

FELCH & COMPANY, LLC  
*Certified Public Accountants*

CITY OF CARIBOU, MAINE  
as of  
DECEMBER 31, 2020

## *Financial Statements*

# CITY OF CARIBOU, MAINE

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# FELCH & COMPANY, LLC

*Certified Public Accountants*

P.O. BOX 906  
CARIBOU, MAINE 04736  
(207) 498-3176  
FAX (207) 498-6278  
E-MAIL: CPA@FELCHCPA.COM

## 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, 2020, 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.

### 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, 2020, 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.

To the City Council of the  
City of Caribou, Maine

### **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, 2020, 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, 2020, and our report thereon, dated July 19, 2021, 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 V 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.

#### *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.

To the City Council of the  
City of Caribou, Maine

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2021 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*

July 19, 2021

## City of Caribou, Maine

### Management's Discussion and Analysis For the Year Ended December 31, 2020

#### 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, 2020. 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 2020.
- 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 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 statements 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 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.



City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2020

UNAUDITED

**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.

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. The City is also utilizing non-major funds. These funds are funded completely through special revenues and are not funded through general property tax dollars.

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. Schedules are also included detailing Capital and Non-capital Outlays, Property Taxes, and activity in Non-major Funds.

The Statement of Net Position (Exhibit A) reports total net position of \$26,597,296 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 2019 to 2020. Total Current Assets increased by \$729,461 in 2020. Capital Assets, net of depreciation, decreased by \$612,665.

Table I indicates Current Liabilities increased by \$21,285 and Noncurrent Liabilities decreased by \$52,722 due to capital lease payments offset by an increase in the net pension liability. Net Position increased by \$284,509 for 2020.

The reader should refer to Table II as a comparison of the changes in Net Position from 2019 to 2020. Total City Expenditures for Governmental activities were \$15,903,465, as compared to \$16,277,100 for 2019 for a decrease of \$373,635.

For 2020, the total General Revenues were \$11,644,369 as compared to \$12,492,566 for 2019, a decrease of \$848,197. Taxes decreased by \$709,548 and excise tax decreased by approximately \$41,000 and other revenues decreased by about \$410,000 while federal and state assistance increased by about \$312,000.

City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2020

UNAUDITED

**Table I**  
**Net Position**

|  | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|
| <b>Current Assets</b>                          |                      |                      |
| Cash and temporary investments                 | \$ 8,718,329         | \$ 7,569,850         |
| Taxes receivable                               | 954,799              | 1,248,453            |
| Notes receivable                               | 53,953               | 60,116               |
| Other receivables                              | 290,213              | 589,834              |
| Other current assets                           | <u>277,415</u>       | <u>96,995</u>        |
| Total Current Assets                           | <u>10,294,709</u>    | <u>9,565,248</u>     |
| <b>Noncurrent Assets</b>                       |                      |                      |
| Capital assets, net of depreciation            | <u>18,247,714</u>    | <u>18,860,379</u>    |
| Total Assets                                   | <u>28,542,423</u>    | <u>28,425,627</u>    |
| <b>Deferred outflows of resources</b>          | <u>84,185</u>        | <u>84,047</u>        |
| <b>Current Liabilities</b>                     |                      |                      |
| Accounts payable and accrued expenses          | 159,097              | 133,939              |
| Deferred compensation                          | 607,851              | 621,423              |
| Current portion of capital leases payable      | <u>206,742</u>       | <u>197,043</u>       |
| Total Current Liabilities                      | <u>973,690</u>       | <u>952,405</u>       |
| <b>Noncurrent Liabilities</b>                  |                      |                      |
| Capital leases payable, net of current portion | 393,864              | 600,606              |
| Net pension liability                          | <u>651,442</u>       | <u>497,422</u>       |
|  | <u>1,045,306</u>     | <u>1,098,028</u>     |
| Total Liabilities                              | <u>2,018,996</u>     | <u>2,050,433</u>     |
| <b>Deferred inflows of resources</b>           | <u>10,316</u>        | <u>146,454</u>       |
| <b>Net Position</b>                            |                      |                      |
| Net Investment in capital assets               | 17,647,108           | 18,062,730           |
| Restricted for special revenue funds           | 465,720              | 300,272              |
| Unrestricted                                   | <u>8,484,468</u>     | <u>7,949,785</u>     |
| Total Net Position                             | <u>\$ 26,597,296</u> | <u>\$ 26,312,787</u> |

City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2020

UNAUDITED

**Table II**  
**Change in Net Position**

|                                    | <u>2020</u>          | <u>2019</u>          |
|------------------------------------|----------------------|----------------------|
| <u>General Revenues</u>            |                      |                      |
| Taxes                              | \$ 8,487,417         | \$ 9,196,965         |
| Federal and state assistance       | 1,095,039            | 782,679              |
| Excise taxes                       | 1,509,122            | 1,549,984            |
| Other revenues                     | <u>552,791</u>       | <u>962,938</u>       |
| Total general revenues             | 11,644,369           | 12,492,566           |
| <u>Program Revenues</u>            |                      |                      |
| Charges for services               | 2,907,075            | 2,605,708            |
| Operating grants and contributions | <u>1,636,530</u>     | <u>1,257,550</u>     |
| Total revenues                     | <u>16,187,974</u>    | <u>16,355,824</u>    |
| <u>Program Expenses</u>            |                      |                      |
| General government                 | 875,895              | 967,395              |
| Public works                       | 2,564,471            | 2,778,357            |
| Police department                  | 2,050,377            | 2,188,184            |
| Fire and ambulance                 | 2,611,019            | 2,781,078            |
| Education                          | 3,791,190            | 3,697,293            |
| Caribou Housing Authority          | 950,368              | 861,187              |
| Recreation                         | 842,092              | 900,764              |
| Economic development               | 472,857              | 325,123              |
| County tax                         | 527,974              | 504,288              |
| Health and sanitation              | 250,803              | 249,660              |
| Insurance and retirement           | 68,014               | 125,536              |
| Library                            | 217,547              | 229,463              |
| Other                              | <u>680,858</u>       | <u>668,772</u>       |
| Total program expenses             | <u>15,903,465</u>    | <u>16,277,100</u>    |
| Change in Net Position             | 284,509              | 78,724               |
| Net Position - January 1           | <u>26,312,787</u>    | <u>26,234,063</u>    |
| Net Position - December 31         | <u>\$ 26,597,296</u> | <u>\$ 26,312,787</u> |

City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2020

UNAUDITED

The Reader may refer to Supplement 1 as the report comparing the City's General Fund activity for the year as compared to the budget. Total Expenditures for the year were \$14,038,461, \$555,979 less than budgeted. Revenues were \$14,339,180, \$247,559 more than budgeted. Expenditures exceeded Revenues by \$300,719 for the year. Total Other Sources consists of capital appropriations in excess of outlays of \$428,090. The resulting net increase in the General Fund Balance was \$728,809.

Please refer to Supplement 2 for a discussion of the Modified Approach for City Capital Assets. The City has established a condition level of 70%. For the year ended December 31, 2020, the City's street and sidewalk systems were rated at an index of 80. This compares to a 2019 rating of 79 for the City's streets and sidewalks. The City's runway System was rated at an index of 100 for both years. The City had budgeted expenditures of \$489,000 in 2020 to maintain infrastructure at the desired condition level. Actual expenditures for 2020 were \$473,382 from unassigned fund balance with an additional \$343,448 from reserves. This compares to estimates of \$525,760 in 2019 and actual expenditures of \$480,506 from unassigned fund balance and \$184,393 from reserves.

