trail maintenance	43,918	-	45,342	-	1,424
Library	244,554	-	-	-	(244,554)
County tax	402,177	-	-	-	(402,177)
Education	3,528,938	-	-	-	(3,528,938)
Tax assessment office	150,170	-	-	-	(150,170)
Section 8 Housing	1,040,756	-	1,064,013	-	23,257
Capital projects	27,951	-	-	75,422	47,471
Interest expense	31,285	-	-	-	(31,285)
Other	390,332	-	-	35,046	(355,286)
	<u>\$ 14,816,782</u>	<u>\$ 2,743,089</u>	<u>\$ 1,975,739</u>	<u>\$ 131,468</u>	<u>(9,966,486)</u>
General revenues:					
Taxes					
Property taxes, levied for general purposes					8,315,710
Less: TIF payments					(427,732)
Homestead reimbursement and other property tax related					451,918
Excise					1,376,932
Federal and state aid not restricted to specific purposes					568,158
Other licenses, permits, and fees					439,544
Miscellaneous revenues					144,238
Subtotal, general revenues					<u>10,868,768</u>
CHANGE IN NET POSITION BEFORE SPECIAL ITEM					902,282
Special item					3,441,152
Refund from MainePERS					<u>4,343,434</u>
CHANGE IN NET POSITION					21,147,651
NET POSITION - JANUARY 1, 2015, as restated (Note 1)					<u>\$ 25,491,085</u>
NET POSITION - DECEMBER 31, 2015					<u>\$ 25,491,085</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CARIBOU, MAINE

EXHIBIT C

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2015

	<u>General Fund</u>	<u>Section 8 Housing Program</u>	<u>Non-major Funds (Schedule 1)</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and temporary investments (Note 2)	\$ 6,914,698	\$ 83,498	\$ 261,799	\$ 7,259,995
Uncollected taxes	1,195,847	-	-	1,195,847
Tax acquired property	46,393	-	-	46,393
Accounts receivable	589,653	786	-	590,439
Allowance for uncollectibles	(104,375)	-	-	(104,375)
Due from other funds	-	-	385,557	385,557
Inventories	41,420	-	-	41,420
Notes receivable (Notes 3 and 4)	283,582	-	7,935	291,517
Restricted cash (Note 5)	-	33,749	-	33,749
Other assets	-	264	-	264
Total assets	<u>\$ 8,967,218</u>	<u>\$ 118,297</u>	<u>\$ 655,291</u>	<u>\$ 9,740,806</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 51,608	\$ 19,824	\$ -	\$ 71,432
Escrow (Note 5)	-	33,749	-	33,749
Due to other funds (Note 6)	385,557	-	-	385,557
	<u>437,165</u>	<u>53,573</u>	<u>-</u>	<u>490,738</u>
Deferred inflow of resources:				
Deferred revenue - property taxes	1,057,654	-	-	1,057,654
Fund balances:				
Nonspendable				
Inventory	41,420	-	-	41,420
Restricted				
Special revenue funds	-	64,724	225,725	290,449
Unrestricted				
Assigned				
Capital (Schedule 3)	1,511,480	-	-	1,511,480
Non-capital (Schedule 4)	3,775,322	-	-	3,775,322
Unassigned				
General fund	2,005,984	-	429,566	2,435,550
Deferred property taxes	138,193	-	-	138,193
Total fund balances	<u>7,472,399</u>	<u>64,724</u>	<u>655,291</u>	<u>8,192,414</u>
Total liabilities and fund balances	<u>\$ 8,967,218</u>	<u>\$ 118,297</u>	<u>\$ 655,291</u>	<u>\$ 9,740,806</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CARIBOU, MAINE

EXHIBIT D

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Section 8 Housing Program	Non-major Funds (Schedule 2)	Total Governmental Funds
REVENUES				
Local property taxes	\$8,298,814	\$ -	\$ -	\$ 8,298,814
Homestead reimbursement	240,790	-	-	240,790
Abatements	(29,303)	-	-	(29,303)
Other property tax related	211,128	-	-	211,128
Excise taxes	1,376,932	-	-	1,376,932
Federal and state assistance	1,517,078	1,064,013	94,274	2,675,365
Fire and ambulance revenue	2,072,303	-	-	2,072,303
Other licenses, permits, and fees	370,084	-	69,460	439,544
Other revenues	445,437	3,236	366,693	815,366
TOTAL REVENUES	14,503,263	1,067,249	530,427	16,100,939
EXPENDITURES				
General government	766,786	158,708	-	925,494
Economic development	16,521	-	428,678	445,199
Health and sanitation	253,355	-	-	253,355
Public works	1,911,481	-	-	1,911,481
Police department	1,716,964	-	-	1,716,964
Fire and ambulance	2,910,072	-	-	2,910,072
Insurance and retirement	115,234	-	-	115,234
Recreation	629,799	-	43,918	673,717
Library	235,635	-	-	235,635
County tax	402,177	-	-	402,177
Tax assessment office	150,170	-	-	150,170
General assistance	66,252	882,048	-	948,300
Education	3,528,938	-	-	3,528,938
Construction and improvements	27,951	-	-	27,951
Tax increment financing	427,732	-	-	427,732
Interest expense	31,285	-	-	31,285
Other	177,669	-	114,767	292,436
TOTAL EXPENDITURES	13,368,021	1,040,756	587,363	14,996,140
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,135,242	26,493	(56,936)	1,104,799
OTHER USES				
Payments on long-term debt	59,929	-	-	59,929
SPECIAL ITEM				
Refund of MainePERS	3,441,152	-	-	3,441,152
NET INCREASE (DECREASE) IN FUND BALANCE	4,516,465	26,493	(56,936)	4,486,022
FUND BALANCE - JANUARY 1, 2015	2,955,934	38,231	712,227	3,706,392
FUND BALANCE - DECEMBER 31, 2015	\$ 7,472,399	\$ 64,724	\$ 655,291	\$ 8,192,414

The accompanying notes are an integral part of this financial statement.

CITY OF CARIBOU, MAINE

EXHIBIT E

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total fund balance - governmental funds (Exhibit C)		\$ 8,192,414
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds		
The cost of capital assets is	\$25,102,306	
Accumulated depreciation is	<u>(6,823,362)</u>	
		18,278,944
Deferred outflows in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Deferred outflows of resources		204,204
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:		
Deferred property tax revenue		1,057,654
Deferred inflows in governmental activities are not due and payable from current financial resources and, therefore are not reported in the funds:		
Deferred inflow of resources		(241,506)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Notes payable	(826,128)	
Accrued payroll	(78,548)	
Net pension liability	(451,917)	
Compensated absences	<u>(644,032)</u>	
		<u>(2,000,625)</u>
Total net position - governmental activities (Exhibit A)		<u>\$25,491,085</u>

CITY OF CARIBOU, MAINE

EXHIBIT F

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES WITH THE CITY-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Total net change in fund balances - governmental funds (Exhibit D)	\$4,486,022
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation expense in the period.	
Capital outlays	\$ 985,304
Depreciation expense	<u>(685,043)</u>
	300,261
In the statement of activities, only the gain on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Therefore, the change in net position differs from the change in fund balance by the depreciated value of assets sold.	(174,936)
Compensation for accrued vacation and sick pay not yet paid is accumulated using the governmental activities fund to the extent that amounts would be paid to the employees upon retirement. These funds are not accumulated for the governmental activities fund.	(95,055)
Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	
Increase in deferred property tax revenue	46,199
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	59,930
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
(Increase) in accrued payroll	(3,293)
(Increase) in deferred pension liability	(178,896)
Change in deferred inflows/outflows of resources	<u>(96,798)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$4,343,434</u>

CITY OF CARIBOU, MAINE

EXHIBIT G

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

	<u>Total</u>	<u>Hospital Memorial Funds</u>	<u>Cemetery Trust Funds</u>	<u>Library Trust Funds</u>	<u>Memorial Funds</u>
ASSETS					
Cash	<u>\$166,576</u>	<u>\$ -</u>	<u>\$1,246</u>	<u>\$56,348</u>	<u>\$108,982</u>
NET POSITION					
Undesignated	<u>\$166,576</u>	<u>\$ -</u>	<u>\$1,246</u>	<u>\$56,348</u>	<u>\$108,982</u>

CITY OF CARIBOU, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Total</u>	<u>Hospital Memorial Funds</u>	<u>Cemetery Trust Funds</u>	<u>Library Trust Funds</u>	<u>Memorial Funds</u>
REVENUE					
Interest income	\$ 1,623	\$ 197	\$ 26	\$ 822	\$ 578
Contributions	<u>7,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,292</u>
	<u>8,915</u>	<u>197</u>	<u>26</u>	<u>822</u>	<u>7,870</u>
DEDUCTIONS					
Expenses	<u>56,581</u>	<u>48,652</u>	<u>48</u>	<u>2,581</u>	<u>5,300</u>
NET CHANGE IN NET POSITION	(47,666)	(48,455)	(22)	(1,759)	2,570
NET POSITION - JANUARY 1	<u>214,242</u>	<u>48,455</u>	<u>1,268</u>	<u>58,107</u>	<u>106,412</u>
CASH AND NET POSITION - DECEMBER 31	<u>\$166,576</u>	<u>\$ -</u>	<u>\$1,246</u>	<u>\$56,348</u>	<u>\$108,982</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Caribou, Maine incorporated and adopted its first charter in 1967, which allows for a Council-Manager form of government. The Council consists of seven members elected by the voters with individual terms of three years.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The authority establishing the standards for governmental accounting principles is the Governmental Accounting Standards Board (GASB).

The accompanying financial statements include all governmental and expendable fiduciary fund types and account groups except for Cary Medical Center and Caribou Utilities District. The financial statements of these component units have been or are being audited and reported on by other independent auditors.

The City of Caribou's basic financial statements include City-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

City-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each department or function of the City's governmental activities of the City. Direct expenses are those that are specifically associated with a service or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the department, grants and contributions that are restricted to meeting the operational or capital requirements of a particular department and interest earned on grants that is required to be used to support a particular department. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenue of the City. The effect of significant interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level.

Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets and account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The various funds are summarized by type in the financial statements.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

The focus of governmental fund financial statements is on the major funds. Each major fund is presented in a separate column and non-major funds are summarized into a single column. GASB standards set forth minimum criteria based on the size of the funds for the determination of major funds. City management may also choose to designate additional funds as major based on other criteria.

The following funds are reported as major by the City:

General Fund - The general fund accounts for financial resources in use for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. A significant part of the General Fund's revenues are used principally to finance the operations of the City of Caribou.

Special Revenue Fund - The Section 8 Housing Program accounts for grant proceeds that are restricted by legal and regulatory provisions to finance the activities of the Caribou Housing Authority.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The City's only fiduciary funds are private-purpose trust funds. These funds account for trust funds donated to the City for those purposes.

Measurement Focus

City-wide Financial Statements - The City-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included in the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the City-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the City-wide statements and the statements for governmental funds.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. City-wide financial statements and the fiduciary funds are prepared using the accrual basis of accounting.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Governmental funds use the modified accrual basis of accounting. On the accrual basis of accounting, expenses are recognized at the time they are incurred. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 60 days of fiscal year-end. Licenses and permits, charges for services, fines and forfeits and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes and investment earnings are recorded when they become both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for expenditures for debt service, prepaid expenses and other long-term obligations, which are recognized when paid.