A more complete understanding of the capital outlay is summarized in Note 6 of this financial statement. Note 6 indicates that the City's capital assets, net of depreciation, decreased by \$612,665. Depreciation expense of \$758,047 and net disposals of \$94,901 were offset by additions totaling \$240,283. Management recognizes that the relationship of depreciation expense being more than net additions by \$517,764 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.

Long-term debt was decreased by \$197,043 in the year ended December 31, 2020. The debt consists of two capital leases.

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 2020 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 2020 calendar year. A complete copy of the 2020 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

Exhibit A

Statement of Net Position  
December 31, 2020ASSETS

## CURRENT ASSETS

|   |                   |
|---|-------------------|
| Cash and temporary investments (Note 2) | \$ 8,718,329      |
| Uncollected taxes                       | 810,160           |
| Tax acquired property                   | 144,639           |
| Accounts receivable                     | 554,883           |
| Allowance for uncollectibles            | (264,670)         |
| Inventories                             | 9,499             |
| Notes receivable (Note 3)               | 53,953            |
| Restricted cash (Note 5)                | 266,491           |
| Other assets                            | 1,425             |
|   | <u>10,294,709</u> |

## NONCURRENT ASSETS

|  |                   |
|--|-------------------|
| Capital assets (Note 6)                      |                   |
| Non-depreciable                              | 10,443,918        |
| Depreciable, net of accumulated depreciation | <u>7,803,796</u>  |
|  | <u>18,247,714</u> |

|              |                   |
|--------------|-------------------|
| Total assets | <u>28,542,423</u> |
|--------------|-------------------|

|  |               |
|--|---------------|
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> (Note 1) | <u>84,185</u> |
|--|---------------|

LIABILITIES

## CURRENT LIABILITIES

|   |                |
|---|----------------|
| Accounts payable                        | 55,683         |
| Accrued payroll                         | 125,925        |
| Accrued interest                        | 13,114         |
| Escrow (Note 5)                         | 90,300         |
| Compensated absences (Note 1)           | 481,926        |
| Current portion, capital leases payable | <u>206,742</u> |
|   | <u>973,690</u> |

## NONCURRENT LIABILITIES

|   |                  |
|---|------------------|
| Capital leases payable, net of current portion (Note 7) | 393,864          |
| Net pension liability (Note 8)                          | <u>651,442</u>   |
|   | <u>1,045,306</u> |

|                   |                  |
|-------------------|------------------|
| Total liabilities | <u>2,018,996</u> |
|-------------------|------------------|

|   |               |
|---|---------------|
| <u>DEFERRED INFLOWS OF RESOURCES</u> (Note 1) | <u>10,316</u> |
|---|---------------|

NET POSITION

|                                  |                      |
|----------------------------------|----------------------|
| Net investment in capital assets | 17,647,108           |
| Restricted for:                  |                      |
| Special revenue funds            | 465,720              |
| Unrestricted                     | <u>8,484,468</u>     |
| Total net position               | <u>\$ 26,597,296</u> |

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

## CITY OF CARIBOU, MAINE

Exhibit B

Statement of Activities  
For the Year Ended December 31, 2020

| <u>Function/Programs</u>     | <u>Expenses</u>      | <u>Program Revenues</u>     |   | <u>Net (Cost)</u>   |
|------------------------------|----------------------|-----------------------------|---|---------------------|
|                              |                      | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> |                     |
| General government           | \$ 875,895           | \$ 253,256                  | \$ -                                      | \$ (622,639)        |
| Economic development         | 472,857              | 302,421                     | 170,436                                   | -                   |
| Health and sanitation        | 250,803              | -                           | -   | (250,803)           |
| Public works                 | 2,564,471            | 279,073                     | 134,728                                   | (2,150,670)         |
| Police department            | 2,050,377            | 177,825                     | 9,298                                     | (1,863,254)         |
| Fire and ambulance           | 2,611,019            | 1,862,576                   | -   | (748,443)           |
| Insurance and retirement     | 68,014               | -                           | -   | (68,014)            |
| Recreation                   | 785,310              | 5,566                       | -   | (779,744)           |
| Snowmobile trail maintenance | 56,782               | -                           | 50,716                                    | (6,066)             |
| Library                      | 217,547              | 14,683                      | -   | (202,864)           |
| County tax                   | 527,974              | -                           | -   | (527,974)           |
| Education                    | 3,791,190            | -                           | -   | (3,791,190)         |
| Tax assessment office        | 263,239              | -                           | -   | (263,239)           |
| Section 8 Housing            | 950,368              | 11,675                      | 1,271,352                                 | 332,659             |
| Interest expense             | 23,057               | -                           | -   | (23,057)            |
| Other                        | 394,562              | -                           | -   | (394,562)           |
|                              | <u>\$ 15,903,465</u> | <u>\$ 2,907,075</u>         | <u>\$ 1,636,530</u>                       | <u>(11,359,860)</u> |

## General revenues:

## Taxes

Property taxes, levied for general purposes 7,835,692

Less: TIF payments (359,206)

Homestead reimbursement and other property tax related 1,010,931

Excise 1,509,122

Federal and state aid not restricted to specific purposes 1,095,039

Aroostook Waste Solutions distribution 324,082

Other licenses, permits and fees 62,266

Miscellaneous revenues 166,443

Subtotal, general revenues 11,644,369

CHANGE IN NET POSITION 284,509

NET POSITION - JANUARY 1, 2020 26,312,787

NET POSITION - DECEMBER 31, 2020 \$ 26,597,296

*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, 2020

|   | <u>General Fund</u> | <u>Section 8<br/>Housing<br/>Program</u> | <u>Non-major<br/>Funds<br/>(Schedule 1)</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|---|
| <b><u>ASSETS</u></b>                        |                     |  |   |   |
| Cash and temporary investments (Note 2)     | \$ 7,738,030        | \$ 100,586                               | \$ 879,713                                  | \$ 8,718,329                            |
| Uncollected taxes                           | 810,160             | -  | -   | 810,160                                 |
| Tax acquired property                       | 144,639             | -  | -   | 144,639                                 |
| Accounts receivable                         | 545,309             | 9,574                                    | -   | 554,883                                 |
| Allowance for uncollectibles                | (264,670)           | -  | -   | (264,670)                               |
| Inventories                                 | 9,499               | -  | -   | 9,499                                   |
| Notes receivable (Note 3)                   | 53,953              | -  | -   | 53,953                                  |
| Due from other funds (Note 4)               | 11,250              | -  | -   | 11,250                                  |
| Restricted cash (Note 5)                    | -                   | 266,491                                  | -   | 266,491                                 |
| Other assets                                | -                   | 1,425                                    | -   | 1,425                                   |
|   | <u>-</u>            | <u>-</u>                                 | <u>-</u>                                    | <u>-</u>                                |
| Total assets                                | <u>\$ 9,048,170</u> | <u>\$ 378,076</u>                        | <u>\$ 879,713</u>                           | <u>\$ 10,305,959</u>                    |
| <b><u>LIABILITIES AND FUND BALANCES</u></b> |                     |  |   |   |
| Liabilities:                                |                     |  |   |   |
| Accounts payable                            | \$ 34,584           | \$ 21,099                                | \$ -  | \$ 55,683                               |
| Escrow (Note 5)                             | -                   | 90,300                                   | -   | 90,300                                  |
| Due to other funds (Note 4)                 | -                   | -  | 11,250                                      | 11,250                                  |
|   | <u>34,584</u>       | <u>111,399</u>                           | <u>11,250</u>                               | <u>157,233</u>                          |
| Deferred inflow of resources:               |                     |  |   |   |
| Deferred revenue (Note 1)                   | <u>667,000</u>      | <u>39,976</u>                            | <u>-</u>                                    | <u>706,976</u>                          |
| Fund balances:                              |                     |  |   |   |
| Nonspendable                                |                     |  |   |   |
| Inventory                                   | 9,499               | -  | -   | 9,499                                   |
| Restricted                                  |                     |  |   |   |
| Special revenue funds                       | -                   | 226,701                                  | 239,019                                     | 465,720                                 |
| Unrestricted                                |                     |  |   |   |
| Assigned                                    |                     |  |   |   |
| Capital (Schedule 3)                        | 838,667             | -  | -   | 838,667                                 |
| Non-capital (Schedule 4)                    | 3,839,657           | -  | -   | 3,839,657                               |
| Other funds                                 | -                   | -  | 629,444                                     | 629,444                                 |
| Unassigned                                  | <u>3,658,763</u>    | <u>-</u>                                 | <u>-</u>                                    | <u>3,658,763</u>                        |
| Total fund balances                         | <u>8,346,586</u>    | <u>226,701</u>                           | <u>868,463</u>                              | <u>9,441,750</u>                        |
| Total liabilities and fund balances         | <u>\$ 9,048,170</u> | <u>\$ 378,076</u>                        | <u>\$ 879,713</u>                           | <u>\$ 10,305,959</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, 2020

|  | <u>General Fund</u> | <u>Section 8<br/>Housing<br/>Program</u> | <u>Non-major<br/>Funds<br/>(Schedule 2)</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|--|---|---|
| <b>REVENUES</b>                        |                     |  |   |   |
| Local property taxes                   | \$ 8,089,993        | \$ -                                     | \$ -  | \$ 8,089,993                            |
| Homestead reimbursement                | 684,071             | -  | -   | 684,071                                 |
| Abatements                             | (12,301)            | -  | -   | (12,301)                                |
| Other property tax related             | 326,860             | -  | -   | 326,860                                 |
| Excise taxes                           | 1,509,122           | -  | -   | 1,509,122                               |
| Federal and state assistance           | 1,239,065           | 1,271,352                                | 348,598                                     | 2,859,015                               |
| Fire and ambulance revenue             | 1,862,576           | -  | -   | 1,862,576                               |
| Other licenses, permits and fees       | 720,301             | -  | 41,042                                      | 761,343                                 |
| Aroostook Waste Solutions distribution | 324,082             | -  | -   | 324,082                                 |
| Other revenues                         | <u>248,280</u>      | <u>13,387</u>                            | <u>305,123</u>                              | <u>566,790</u>                          |
| <b>TOTAL REVENUES</b>                  | <u>14,992,049</u>   | <u>1,284,739</u>                         | <u>694,763</u>                              | <u>16,971,551</u>                       |
| <b>EXPENDITURES</b>                    |                     |  |   |   |
| General government                     | 740,463             | 171,625                                  | -   | 912,088                                 |
| Economic development                   | -                   | -  | 472,857                                     | 472,857                                 |
| Health and sanitation                  | 250,803             | -  | -   | 250,803                                 |
| Public works                           | 2,510,067           | -  | -   | 2,510,067                               |
| Police department                      | 2,112,612           | -  | -   | 2,112,612                               |
| Fire and ambulance                     | 2,271,423           | -  | -   | 2,271,423                               |
| Insurance and retirement               | 68,014              | -  | -   | 68,014                                  |
| Recreation                             | 734,436             | -  | 56,782                                      | 791,218                                 |
| Library                                | 211,138             | -  | -   | 211,138                                 |
| County tax                             | 527,974             | -  | -   | 527,974                                 |
| Tax assessment office                  | 263,239             | -  | -   | 263,239                                 |
| General assistance                     | 48,735              | 950,368                                  | -   | 999,103                                 |
| Education                              | 3,791,190           | -  | -   | 3,791,190                               |
| Tax increment financing                | 359,206             | -  | -   | 359,206                                 |
| Debt service - principal               | 197,043             | -  | -   | 197,043                                 |
| - interest                             | 25,800              | -  | -   | 25,800                                  |
| Other                                  | <u>151,097</u>      | <u>-</u>                                 | <u>153,095</u>                              | <u>304,192</u>                          |
| <b>TOTAL EXPENDITURES</b>              | <u>14,263,240</u>   | <u>1,121,993</u>                         | <u>682,734</u>                              | <u>16,067,967</u>                       |
| Net Increase In Fund Balance           | 728,809             | 162,746                                  | 12,029                                      | 903,584                                 |
| Fund Balance - January 1, 2020         | <u>7,617,777</u>    | <u>63,955</u>                            | <u>856,434</u>                              | <u>8,538,166</u>                        |
| Fund Balance - December 31, 2020       | <u>\$ 8,346,586</u> | <u>\$ 226,701</u>                        | <u>\$ 868,463</u>                           | <u>\$ 9,441,750</u>                     |

*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, 2020

Total fund balance - governmental funds (Exhibit C) \$ 9,441,750

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 | \$ 28,347,139       |            |
| Accumulated depreciation is   | <u>(10,099,425)</u> |            |
|                               |                     | 18,247,714 |

Deferred outflows in governmental activities are not financial resources and, therefore, are not reported in the funds:

|                                |        |
|--------------------------------|--------|
| Deferred outflows of resources | 84,185 |
|--------------------------------|--------|

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 revenue | 706,976 |
|------------------|---------|

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 | (10,316) |
|------------------------------|----------|

Certain liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:

|                          |                  |                    |
|--------------------------|------------------|--------------------|
| Notes payable            | (600,606)        |                    |
| Accrued payroll          | (125,925)        |                    |
| Accrued interest payable | (13,114)         |                    |
| Net pension liability    | (651,442)        |                    |
| Compensated absences     | <u>(481,926)</u> |                    |
|                          |                  | <u>(1,873,013)</u> |

|  |                      |
|--|----------------------|
| Total net position - governmental activities (Exhibit A) | <u>\$ 26,597,296</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, 2020

Total net change in fund balances - governmental funds (Exhibit D) \$ 903,584

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 depreciation expense exceeded capital outlays.

|                      |                  |           |
|----------------------|------------------|-----------|
| Capital outlays      | \$ 240,283       |           |
| Depreciation expense | <u>(758,047)</u> | (517,764) |

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 disposed assets. (94,901)

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. 39,982

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 | (242,000) |  |
| Decrease in other deferred revenue          | 39,976    |  |

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 197,043

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:

|  |                |  |
|--|----------------|--|
| Decrease in accrued payroll                      | (26,411)       |  |
| Decrease in accrued interest                     | 2,743          |  |
| (Increase) in deferred pension liability         | (154,020)      |  |
| Change in deferred inflows/outflows of resources | <u>136,277</u> |  |