Nonexchange transactions, in that the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of fund balance, is utilized in the governmental fund types. In the general fund, for budgetary purposes, appropriations lapse at fiscal year-end except for that portion related to encumbered amounts. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The encumbrances are subject to re-appropriation by the City council in any succeeding fiscal year.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each year through passage of an annual budget ordinance and amended as required for the General Fund. In accordance with generally accepted accounting principles, these budgets use the same accounting basis to reflect actual revenues and expenditures. Budgets for the Special Revenue Funds are made on a project basis, sometimes spanning over more than one fiscal year. Budgetary control is exercised at the departmental level or by project. All unencumbered budget appropriations, except reserve budgets, lapse at the end of each fiscal year.

The general operating fund is legally required to be budgeted and appropriated. The major document prepared is the tax budget, which separates these funds by function and estimated appropriation needed to fund each function. The tax budget demonstrates a need for existing or increased tax rates. This budget is approved by the Caribou City Council and may be amended during the year if projected increases or decreases in revenues or expenditures are identified by the City. The amounts reported as the original budget amounts in the budgetary statements (Supplement 1) reflect the amounts in the legally adopted budget. Changes, if any, are reflected in the final budget column.

Cash and Temporary Investments

Available cash is deposited in interest-bearing accounts to as great a degree as possible. These residual investments are classified for reporting purposes as cash. Earnings from these investments are reported by the applicable funds. The City's policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible. Deposits with a maturity of three months or less are included in cash and temporary investments for financial reporting purposes.

Monies for all funds are maintained in a pool. Individual funds are maintained through the City's accounting records to allow proper segregation of cash for each fund.

Property Taxes

Taxes are levied as of April 1 and are used to finance the operations of the City for the calendar budget year beginning January 1. Taxes are committed for collection on July 1 and are due and payable on or before September 30. In accordance with Maine law, taxes not collected within eight months following the date of commitment are secured by liens.

The City has adopted the standard established by GASB No. 33 regarding the recognition of property taxes. The criterion for this standard is to recognize property tax revenue as it becomes both "measurable and available". Measurable is defined as the amount that the City can reasonably expect to receive of the property taxes assessed for the current year. Available is defined as the amount that will be collected of current and past due taxes during the current period or expected to be collected shortly thereafter to pay current liabilities. For the purposes of this report, 60 days is used as the collection period after year-end. Accordingly, a liability has been established on the fund balance sheet for the taxes considered collectible but not available for current liabilities.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Uncollectible Receivables

Taxes receivable are recorded at estimated net realizable value. Therefore, an allowance for uncollectible taxes of \$21,276 has been established. Tax revenue is recorded net of the allowance for uncollectible taxes.

The ambulance service also reports accounts receivable net of the allowance for uncollectible accounts of \$83,099. Revenues have been netted to reflect the allowance.

Inventories

The City of Caribou inventories are valued at cost. Cost is determined on the first-in, first-out basis.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the City-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. The City maintains a capitalization threshold of \$3,000 for all assets other than infrastructure assets. The capitalization threshold for infrastructure assets is \$50,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Buildings and Improvements	20-50 years	N/A
Furniture and Equipment	5-20 years	10-15 years
Vehicles	8-10 years	N/A

Pursuant to GASB Statement No. 34, an extended period of deferral (until 2006) was available before the requirement to record and depreciate infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) acquired before the implementation date became effective. The City developed an implementation to determine the value of and included infrastructure cost in 2006. Infrastructure acquired prior to December 2002 has not been recorded. GASB Statement No. 34 requires the reporting of new infrastructure expenditures effective with the beginning of the implementation year (2002).

The City has elected to account for their infrastructure assets using the modified approach as opposed to depreciating them. See Supplement 2 for further details.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The City currently reports only a pension-related item as deferred outflows of resources.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then. The City currently reports only a pension-related item as deferred inflows of resources in the Statement of Net Position. The City also reports deferred property taxes as deferred inflows on the fund balance sheet.

Accounts Payable, Accrued Expenses and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the City-wide financial statements.

Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment and their department's individual contract negotiated with the City. Administration and all other employees not under a departmental contract receive twelve days sick leave per year and one to five weeks of vacation depending on the number of years of service. Unused vacation and sick pay are accumulated at the employee's current rate of pay and is included as a liability in the net position of the City-wide financial statements.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that are not spendable in form or are contractually required to be maintained intact. The City reports fuel inventory as nonspendable.

Restricted Fund Balance

Restricted fund balance includes amounts that can only be used for specific purposes and includes grant funds and certain donations.

Unrestricted Assigned Fund Balance

Unrestricted assigned fund balance includes amounts assigned by the authority of the City Council for which they intend to use them for specific purposes. Any assignments held open for three years without activity is closed into unrestricted unassigned fund balance.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

Unrestricted Unassigned Fund Balance

The remaining fund balance that is not restricted, committed or assigned is considered unassigned. These funds are spendable funds in the ordinary course of government operations.

The City considers expenditures that are incurred for purposes where restricted and unrestricted fund balances are available, to be expended in the following order - Restricted, Committed, Assigned and Unassigned. In the 2015 fiscal year there were no unrestricted committed funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Pronouncements

The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB No. 27, effective for periods beginning after June 15, 2014, which replaces the requirements of GASB Statements Nos. 27 and 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize, for the first time, a liability for their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest, and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

Restatement

Effective for the year ended December 31, 2015, the City implemented GASB Statement No. 68. The implementation of this new accounting standard required a restatement of beginning net position for the beginning net pension liability, resulting in a reduction of net position as originally reported.

The above restatement had the following impact on previously reported balances:

Statement of Activities

Governmental Activities

January 1, 2015 net position, as previously reported	\$21,575,786
Restatement for net pension liability	<u>(428,135)</u>
January 1, 2015 net position, as restated	<u>\$21,147,651</u>

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015(2) CASH AND TEMPORARY INVESTMENTS

As of December 31, 2015, cash and temporary investments consisted of the following:

	<u>Carrying Amount</u>
Deposits with financial institutions	\$7,568,108

Deposits with financial institutions are subject to custodial risk, which is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to invest in regional banks and to insure the funds to as great a degree as possible. As of December 31, 2015, the bank balance, including the various fiduciary accounts, was \$7,568,108 of which all was insured or collateralized.