Change in net position of governmental activities (Exhibit B) \$ 284,509

## CITY OF CARIBOU, MAINE

Exhibit G

Statement of Fiduciary Net Position  
December 31, 2020

|              | <u>Total</u>      | <u>Cemetery<br/>Trust<br/>Funds</u> | <u>Library<br/>Trust<br/>Funds</u> | <u>Memorial<br/>Funds</u> |
|--------------|-------------------|-------------------------------------|------------------------------------|---------------------------|
| ASSETS       |                   |                                     |                                    |                           |
| Cash         | <u>\$ 164,021</u> | <u>\$ 1,108</u>                     | <u>\$ 54,911</u>                   | <u>\$ 108,002</u>         |
| NET POSITION |                   |                                     |                                    |                           |
| Undesignated | <u>\$ 164,021</u> | <u>\$ 1,108</u>                     | <u>\$ 54,911</u>                   | <u>\$ 108,002</u>         |

## CITY OF CARIBOU, MAINE

Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2020

|                                     | <u>Total</u>      | <u>Cemetery<br/>Trust<br/>Funds</u> | <u>Library<br/>Trust<br/>Funds</u> | <u>Memorial<br/>Funds</u> |
|-------------------------------------|-------------------|-------------------------------------|------------------------------------|---------------------------|
| REVENUE                             |                   |                                     |                                    |                           |
| Interest income                     | <u>\$ 2,093</u>   | <u>\$ 3</u>                         | <u>\$ 1,000</u>                    | <u>\$ 1,090</u>           |
| DEDUCTIONS                          |                   |                                     |                                    |                           |
| Expenses                            | <u>7,455</u>      | <u>30</u>                           | <u>3,425</u>                       | <u>4,000</u>              |
| NET CHANGE IN NET POSITION          | (5,362)           | (27)                                | (2,425)                            | (2,910)                   |
| NET POSITION - JANUARY 1            | <u>169,383</u>    | <u>1,135</u>                        | <u>57,336</u>                      | <u>110,912</u>            |
| CASH AND NET POSITION - DECEMBER 31 | <u>\$ 164,021</u> | <u>\$ 1,108</u>                     | <u>\$ 54,911</u>                   | <u>\$ 108,002</u>         |

## CITY OF CARIBOU, MAINE

### Notes to the Financial Statements December 31, 2020

#### (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. 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, 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.

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:

## CITY OF CARIBOU, MAINE

### Notes to the Financial Statements December 31, 2020

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fund Accounting (Continued)

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.

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.

## CITY OF CARIBOU, MAINE

### Notes to the Financial Statements December 31, 2020

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Basis of Accounting (Continued)

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.

##### 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 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.

# CITY OF CARIBOU, MAINE

## Notes to the Financial Statements December 31, 2020

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 deferred inflow has been established on the fund balance sheet for the taxes considered collectible but not available for current liabilities.

#### Allowance for Uncollectible Receivables

Taxes receivable are recorded at estimated net realizable value. Therefore, an allowance for uncollectible taxes of \$20,670 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 \$244,000. 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<br/>Activities<br/>Estimated Lives</u> | <u>Business-type<br/>Activities<br/>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 December 31, 2020

#### (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 in the general fund 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 investment in capital assets 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.

##### 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.



# CITY OF CARIBOU, MAINE

## Notes to the Financial Statements December 31, 2020

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fund Balance Classifications (Continued)

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 2020 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.

### (2) CASH AND TEMPORARY INVESTMENTS

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, 2020, the bank balance, including the various fiduciary accounts, was \$9,184,151 all of which was fully insured or collateralized.

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

### (3) NOTES RECEIVABLE

The City's General Fund had a 2% note receivable in annual installments of \$7,365 principal and interest through December 2028 with a balance of \$53,953 as of December 31, 2020.

As of December 31, 2020, the note receivable matures as follows:

| <u>Year</u> | <u>Amount</u>   |
|-------------|-----------------|
| 2021        | \$ 6,286        |
| 2022        | 6,412           |
| 2023        | 6,540           |
| 2024        | 6,671           |
| 2025        | 6,804           |
| 2026-2028   | <u>21,240</u>   |
|             | <u>\$53,953</u> |

The note receivable of \$53,953 is 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.

### (4) INTERFUND BALANCES

The balance of \$11,250 due from the snowmobile trail maintenance fund to the general fund resulted from a deficit in the fund balance which was paid from the general fund until the monies from funding sources are received. This balance is expected to be repaid to the general fund in the year ending December 31, 2021.

CITY OF CARIBOU, MAINE

Notes to the Financial Statements  
December 31, 2020

(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) 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 and construction in progress. 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, 2020, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Retirements/<br/>Transfers</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------|-----------------------------------|---------------------------|
| <u>Governmental Activities</u>              |                              |                    |                                   |                           |
| Nondepreciable:                             |                              |                    |                                   |                           |
| Land  | \$ 529,700                   | \$ -               | \$ -                              | \$ 529,700                |
| Infrastructure                              | <u>9,914,218</u>             | <u>-</u>           | <u>-</u>                          | <u>9,914,218</u>          |
| Total nondepreciable                        | 10,443,918                   | -                  | -                                 | 10,443,918                |
| Land improvements                           | 1,344,140                    | -                  | -                                 | 1,344,140                 |
| Buildings                                   | 8,294,309                    | 73,783             | 339,686                           | 8,028,406                 |
| Vehicles                                    | 5,262,237                    | 141,500            | 38,979                            | 5,364,758                 |
| Equipment                                   | <u>3,140,917</u>             | <u>25,000</u>      | <u>-</u>                          | <u>3,165,917</u>          |
| Totals at historical cost                   | <u>28,485,521</u>            | <u>240,283</u>     | <u>378,665</u>                    | <u>28,347,139</u>         |
| Less accumulated depreciation for:          |                              |                    |                                   |                           |
| Land improvements                           | 1,143,227                    | 18,880             | -                                 | 1,162,107                 |
| Buildings                                   | 2,961,788                    | 193,756            | 265,903                           | 2,889,641                 |
| Vehicles                                    | 3,942,980                    | 326,645            | 17,861                            | 4,251,764                 |
| Equipment                                   | <u>1,577,147</u>             | <u>218,766</u>     | <u>-</u>                          | <u>1,795,913</u>          |
| Total accumulated depreciation              | <u>9,625,142</u>             | <u>758,047</u>     | <u>283,764</u>                    | <u>10,099,425</u>         |
| Governmental activities capital assets, net | <u>\$18,860,379</u>          | <u>\$(517,764)</u> | <u>\$ 94,901</u>                  | <u>\$18,247,714</u>       |

# CITY OF CARIBOU, MAINE

## Notes to the Financial Statements December 31, 2020

### (6) CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

|                                |                  |
|--------------------------------|------------------|
| <u>Governmental Activities</u> |                  |
| General                        | \$ 74,737        |
| Library                        | 6,409            |
| Police                         | 36,573           |
| Fire and Ambulance             | 334,005          |
| Public works                   | 145,412          |
| Recreation and parks           | 119,276          |
| Airport                        | 38,767           |
| Other                          | <u>2,868</u>     |
|                                | <u>\$758,047</u> |

### (7) GENERAL LONG-TERM DEBT

As of December 31, 2020, long-term debt consisted of the following:

|  |                  |
|--|------------------|
| 3.591% Capital lease payable in semi-annual payments ranging from \$44,205 to \$61,565 principal and interest through June 2025. | \$486,638        |
| 2.66% Capital lease payable in annual payments of \$117,000 principal and interest through January 2021.                         | <u>113,968</u>   |
|  | <u>\$600,606</u> |

Long-term debt activity during the year ended December 31, 2020, was as follows:

|                                | Balance<br>January 1,<br><u>2020</u> | <u>Additions</u> | <u>Reductions</u> | Balance<br>December<br>31, 2020 | Due<br>Within<br>One Year |
|--------------------------------|--------------------------------------|------------------|-------------------|---------------------------------|---------------------------|
| <u>Governmental Activities</u> |                                      |                  |                   |                                 |                           |
| Capital Lease Payable          | \$572,666                            | \$ -             | \$ 86,028         | \$486,638                       | \$ 92,774                 |
| Capital Lease Payable          | <u>224,983</u>                       | <u>-</u>         | <u>111,015</u>    | <u>113,968</u>                  | <u>113,968</u>            |
|                                | <u>\$797,649</u>                     | <u>\$ -</u>      | <u>\$197,043</u>  | <u>\$600,606</u>                | <u>\$206,742</u>          |

As of December 31, 2020, long-term obligations mature as follows:

| <u>Fiscal<br/>Year</u>                 | <u>Principal</u> | <u>Interest</u> |
|--|------------------|-----------------|
| 2021 (included in current liabilities) | \$206,742        | \$19,698        |
| 2022                                   | 99,903           | 13,272          |
| 2023                                   | 107,435          | 9,618           |
| 2024                                   | 115,390          | 5,690           |
| 2025                                   | <u>71,136</u>    | <u>1,472</u>    |
|  | <u>\$600,606</u> | <u>\$49,750</u> |

## CITY OF CARIBOU, MAINE

### Notes to the Financial Statements December 31, 2020

#### (8) 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 are defined in Maine statute. As of June 30, 2020, there were 301 employers in the plan. As of June 30, 2020, the City had 26 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 (if the member participated in the plan on or before June 30, 2014) or 65 (for members added to the plan beginning July 1, 2014). Members are eligible for retirement after twenty-five years of service; or upon reaching normal retirement age of 60 or 65, whether or not they are in service, provided they are vested with 5 or 10 years of service, whichever applies to them; or upon reaching their normal retirement age of 60 or 65, provided they have been in service for at least one year immediately prior to retirement. 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 1.92%), 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 the System's Board rule. The City's participants contributed 8% 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, 2020, the City reported a liability of \$651,442 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2020, the City's proportion was .1639%, which was an increase of .0012% from its proportion as measured as of June 30, 2019.

CITY OF CARIBOU, MAINE

Notes to the Financial Statements  
December 31, 2020

(8) EMPLOYEES' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

For the year ended December 31, 2020, the City recognized pension expense of \$123,695. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual results   | \$39,092                          | \$ 7,163                         |
| Net difference between projected and actual investment earnings on pension plan investments                   | -                                 | -                                |
| Changes of assumptions  | 42,390                            | -                                |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>2,703</u>                      | <u>3,153</u>                     |
| Total   | <u>\$84,185</u>                   | <u>\$10,316</u>                  |

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

| Year Ending<br>June 30, | Amount     |
|-------------------------|------------|
| 2021                    | \$(21,964) |
| 2022                    | 23,741     |
| 2023                    | 36,006     |
| 2024                    | 36,086     |

Actuarial Assumptions

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

|                                  |                                      |
|----------------------------------|--------------------------------------|
| Salary increases                 | 2.75% plus merit component           |
| Inflation rate                   | 2.75%                                |
| Investment rate of return        | 6.75% per annum, compounded annually |
| Cost of living benefit increases | 1.91%                                |

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table for males and females. For recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant 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, 2020 are summarized in the following table. Assets for each of the defined benefits plan are commingled for investment purposes.

# CITY OF CARIBOU, MAINE

## Notes to the Financial Statements December 31, 2020

### (8) EMPLOYEES' RETIREMENT PLAN (Continued)

#### Actuarial Assumptions (Continued)

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

#### Discount Rate

The discount rate used to measure the collective pension liability was 6.75% for 2020. 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 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, 2020 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

|              | Current<br>Discount Rate |              |
|--------------|--------------------------|--------------|
| 1% Decrease  |                          | 1% Increase  |
| <u>5.75%</u> | <u>6.75%</u>             | <u>7.75%</u> |
| \$1,369,069  | \$651,442                | \$64,012     |

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.mainebers.org](http://www.mainebers.org) or at the MainePERS office in Augusta.

#### Deferred Compensation Plan

The City has established for its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salaries until future years. The deferred compensation amount is not available to the employees until termination, retirement or death.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, contribution rates depend on individual contracts and a portion of which is matched by the employer. Employees may elect to make member contributions.

## CITY OF CARIBOU, MAINE

### Notes to the Financial Statements December 31, 2020

#### (9) JOINT VENTURE – AROOSTOOK WASTE SOLUTIONS

The Aroostook Waste Solutions is owned jointly by the Towns of Fort Fairfield and Limestone plus the Cities of Caribou and Presque Isle. The Board of Directors consists of ten members residing in the four communities.

Financial statements for this joint venture were issued and reported on by us in a separate report dated April 26, 2021. These financial statements are available from the City's Finance Department.

A summary of the facility's activity for 2020, is as follows:

|                                | <u>Amount</u>       |
|--------------------------------|---------------------|
| Total assets                   | \$21,520,966        |
| Deferred outflows of resources | 84,232              |
| Total liabilities              | 17,777,961          |
| Deferred inflows of resources  | <u>13,471</u>       |
| Total net position             | \$ <u>3,813,766</u> |
| Total revenue                  | \$ 3,956,972        |
| Less total expenditures        | <u>3,476,051</u>    |
| Increase in net position       | \$ <u>480,921</u>   |

The City has guaranteed, together with the other member communities, three notes payable. As of December 31, 2020, the total balance owed was \$6,858,151.

The State of Maine Department of Environmental Protection requires that Aroostook Waste Solutions place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at each site for thirty 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 sites. As of December 31, 2020, the estimated total cost of closure and post-closure care was approximately \$32,168,389 of which \$9,876,000 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 2020 financial statements of the Aroostook Waste Solutions.

#### (10) RISK MANAGEMENT

The City is exposed to various risks of loss related to city officials, city council liability, torts, theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City purchases insurance for all risks of loss. There have been no significant reductions in insurance coverage during the year.

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

The City utilizes credit enhancement agreements with local business under the Municipal Tax Increment Financing Rule of the Maine Department of Economic and Community Development (DECD). Under this Rule, municipalities may grant property tax abatements on the captured value of a business' designated property improvements for purposes of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City. For the year ended December 31, 2020, the City abated property taxes totaling \$55,178 in connection with these agreements.

## CITY OF CARIBOU, MAINE

### Notes to the Financial Statements December 31, 2020

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

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. The TIF was extended in 2020 and will expire in 2023.

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 March 2018, the City entered into a credit enhancement agreement as part of the Downtown Tax Increment Financing District in which the Company will receive 50% of the incremental new assessed value of the property provided that the number of employees with the company is maintained. The increment benefit is reduced by 10% each year through 2022.

During August 2018, the City created a TIF District with a local Company to facilitate the repurposing of an elementary school for additional housing. The improvements are privately financed by the Company and are subject to an increase in the taxable valuation of the property. This District includes a credit enhancement agreement wherein the City must provide 95% of any tax increment back to the Company to reimburse qualified project costs. The City may use the remaining 5% for general economic development purposes. Obligations under this District began in 2020 for a duration of up to 30 years.