The above information does not include any amounts on deposit for Cary Medical Center or Caribou Utilities District.

(3) NOTE RECEIVABLE - REVOLVING LOAN FUND

The Revolving Loan Fund had a 6.5% note receivable in monthly installments of \$218 principal and interest through December 2017 with a balance of \$7,935 as of December 31, 2015.

(4) NOTES RECEIVABLE

As of December 31, 2015, the City's General Fund had the following notes receivable:

0% Note receivable with a balloon payment due in 2016.	\$200,000
2% Note receivable in annual installments of \$7,365 principal and interest through December 2028.	<u>83,582</u>
	<u>\$283,582</u>

As of December 31, 2015, the notes receivable mature as follows:

<u>Year</u>	<u>Amount</u>
2015	\$205,807
2016	5,923
2017	6,042
2018	6,281
2019	6,412
2020-2024	34,034
2025-2028	<u>19,083</u>
	<u>\$283,582</u>

Notes receivable of \$289,164 are with the Caribou Economic Growth Council which has made various loans under the same terms noted above. These notes are secured by the applicable notes held by the Caribou Economic Growth Council.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015(5) ACTIVITIES OF THE CITY OF CARIBOU SECTION 8 HOUSING PROGRAM

The City operates a Voucher Program which enables up to one hundred ninety-three recipients to be granted housing assistance under the Section 8 Housing Program but does not restrict their living to the Caribou area.

The Section 8 Program has a family self-sufficiency program that permits families to stay in the program even if their income increases. This increase in payments is collected by the program and deposited into an escrow account for the families involved to use upon their successful completion of the program. This money is listed as restricted cash in the balance sheet of the special revenue fund.

(6) INTERFUND BALANCES

The balance of \$385,557 due from the general fund to various non-major funds consists of fund balances transferred during 2014 in order to aid financial management of those non-major funds. The City pools its cash into one account and transactions are recorded using due to/due from accounts.

(7) CAPITAL ASSETS

In accordance with GASB standards, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Position. The City elected to use the "modified approach" as defined by GASB for infrastructure reporting. As a result, no accumulated depreciation or depreciation expense has been recorded for infrastructure. Other nondepreciable assets include land. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense has been recorded.

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retire- ments/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Nondepreciable:				
Land	\$ 529,700	\$ -	\$ -	\$ 529,700
Infrastructure	<u>9,558,359</u>	<u>-</u>	<u>-</u>	<u>9,558,359</u>
Total nondepreciable	10,088,059	-	-	10,088,059
Land improvements	1,320,640	-	-	1,320,640
Buildings	7,429,292	30,811	-	7,460,103
Vehicles	4,267,572	213,736	298,554	4,182,754
Equipment	<u>1,642,456</u>	<u>740,757</u>	<u>332,463</u>	<u>2,050,750</u>
Totals at historical cost	<u>24,748,019</u>	<u>985,304</u>	<u>631,017</u>	<u>25,102,306</u>
Less accumulated depreciation for:				
Land improvements	1,050,672	17,508	-	1,068,180
Buildings	2,003,610	185,021	-	2,188,631
Vehicles	2,696,662	310,976	264,223	2,743,415
Equipment	<u>843,456</u>	<u>171,538</u>	<u>191,858</u>	<u>823,136</u>
Total accumulated depreciation	<u>6,594,400</u>	<u>685,043</u>	<u>456,081</u>	<u>6,823,362</u>
Governmental activities capital assets, net	<u>\$18,153,619</u>	<u>\$300,261</u>	<u>\$174,936</u>	<u>\$18,278,944</u>

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015(7) CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General	\$ 72,173
Library	8,919
Police	38,226
Fire and Ambulance	229,063
Public works	197,060
Recreation and parks	107,957
Other	<u>31,645</u>
	<u>\$685,043</u>

(8) GENERAL LONG-TERM DEBT

As of December 31, 2015, long-term debt consisted of one 3.591% capital lease payable in semi-annual payments ranging from \$44,205 to \$61,565 principal and interest through June 2025.

As of December 31, 2015, long-term obligations mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016 (included in current liabilities)	\$ 32,292	\$ 14,833
2017	67,911	27,916
2018	73,613	25,428
2019	79,647	22,731
2020	86,028	19,815
2021-2025	<u>486,637</u>	<u>31,718</u>
	<u>\$826,128</u>	<u>\$142,441</u>

Long-term debt activity during the year ended December 31, 2015, was as follows:

<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Reduc- tions</u>	<u>Balance December 31, 2015</u>	<u>Due Within One Year</u>
<u>\$886,058</u>	<u>\$ -</u>	<u>\$59,930</u>	<u>\$826,128</u>	<u>\$32,292</u>

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(9) EMPLOYEES' RETIREMENT PLAN

MAINEPERS

Plan Description

The City contributes to the Maine Public Employees Retirement System (MainePERS) which is a multiple-employer cost sharing defined benefit pension plan as a Participating Local District (PLD). Eligible employers (districts) are defined in Maine statute. As of June 30, 2015 there were 289 employers in the plan. As of June 30, 2015, the City had 31 employees enrolled in the plan.

Pension Benefits

Benefit terms are established in Maine statute and 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 plan provides defined benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by 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 the normal retirement age at retirement. MainePERS also provides disability and death benefits which are established by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest (annual rate is currently 5%), credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights.