#### (12) RISKS AND UNCERTAINTIES

The City's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the City's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the City's residents and revenue, absenteeism in the City's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the City, including receivables and property and equipment.

#### (13) SUBSEQUENT EVENTS

Management has reviewed subsequent events through July 19, 2021, 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, 2020

|  | General Fund      |                   |                           |
|--|-------------------|-------------------|---------------------------|
|  | Budgeted Amounts  |                   | Actual<br>Budgetary Basis |
|  | Original          | Final             |                           |
| <b>REVENUES</b>                              |                   |                   |                           |
| Local property taxes                         | \$ 7,674,837      | \$ 7,674,837      | \$ 7,675,732              |
| Homestead exemption reimbursement            | 651,500           | 651,500           | 684,071                   |
| Abatements                                   | (13,000)          | (13,000)          | (12,301)                  |
| Other property tax related                   | 263,950           | 263,950           | 326,860                   |
| Excise taxes                                 | 1,529,800         | 1,529,800         | 1,509,122                 |
| Federal and state assistance                 | 1,018,000         | 1,018,000         | 1,239,065                 |
| Ambulance fees                               | 1,369,500         | 1,369,500         | 1,277,376                 |
| Fire/Ambulance charge to towns               | 530,650           | 530,650           | 533,275                   |
| Billing services                             | 52,018            | 52,018            | 51,925                    |
| Other licenses, permits and fees             | 334,480           | 334,480           | 391,514                   |
| Economic Development (TIF)                   | 414,261           | 414,261           | 414,261                   |
| Other  | 265,625           | 265,625           | 248,280                   |
| <b>TOTAL REVENUES</b>                        | <b>14,091,621</b> | <b>14,091,621</b> | <b>14,339,180</b>         |
| <b>EXPENDITURES</b>                          |                   |                   |                           |
| General government                           | 775,640           | 775,640           | 741,589                   |
| Education                                    | 3,791,190         | 3,791,190         | 3,791,190                 |
| Health and sanitation                        | 251,938           | 251,938           | 250,803                   |
| Public works                                 | 2,291,515         | 2,291,515         | 2,049,167                 |
| Police department and emergency management   | 2,120,223         | 2,120,223         | 1,980,020                 |
| Fire and ambulance                           | 2,330,246         | 2,330,246         | 2,263,231                 |
| Insurance and retirement                     | 98,200            | 98,200            | 83,990                    |
| Parks and recreation                         | 694,656           | 694,656           | 639,596                   |
| Library                                      | 224,592           | 224,592           | 201,230                   |
| County tax                                   | 527,974           | 527,974           | 527,974                   |
| Tax assessment office                        | 276,222           | 276,222           | 262,484                   |
| Tax increment financing                      | 414,261           | 414,261           | 414,261                   |
| Appropriations to capital outlays            | 721,118           | 551,118           | 551,118                   |
| Other  | 246,665           | 246,665           | 281,808                   |
| <b>TOTAL EXPENDITURES</b>                    | <b>14,764,440</b> | <b>14,594,440</b> | <b>14,038,461</b>         |
| Excess of Revenues Over (Under) Expenditures | (672,819)         | (502,819)         | 300,719                   |
| <b>OTHER SOURCES (USES)</b>                  |                   |                   |                           |
| Capital appropriations in excess of outlays  | -                 | -                 | 428,090                   |
| Net Increase (Decrease) in Fund Balance      | (672,819)         | (502,819)         | 728,809                   |
| Fund Balance - January 1, 2020               | -                 | -                 | 7,617,777                 |
| Fund Balance - December 31, 2020             | \$ (672,819)      | \$ (502,819)      | \$ 8,346,586              |

CITY OF CARIBOU, MAINE

Note to Supplement One - Budgetary Comparison Schedule  
For the General Fund  
For the Year Ended December 31, 2020

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.

Modified Approach for City Capital Assets  
December 31, 2020

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<br/>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. For the period of December 31, 2018 through December 31, 2020, the City’s Runway System was rated at an index of 100. The detail of the condition assessments from December 31, 2018 through December 31, 2020 are as follows:

| <u>Condition</u>    | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>Asset Management<br/>System Rating</u> |
|---------------------|-------------|-------------|-------------|---|
| Good                | 56%         | 56%         | 60%         | 1   |
| Fair                | 37%         | 26%         | 34%         | 2   |
| Poor to Substandard | 7%          | 18%         | 6%          | 3 and 4                                   |
| Index rating        | 80          | 79          | 83          |   |

As of December 31, 2020, the City had 10,317,822 square feet of roads with a historical cost of \$5,159,583. As of December 31, 2020, the City had 109,189 square feet of sidewalks with a historical cost of \$243,750. As of December 31, 2020, 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.

|      | <u>Budgeted</u> | <u>Actual</u> | <u>Actual from Reserves</u> |
|------|-----------------|---------------|-----------------------------|
| 2020 | \$489,000       | \$473,382     | \$343,448                   |
| 2019 | 525,760         | 480,506       | 184,393                     |
| 2018 | 498,020         | 493,833       | 206,677                     |

CITY OF CARIBOU, MAINE

Supplement 3

Schedule of the City's Proportionate Share of the Net Pension Liability  
For the Last Seven Fiscal Years

|  | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| City's proportion of the net pension liability   | 0.163962%   | 0.162736%   | 0.164850%   | 0.177237%   | 0.157442%   | 0.141646%   | 0.138719%   |
| City's proportionate share of the net pension liability  | \$ 651,442  | \$ 497,422  | \$ 451,157  | \$ 725,674  | \$ 836,538  | \$ 451,917  | \$ 213,462  |
| City's covered-employee payroll  | 1,763,461   | 1,793,591   | 1,706,657   | 1,621,469   | 1,553,062   | 1,364,960   | 1,255,523   |
| City's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 36.94%      | 27.73%      | 26.44%      | 44.75%      | 53.86%      | 33.11%      | 17.00%      |
| Plan fiduciary net position as a percentage of the<br>total pension liability                              | 88.30%      | 90.60%      | 91.10%      | 86.40%      | 81.60%      | 88.30%      | 94.10%      |

CITY OF CARIBOU, MAINE

Supplement 4

Schedule of the City's Contributions  
For the Last Seven Fiscal Years

|  | <u>2020</u>    | <u>2019</u>    | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
|--|----------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 108,469     | \$ 104,430     | \$ 95,568     | \$ 89,994     | \$ 84,006     | \$ 65,501     | \$ 53,995     |
| Contributions in relation to the contractually required contribution | <u>108,469</u> | <u>104,430</u> | <u>95,568</u> | <u>89,994</u> | <u>84,006</u> | <u>65,501</u> | <u>53,995</u> |
| Contribution deficiency (excess)                                     | \$ <u>-</u>    | \$ <u>-</u>    | \$ <u>-</u>   | \$ <u>-</u>   | \$ <u>-</u>   | \$ <u>-</u>   | \$ <u>-</u>   |
| City's covered-employee payroll                                      | \$ 1,763,461   | \$ 1,793,591   | \$ 1,706,657  | \$ 1,621,469  | \$ 1,553,062  | \$ 1,364,960  | \$ 1,255,523  |
| Contributions as a percentage of covered-employee payroll            | 6.15%          | 5.83%          | 5.60%         | 5.55%         | 5.41%         | 4.80%         | 4.30%         |

## CITY OF CARIBOU, MAINE

Notes to Supplements 3 and 4  
December 31, 2020

### NOTE 1 – VALUATION DATE

Only fiscal years 2020 through 2014 are reported. The amounts presented have a measurement date as of June 30, 2020. 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

There were no changes in assumptions.