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule. The City's participants contribute 7.5% of their wages to the plan. The City's contribution rate is determined through actuarial valuations.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At December 31, 2015 the City reported a liability of \$451,917 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was .142%, which was an increase of .003% from its proportion as measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$118,984. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015(9) EMPLOYEES' RETIREMENT PLAN (Continued)Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and
Deferred Inflows of Resources (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 18,247	\$ 58,041
Net difference between projected and actual investment earnings on pension plan investments	139,478	173,620
Changes in assumptions	39,937	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>6,542</u>	<u>9,845</u>
Total	<u>\$204,204</u>	<u>\$241,506</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 22,657
2017	22,657
2018	26,858
2019	(34,870)

Actuarial Assumptions

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

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

Mortality rates were based on the RP2000 Tables projected forward to 2015 using Scale AA; for recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females was used.

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, 2015 are summarized as follows:

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015(9) EMPLOYEES' RETIREMENT PLANS (Continued)Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	5.2%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.7%

Discount Rate

The discount rate used to measure the collective pension liability was 7.125% for 2015 and 7.25% for 2014. 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 the 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.

The following table shows how the collective net pension liability/(asset) as of June 30, 2015 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 7.125% for the PLD Consolidated Plan.

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$900,352	\$451,917	\$26,772

All other employees are covered under the Social Security System.

MainePERS issues a publicly available financial report that includes financial statements and required supplementary information that may be obtained on the Internet at www.maineopers.org or at the MainePERS office in Augusta.

(10) JOINT VENTURE - TRI-COMMUNITY RECYCLING AND SANITARY LANDFILL

The Tri-Community Recycling and Sanitary Landfill is owned jointly by the City of Caribou and the Towns of Fort Fairfield and Limestone. The Board of Directors consists of four members residing in the three communities; three from the City of Caribou and two from each of the other communities.

Financial statements for this joint venture were issued and reported on by us in a separate report dated March 10, 2016. These financial statements are available from the City's Finance Department.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015(10) JOINT VENTURE - TRI-COMMUNITY RECYCLING AND SANITARY LANDFILL (Continued)

A summary of the facility's activity for 2015, is as follows:

	<u>Amount</u>
Total assets	\$15,402,168
Deferred outflows of resources	183,650
Total liabilities	12,580,267
Deferred inflows of resources	<u>66,751</u>
Total net position	<u>\$ 2,938,800</u>
Total revenue	\$ 2,557,536
Less total expenditures	<u>2,282,843</u>
Decrease in net position	<u>\$ 274,693</u>

The City has guaranteed, together with the other member towns, two notes payable totaling \$8,526,000 for the Tri-Community Recycling and Sanitary Landfill. As of December 31, 2015, the balance owed was \$5,918,531.

The State of Maine Department of Environmental Protection requires the Landfill to place a final cover on its landfill once it is closed and perform certain maintenance and monitoring functions at the site for twenty years after closure. These estimated closure and post-closure care costs are being recognized in the financial statements referred to above at the rate of utilization of the landfill site. As of December 31, 2015, the estimated total cost of closure and post-closure care was approximately \$18,706,986 of which \$6,220,000 was recognized. The management of the landfill expects to use future earnings to cover the costs of closure and post-closure care. More information regarding the accounting for closure and post-closure care costs is available in the 2015 financial statements of the Tri-Community Recycling and Sanitary Landfill.

(11) TAX INCREMENT FINANCING (TIF) DISTRICT

During March 2006, the City created the Caribou Downtown Tax Increment Financing District, in which the City can use 100% of tax revenue from incremental new assessed value of property located in the District to promote private development. The City entered into a Credit Enhancement Agreement (CEA) with a developer in order to provide for the consolidation of a state agency. Under the terms of the CEA, incremental tax revenue over the next 15 years resulting from improvements to the developer's building will be returned to the developer. The revenue will then be used to reduce the state agency's rental expense. The total benefit to the developer and state agency is expected to be approximately \$410,000 over the 15-year period. The TIF District was amended in 2008 and 2014 to allow for costs of public safety improvements, economic development, and infrastructure improvements in the downtown area.

During September 2012, the City created the RC-2 District to use tax revenue from incremental new assessed value of property located in the District to promote private development. The total benefit to the developer is expected to be approximately \$24,000 over a five-year period. Tax increment captured above that amount can be utilized for costs of public safety improvements, city-wide trails and other District improvements.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

(11) TAX INCREMENT FINANCING (TIF) DISTRICT (Continued)

During January 2014, the City created a TIF District and entered into a credit enhancement agreement (CEA) with a local Company. The improvements are privately financed by the Company. The CEA will be for a duration of 20 years in which the Company will receive a percentage of the incremental taxes resulting from the increased assessed value of the District. The percentage of reimbursement will step down from 95% to 25% prior to the expiration of the CEA.

During June 2015, the City entered into a credit enhancement agreement as part of the Downtown Tax Increment Financing District in which up to \$5,000 is allocated to the Company for the years 2015 to 2019 and the City collecting tax amounts over \$5,000. Beginning in 2020, the Company must certify maintaining at least 100 full-time employees. The Company will reimburse the City 1% for each full-time employee below 100 in each of the years 2020 to 2024. The City will retain 100% of the taxes during the years 2020 to 2024.

During June 2015, the City entered into a one-year Credit Enhancement Agreement with a locally owned business as part of the Downtown Tax Increment Financing District, during which 100% of the taxes on the Incremental Assessed Value will be in the Developmental fund for the Company.

(12) SUBSEQUENT EVENTS

Management has reviewed subsequent events through June 24, 2016, the date that these financial statements were available to be issued and determined that no additional adjustments or disclosures are required in order for these financial statements to be fairly stated.