### 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, 2020, 2019, 2018, 2017, 2016 and 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<br><br>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 | 6.75% compounded annually for 2020, 2019 and 2018<br>6.875% compounded annually for 2017 and 2016<br>7.125% compounded annually for 2015<br>7.25% compounded annually for 2014  |
| Retirement age            | 60 or 65, depending on years of creditable service at certain dates   |
| Mortality                 | RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females for 2017 and 2016<br><br>RP2000 Tables projected to 2015 using Scale AA, with ages set back two years for 2015 and 2014   |

## CITY OF CARIBOU, MAINE

Schedule 1

Balance Sheet  
For Non-Major Funds  
December 31, 2020

|                                      | <u>Snowmobile<br/>Trail<br/>Maintenance</u> | <u>Housing</u>    | <u>Economic<br/>Development</u> | <u>Revolving<br/>Loan Fund<br/>#10</u> | <u>Total<br/>Non-Major<br/>Funds</u> |
|--------------------------------------|---|-------------------|---------------------------------|--|--------------------------------------|
| <u>ASSETS</u>                        |   |                   |                                 |  |                                      |
| Cash                                 | \$ -  | \$ 117,654        | \$ 523,040                      | \$ 239,019                             | \$ 879,713                           |
| Due from other governments           | <u>-</u>                                    | <u>-</u>          | <u>-</u>                        | <u>-</u>                               | <u>-</u>                             |
| Total Assets                         | <u>\$ -</u>                                 | <u>\$ 117,654</u> | <u>\$ 523,040</u>               | <u>\$ 239,019</u>                      | <u>\$ 879,713</u>                    |
| <u>LIABILITIES AND FUND BALANCES</u> |   |                   |                                 |  |                                      |
| Liabilities                          |   |                   |                                 |  |                                      |
| Due to other funds                   | \$ 11,250                                   | \$ -              | \$ -                            | \$ -                                   | \$ 11,250                            |
| Fund balance                         | <u>(11,250)</u>                             | <u>117,654</u>    | <u>523,040</u>                  | <u>239,019</u>                         | <u>868,463</u>                       |
| Total liabilities and fund balances  | <u>\$ -</u>                                 | <u>\$ 117,654</u> | <u>\$ 523,040</u>               | <u>\$ 239,019</u>                      | <u>\$ 879,713</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, 2020

|                                      | <u>Snowmobile<br/>Trail<br/>Maintenance</u> | <u>Housing</u>    | <u>Economic<br/>Development</u> | <u>Revolving<br/>Loan Fund<br/>#10</u> | <u>Total<br/>Non-major<br/>Funds</u> |
|--------------------------------------|---|-------------------|---------------------------------|--|--------------------------------------|
| <b>REVENUES</b>                      |   |                   |                                 |  |                                      |
| Federal and state assistance         | \$ 50,716                                   | \$ 127,446        | \$ 170,436                      | \$ -                                   | \$ 348,598                           |
| Interest income                      | -   | -                 | -                               | 2,702                                  | 2,702                                |
| TIF Funds                            | -   | -                 | 302,421                         | -                                      | 302,421                              |
| Reimbursements                       | <u>7,650</u>                                | <u>33,392</u>     | <u>-</u>                        | <u>-</u>                               | <u>41,042</u>                        |
| Total Revenues                       | <u>58,366</u>                               | <u>160,838</u>    | <u>472,857</u>                  | <u>2,702</u>                           | <u>694,763</u>                       |
| <b>EXPENDITURES</b>                  |   |                   |                                 |  |                                      |
| Program expenditures                 | <u>56,782</u>                               | <u>153,095</u>    | <u>472,857</u>                  | <u>-</u>                               | <u>682,734</u>                       |
| Excess of Revenues Over Expenditures | 1,584                                       | 7,743             | -                               | 2,702                                  | 12,029                               |
| Fund Balance - January 1             | <u>(12,834)</u>                             | <u>109,911</u>    | <u>523,040</u>                  | <u>236,317</u>                         | <u>856,434</u>                       |
| Fund Balance - December 31           | <u>\$ (11,250)</u>                          | <u>\$ 117,654</u> | <u>\$ 523,040</u>               | <u>\$ 239,019</u>                      | <u>\$ 868,463</u>                    |



CITY OF CARIBOU, MAINE

Schedule 3

Schedule of Capital Outlays - General Fund  
For the Year Ended December 31, 2020

| <u>Department</u>    | <u>Balances<br/>January 1</u> | <u>Appropri-<br/>ations</u> | <u>Grants/<br/>Transfers</u> | <u>Other</u>      | <u>Total<br/>Available</u> | <u>Expenditures</u> | <u>Balances<br/>December 31</u> |
|----------------------|-------------------------------|-----------------------------|------------------------------|-------------------|----------------------------|---------------------|---------------------------------|
| Recreation           | \$ 297,680                    | \$ 12,575                   | \$ 238,415                   | \$ 99,315         | \$ 647,985                 | \$ 194,155          | \$ 453,830                      |
| Library              | 62,883                        | -                           | -                            | 10,695            | 73,578                     | 9,908               | 63,670                          |
| Police               | 180,157                       | 37,000                      | 1,537                        | 101,767           | 320,461                    | 134,128             | 186,333                         |
| Fire                 | 99,709                        | 282,900                     | 40,868                       | -                 | 423,477                    | 158,347             | 265,130                         |
| Ambulance            | 90,745                        | 30,000                      | -                            | -                 | 120,745                    | 7,713               | 113,032                         |
| Public Works         | 229,903                       | 50,000                      | 279                          | 216,324           | 496,506                    | 461,177             | 35,329                          |
| Assessment Office    | 69,561                        | -                           | -                            | -                 | 69,561                     | 756                 | 68,805                          |
| Airport              | 79,513                        | -                           | -                            | 1,992             | 81,505                     | 17,034              | 64,471                          |
| General Government   | 33,431                        | 112,643                     | 18,057                       | 94,129            | 258,260                    | 206,348             | 51,912                          |
| Economic Development | 311,824                       | 26,000                      | 159,879                      | 5,834             | 503,537                    | 206,588             | 296,949                         |
| TIF accounts         | 45,365                        | -                           | 92,261                       | -                 | 137,626                    | 37,207              | 100,419                         |
| RSU 39 Commitment    | (1,082,828)                   | -                           | 3,791,190                    | -                 | 2,708,362                  | 3,791,190           | (1,082,828)                     |
| Other reserves       | 282,938                       | -                           | 8,190                        | 5,621             | 296,749                    | 75,134              | 221,615                         |
|                      | <u>\$ 700,881</u>             | <u>\$ 551,118</u>           | <u>\$ 4,350,676</u>          | <u>\$ 535,677</u> | <u>\$ 6,138,352</u>        | <u>\$ 5,299,685</u> | <u>\$ 838,667</u>               |