CITY OF CARIBOU, MAINE

SUPPLEMENT 1

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund		
	Budgeted Amounts		Actual Budgetary Basis
	Original	Final	
REVENUES			
Local property taxes	\$ 8,365,025	\$ 8,365,025	\$ 8,298,814
Homestead exemption reimbursement	240,790	240,790	240,790
Abatements	(15,200)	(15,200)	(29,303)
Other property tax related	180,444	180,444	211,128
Excise taxes	1,255,300	1,255,300	1,376,932
Federal assistance	15,000	15,000	24,184
State assistance	683,437	683,437	713,569
Ambulance fees	1,823,915	1,823,915	1,746,421
Fire/Ambulance charge to towns	164,201	164,201	164,201
Billing services	124,013	124,013	154,553
Recovery of bad debts	10,812	10,812	7,128
Other licenses, permits, & fees	276,580	276,580	277,393
Other	185,937	185,937	300,195
TOTAL REVENUES	13,310,254	13,310,254	13,486,005
EXPENDITURES			
General government	686,623	686,623	627,178
Education	3,528,938	3,528,938	3,528,938
Health and sanitation	251,687	251,687	253,355
Public works	1,975,395	1,975,395	1,864,985
Police department and emergency management	1,810,634	1,810,634	1,662,906
Fire and ambulance	2,208,433	2,208,433	2,218,176
Insurance and retirement	121,000	121,000	123,733
Parks and recreation	567,740	567,740	527,519
Library	213,356	213,356	210,239
County tax	402,177	402,177	402,177
Tax assessment office	157,626	157,626	150,110
Tax increment financing	419,343	419,343	419,343
Appropriations to capital outlays	607,294	607,294	607,294
Other	270,879	270,879	235,166
TOTAL EXPENDITURES	13,221,125	13,221,125	12,831,119
EXCESS OF REVENUES OVER EXPENDITURES	89,129	89,129	654,886
OTHER SOURCES			
Refund of MainePERS	-	-	3,441,152
Appropriations in excess of capital outlays	-	-	186,610
	-	-	3,627,762
NET INCREASE IN FUND BALANCE	\$ 89,129	\$ 89,129	4,282,648
FUND BALANCE - JANUARY 1, 2015			3,233,761
FUND BALANCE - DECEMBER 31, 2015			\$ 7,516,409

CITY OF CARIBOU, MAINE

NOTE TO SUPPLEMENT ONE - BUDGETARY COMPARISON SCHEDULE
FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

Budgets and Budgetary Accounting

The Budgetary Comparison Schedule for the General Fund (Supplement 1) presents comparisons of legally adopted budgets with actual data on a budgetary basis. This differs from the Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D) since accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation is presented below:

	<u>General Fund</u>
Fund Balance (budgetary basis) - Supplement 1	\$7,516,409
Less: Increase in cash balance of non-major funds from prior year	<u>(44,010)</u>
Fund Balance (GAAP basis) - Exhibit C	<u>\$7,472,399</u>

MODIFIED APPROACH FOR CITY CAPITAL ASSETS
DECEMBER 31, 2015

In accordance with GASB standards, the City is required to account for and report infrastructure capital assets. The City developed an implementation to determine the value of and included infrastructure cost in 2006.

The City has elected to account for their infrastructure assets using the modified approach as opposed to depreciating them. GASB standards do not require municipalities to depreciate infrastructure if they can provide the following:

An asset management system employed that:

- Has an up-to-date inventory of eligible infrastructure assets
- Performs condition assessments of the assets and summarizes the results using a "measurable scale"
- Estimates, on an annual basis, the annual amount needed to "maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government"

The City documents that the eligible infrastructure assets are being "preserved approximately at (or above) a condition level established and disclosed by the government".

<u>Condition</u>	<u>Rating</u>	<u>Asset Management System Rating</u>
Good	100-80	1
Fair	79-65	2
Poor	64-50	3
Substandard	49-0	4

The City established a condition level of 70% which is a 2 rating. The assessment itself may be made either by the governmental entity directly or by external parties. The condition assessment may be performed annually or on a cyclical basis. A condition assessment will be performed every 3 years commencing in 2006. As of December 31, 2015, the City's street and sidewalk systems were rated at an index of 85 and 74, respectively. The detail of the condition assessments are as follows:

<u>Condition</u>	<u>% of Roads</u>	<u>% of Sidewalks</u>	<u>% of Runways</u>	<u>Asset Management System Rating</u>
Good	45%	16%	100%	1
Fair	37%	67%	0%	2
Poor to Substandard	18%	17%	0%	3 and 4

As of December 31, 2015, the City had 11,840,066 square feet of roads with a historical cost of \$5,159,583. As of December 31, 2015, the City had 109,189 square feet of sidewalks with a historical cost of \$243,750. As of December 31, 2015, the City had 619,000 square feet of runway with a historical cost of \$4,155,026.

All expenditures related to infrastructure maintenance will be recognized as a current expense since they are not depreciated. Expenditures relating to infrastructure that are capital in nature (additions and improvements) will be capitalized as part of the infrastructure assets because they increase the capacity or efficiency of the related infrastructure asset.

The City had estimated expenditures of \$337,000 to maintain infrastructure at the desired condition level. Actual expenditures for the year ended December 31, 2015 were \$155,589.

CITY OF CARIBOU, MAINE

SUPPLEMENT 3

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.141646%	0.138719%
City's proportionate share of the net pension liability (asset)	\$ 451,917	\$ 213,462
City's covered-employee payroll	1,364,960	1,255,523
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.11%	17.00%
Plan fiduciary net position as a percentage of the total pension liability	88.30%	94.10%

CITY OF CARIBOU, MAINE
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST TWO FISCAL YEARS

SUPPLEMENT 4

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 65,501	\$ 53,995
Contributions in relation to the contractually required contribution	<u>65,501</u>	<u>53,995</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,364,960	\$ 1,255,523
Contributions as a percentage of covered-employee payroll	4.80%	4.30%

CITY OF CARIBOU, MAINE

NOTES TO SUPPLEMENTS 3 AND 4
DECEMBER 31, 2015

NOTE 1 - VALUATION DATE

Only fiscal years 2015 and 2014 are reported. The amounts presented have a measurement date as of June 30, 2015. The City will continue to present information until a full ten-year trend is compiled.

NOTE 2 - BENEFIT CHANGES

There were no benefit changes for City employees in the employees' retirement plan.

NOTE 3 - CHANGE IN ASSUMPTIONS

The change in the discount rate from 7.25% to 7.125% was the only change in assumption in the 2015 valuation.

NOTE 4 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	For the actuarial value as of June 30, 2015, 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 For the actuarial value as of June 30, 2014, the net pension liability was amortized on an open basis over a period of 15 years
Asset valuation method	One-third of the investment return that is different from the actuarial assumption for investment return
Investment rate of return	7.125% compounded annually for 2015 7.25% compounded annually for 2014
Retirement age	60 or 65, depending on years of creditable service at certain dates
Mortality	RP2000 Tables projected to 2015 using Scale AA, with ages set back two years

CITY OF CARIBOU, MAINE

SCHEDULE 1

BALANCE SHEET
FOR NON-MAJOR FUNDS
DECEMBER 31, 2015

	<u>Snowmobile Trail Maintenance</u>	<u>Housing</u>	<u>Economic Development</u>	<u>Revolving Loan Fund #10</u>	<u>Total Non- Major Funds</u>
<u>ASSETS</u>					
Cash	\$ -	\$ 1,495	\$ 42,514	\$217,790	\$261,799
Due from other funds	23,366	53,677	308,514	-	385,557
Note receivable (Note 3)	-	-	-	7,935	7,935
	<u>\$ 23,366</u>	<u>\$55,172</u>	<u>\$ 351,028</u>	<u>\$225,725</u>	<u>\$655,291</u>
 <u>FUND BALANCE</u>	 <u>\$ 23,366</u>	 <u>\$55,172</u>	 <u>\$ 351,028</u>	 <u>\$225,725</u>	 <u>\$655,291</u>

CITY OF CARIBOU, MAINE

SCHEDULE 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR NON-MAJOR FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Snowmobile Trail Maintenance</u>	<u>Housing</u>	<u>Economic Development</u>	<u>Revolving Loan Fund #10</u>	<u>Total Non-major Funds</u>
REVENUES					
Grants - Federal	\$ -	\$ 48,931	\$ -	\$ -	\$ 48,931
- State	45,343	-	-	-	45,343
Interest income	-	-	-	840	840
TIF Funds	-	-	365,853	-	365,853
Reimbursements	-	69,460	-	-	69,460
Total Revenues	<u>45,343</u>	<u>118,391</u>	<u>365,853</u>	<u>840</u>	<u>530,427</u>
EXPENDITURES					
Program expenditures	43,918	114,767	405,196	-	563,881
Chamber of Commerce	-	-	23,482	-	23,482
	<u>43,918</u>	<u>114,767</u>	<u>428,678</u>	<u>-</u>	<u>587,363</u>
NET INCREASE (DECREASE) IN FUND BALANCE	1,425	3,624	(62,825)	840	(56,936)
FUND BALANCE - JANUARY 1	<u>21,941</u>	<u>51,548</u>	<u>413,853</u>	<u>224,885</u>	<u>712,227</u>
FUND BALANCE - DECEMBER 31	<u>\$ 23,366</u>	<u>\$ 55,172</u>	<u>\$ 351,028</u>	<u>\$ 225,725</u>	<u>\$ 655,291</u>

SCHEDULE OF CAPITAL OUTLAYS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

Department	Balances January 1	Appropri- ations	Grants/ Transfers	Other	Total Available	Expendi- tures	Balances December 31
Recreation	\$ 319,451	\$ 55,000	\$ 21,000	\$ 39,363	\$ 434,814	\$ 102,280	\$ 332,534
Library	36,446	22,000	-	24,725	83,171	25,396	57,775
Police	136,366	41,480	17,889	32,179	227,914	54,058	173,856
Fire	336,474	75,700	332,500	17,117	761,791	417,389	344,402
Ambulance	180,494	151,400	-	-	331,894	274,507	57,387
Public Works	381,263	90,000	408,763	28,524	908,550	300,496	608,054
Assessment	16,689	20,000	-	-	36,689	60	36,629
Airport	49,654	10,000	75,422	-	135,076	27,951	107,125
General Government	4,746	133,214	176,297	4,084	318,341	230,822	87,519
Economic Development	368,226	-	35,046	24,900	428,172	41,421	386,751
TIF accounts	49,638	-	32,795	-	82,433	41,184	41,249
RSU 39 Commitment	(874,840)	-	-	-	(874,840)	-	(874,840)
Other reserves	86,189	8,500	185	66,928	161,802	8,763	153,039
	<u>\$1,090,796</u>	<u>\$607,294</u>	<u>\$1,099,897</u>	<u>\$237,820</u>	<u>\$3,035,807</u>	<u>\$1,524,327</u>	<u>\$1,511,480</u>

SCHEDULE OF NON-CAPITAL OUTLAYS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Balances January 1	Appropriations	Transfers	Other	Total Available	Expenditures	Balances December 31
Compensated Absences	\$ 67,435	\$ -	\$ 245,575	\$ -	\$ 313,010	\$ 16,501	\$ 296,509
Revolving Loan Fund - Cash	338,622	-	-	217	338,839	-	338,839
Revolving Loan Fund - Loans							
Receivable	89,164	-	-	-	89,164	5,582	83,582
Thursday on Sweden Street	3,400	-	-	13,500	16,900	15,826	1,074
Heritage Day	-	-	-	-	-	4,000	(4,000)
Caribou Marathon	-	-	-	-	-	14,421	(14,421)
City Retirement	1,080	-	-	-	1,080	-	1,080
Retirement Reserves	4,139	-	-	-	4,139	-	4,139
Retirement Investment Fund	-	-	3,000,000	-	3,000,000	-	3,000,000
Channel 8	(1,835)	-	-	-	(1,835)	-	(1,835)
HRA Contribution Reserve	52,838	-	66,500	-	119,338	50,528	68,810
T/A Property Remediation Reserve	-	-	-	1,345	1,345	-	1,345
Community Bulletin Board	160	-	-	40	200	-	200
	<u>\$ 555,003</u>	<u>\$ -</u>	<u>\$3,312,075</u>	<u>\$15,102</u>	<u>\$3,882,180</u>	<u>\$106,858</u>	<u>\$ 3,775,322</u>

CITY OF CARIBOU, MAINE

SCHEDULE 5

SCHEDULE OF PROPERTY TAXES - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Total</u>	<u>2016 Taxes</u>	<u>2015 Taxes</u>	<u>2014 Taxes and Liens</u>	<u>Prior Taxes</u>
UNCOLLECTED AT JANUARY 1	<u>\$ 1,156,805</u>	<u>\$ -</u>	<u>\$ (51,548)</u>	<u>\$914,943</u>	<u>\$293,410</u>
2015 COMMITMENT (\$372,441,000 @.022460)	8,365,025	-	8,365,025	-	-
SUPPLEMENTAL TAX	<u>35,229</u>	<u>-</u>	<u>33,592</u>	<u>1,637</u>	<u>-</u>
	<u>8,400,254</u>	<u>-</u>	<u>8,398,617</u>	<u>1,637</u>	<u>-</u>
COLLECTIONS	8,220,105	10,494	7,381,456	680,084	148,071
TAX-ACQUIRED PROPERTY	31,111	-	10,779	10,737	9,595
WRITTEN OFF	80,693	-	-	-	80,693
ABATEMENTS	<u>29,303</u>	<u>-</u>	<u>4,582</u>	<u>8,737</u>	<u>15,984</u>
	<u>8,361,212</u>	<u>10,494</u>	<u>7,396,817</u>	<u>699,558</u>	<u>254,343</u>
UNCOLLECTED AT DECEMBER 31	<u>\$ 1,195,847</u>	<u>\$ (10,494)</u>	<u>\$ 950,252</u>	<u>\$217,022</u>	<u>\$ 39,067</u>
REPRESENTED BY					
Real Estate Taxes	\$ 1,093,997	\$ (10,493)	\$ 909,477	\$193,652	\$ 1,361
Personal Property Taxes	<u>101,850</u>	<u>(1)</u>	<u>40,775</u>	<u>23,370</u>	<u>37,706</u>
	<u>\$ 1,195,847</u>	<u>\$ (10,494)</u>	<u>\$ 950,252</u>	<u>\$217,022</u>	<u>\$ 39,067</u>

FELCH & COMPANY, LLC

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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

To the City Council of the
City of Caribou, 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, each major fund, and the aggregate remaining fund information of the City of Caribou, Maine as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Caribou, Maine'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 of Caribou, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Caribou, Maine's internal control.

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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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

To the City Council of the
City of Caribou, Maine

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Caribou, Maine'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Felch & Company LLC

Caribou, Maine
June 24, 2016

FELCH & COMPANY, LLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council of the
City of Caribou, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Caribou, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City of Caribou, Maine's major federal programs are identified in the summary of auditors' 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 City of Caribou, Maine'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 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 City of Caribou, Maine'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 major federal program. However, our audit does not provide a legal determination on the City of Caribou, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Caribou, Maine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

To the City Council of the
City of Caribou, Maine

Report on Internal Control Over Compliance

Management of the City of Caribou, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Caribou, Maine'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 the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 the City of Caribou, Maine's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Caribou 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 a 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 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.

Felch & Company LLC

Caribou, Maine
June 24, 2016

CITY OF CARIBOU, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified
that are not considered to be material
weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified
that are not considered to be material
weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR section 200.516(a)? ☐ yes ☒ no

Identification of major programs:

Department of Housing and Urban Development

Section 8 Housing Choice Voucher Program CFDA #14.871

Dollar threshold used to distinguish
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF CARIBOU, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Disburse- ments
<u>U.S. Department of Housing and Urban Development</u>			
Direct Award - Section 8 Housing Choice Vouchers	14.871	N/A	\$ 963,966
Direct Award - Family Self-Sufficiency Program	14.896	N/A	48,323
Passed through State Department of Economic and Community Development:			
Community Development Block Grants	14.228	N/A	<u>35,046</u>
Subtotal - U.S. Department of Housing and Urban Development			<u>1,047,335</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State of Maine Department of Emergency Management:			
Operation Stonegarden	97.067	N/A	3,065
EMPG, Caribou EMA grant	97.042	N/A	<u>9,540</u>
Subtotal - U.S. Department of Homeland Security			<u>12,605</u>
<u>U.S. Department of Justice</u>			
Passed through Maine Office of Substance Abuse Programs:			
Enforcing Underage Drinking Laws Program	16.727	N/A	7,464
Direct Award - Edward Byrne Assistance Grant	16.738	N/A	192
Direct Award - Bulletproof Vest Program	16.607	N/A	<u>471</u>
Subtotal - U.S. Department of Justice			<u>8,127</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Maine Association of Substance Abuse Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>3,931</u>
Total			<u>\$1,071,998</u>

CITY OF CARIBOU, MAINE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Caribou, Maine and is presented on the modified 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation, of the basic financial statements.

NOTE B - BASIS OF PRESENTATION

Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs administered by the City, an entity as defined in the notes to the financial statements.

Pass-Through Programs

Where the City receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

NOTE C - INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented.

NOTE D - MATCHING COSTS

Matching costs that represent the City's share of certain program costs, if any, are not included in the Schedule of Expenditures of Federal Awards.

CITY OF CARIBOU, MAINE

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

There were no audit findings reported for the year ended December 31, 2014 that require follow-up in the December 31, 2015 report.