## CITY OF CARIBOU, MAINE

Schedule 4

Schedule of Non-Capital Outlays - General Fund  
For the Year Ended December 31, 2020

|  | Balances<br><u>January 1</u> | Appropri-<br><u>ations</u> | Transfers           | Other             | Total<br><u>Available</u> | Expendi-<br><u>tures</u> | Balances<br><u>December 31</u> |
|--|------------------------------|----------------------------|---------------------|-------------------|---------------------------|--------------------------|--------------------------------|
| Compensated Absences                   | \$ 132,560                   | \$ -                       | \$ 35,881           | \$ -              | \$ 168,441                | \$ 50,127                | \$ 118,314                     |
| Revolving Loan Fund - Cash             | 360,962                      | -                          | 19,764              | 25,926            | 406,652                   | 19,969                   | 386,683                        |
| Revolving Loan Fund - Loans Receivable | 60,116                       | -                          | -                   | -                 | 60,116                    | 6,163                    | 53,953                         |
| Thursday on Sweden Street              | (241)                        | -                          | -                   | -                 | (241)                     | -                        | (241)                          |
| Heritage Day                           | (8,000)                      | -                          | -                   | -                 | (8,000)                   | -                        | (8,000)                        |
| Caribou Marathon                       | (39,438)                     | -                          | -                   | 3,966             | (35,472)                  | 250                      | (35,722)                       |
| Story of Caribou                       | -                            | -                          | -                   | 7,500             | 7,500                     | -                        | 7,500                          |
| 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                      |
| Community Bulletin Board               | 200                          | -                          | -                   | -                 | 200                       | -                        | 200                            |
| HRA Contribution Reserve               | 70,022                       | -                          | -                   | 130,684           | 200,706                   | 100,461                  | 100,245                        |
| Resource Reserve Account               | 181,506                      | -                          | 70,081              | -                 | 251,587                   | 39,522                   | 212,065                        |
| Aroostook Waste Solutions              | 213,163                      | -                          | (537,245)           | 324,082           | -                         | -                        | -                              |
| Miscellaneous events                   | (1,091)                      | -                          | -                   | 3,686             | 2,595                     | 3,154                    | (559)                          |
|  | <u>\$3,974,978</u>           | <u>\$ -</u>                | <u>\$ (411,519)</u> | <u>\$ 495,844</u> | <u>\$ 4,059,303</u>       | <u>\$ 219,646</u>        | <u>\$ 3,839,657</u>            |

## CITY OF CARIBOU, MAINE

Schedule 5

Schedule of Property Taxes - General Fund  
For the Year Ended December 31, 2020

|   | <u>Total</u>        | <u>2021<br/>Taxes</u> | <u>2020<br/>Taxes</u> | <u>2019 Taxes<br/>and Liens</u> | <u>Prior<br/>Taxes</u> |
|---|---------------------|-----------------------|-----------------------|---------------------------------|------------------------|
| UNCOLLECTED AT<br>JANUARY 1                 | <u>\$ 1,069,545</u> | <u>\$ -</u>           | <u>\$ (31,844)</u>    | <u>\$ 864,731</u>               | <u>\$ 236,658</u>      |
| 2020 COMMITMENT<br>(\$343,486,100 @.023550) | 8,089,098           | -                     | 8,089,098             | -                               | -                      |
| SUPPLEMENTAL TAX                            | -                   | -                     | -                     | -                               | -                      |
|   | <u>8,089,098</u>    | <u>-</u>              | <u>8,089,098</u>      | <u>-</u>                        | <u>-</u>               |
| COLLECTIONS                                 | 8,304,511           | 49,595                | 7,397,928             | 698,542                         | 158,446                |
| TAX-ACQUIRED PROPERTY                       | 31,671              | -                     | 9,601                 | 12,408                          | 9,662                  |
| ABATEMENTS                                  | <u>12,301</u>       | <u>-</u>              | <u>9,809</u>          | <u>1,741</u>                    | <u>751</u>             |
|   | <u>8,348,483</u>    | <u>49,595</u>         | <u>7,417,338</u>      | <u>712,691</u>                  | <u>168,859</u>         |
| UNCOLLECTED AT<br>DECEMBER 31               | <u>\$ 810,160</u>   | <u>\$ (49,595)</u>    | <u>\$ 639,916</u>     | <u>\$ 152,040</u>               | <u>\$ 67,799</u>       |
| REPRESENTED BY                              |                     |                       |                       |                                 |                        |
| Real Estate Taxes                           | \$ 694,822          | \$ (49,513)           | \$ 606,154            | \$ 135,856                      | \$ 2,325               |
| Personal Property Taxes                     | <u>115,338</u>      | <u>(82)</u>           | <u>33,762</u>         | <u>16,184</u>                   | <u>65,474</u>          |
|   | <u>\$ 810,160</u>   | <u>\$ (49,595)</u>    | <u>\$ 639,916</u>     | <u>\$ 152,040</u>               | <u>\$ 67,799</u>       |

# FELCH & COMPANY, LLC

*Certified Public Accountants*

P.O. BOX 906  
CARIBOU, MAINE 04736  
(207) 498-3176  
FAX (207) 498-6278  
E-MAIL: CPA@FELCHCPA.COM

## 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, 2020, and the related notes to the financial statements, which collectively comprise the City of Caribou, Maine's basic financial statements, and have issued our report thereon dated July 19, 2021.

### 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) as a basis for designing 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 financial statements. 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*

July 19, 2021

# FELCH & COMPANY, LLC

*Certified Public Accountants*

P.O. BOX 906  
CARIBOU, MAINE 04736  
(207) 498-3176  
FAX (207) 498-6278  
E-MAIL: CPA@FELCHCPA.COM

## 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2020.

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*

July 19, 2021

CITY OF CARIBOU, MAINE

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

*Financial Statements*

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

|  |                              |   |
|--|------------------------------|---|
| Material weakness(es) identified?  | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no            |
| Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |
| Noncompliance material to financial statements noted?                                  | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no            |

*Federal Awards*

Internal control over major programs:

|  |                              |   |
|--|------------------------------|---|
| Material weakness(es) identified?  | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no            |
| Significant deficiencies identified that are not considered to be material weakness(es)? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> 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)? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> 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?                                   | <input checked="" type="checkbox"/> yes <input type="checkbox"/> 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, 2020

| Federal Grantor/<br>Pass-through Grantor/<br><u>Program Title</u>             | Federal<br>CFDA<br><u>Number</u> | Pass-<br>through<br>Grantor's<br><u>Number</u> | Disburse-<br><u>ments</u> |
|---|----------------------------------|--|---------------------------|
| <u>U.S. Department of Housing and Urban Development</u>                       |                                  |  |                           |
| Direct Award - Section 8 Housing Choice Vouchers                              | 14.871                           | N/A  | \$ 1,111,368              |
| Direct Award - Family Self-Sufficiency Program                                | 14.896                           | N/A  | 57,446                    |
| ** Direct Award - HCV CARES Act Funding                                       | 14.871                           | N/A  | 102,538                   |
| Passed through the State Department of Economic<br>and Community Development: |                                  |  |                           |
| Community Development and Block Grants:                                       |                                  |  |                           |
| Cary Medical Center   | 14.228                           | N/A  | 18,197                    |
| Porvair   | 14.228                           | N/A  | <u>170,436</u>            |
| <b>Subtotal - U.S. Department of Housing and Urban Development</b>            |                                  |  | <u>1,459,985</u>          |
| <u>U.S. Department of Justice</u>   |                                  |  |                           |
| Direct Award - Bulletproof Vest Program                                       | 16.607                           | N/A  | 1,661                     |
| Direct Award - Edward Byrne Assistance Grant                                  | 16.738                           | N/A  | <u>1,674</u>              |
| <b>Subtotal - U.S. Department of Justice</b>                                  |                                  |  | <u>3,335</u>              |
| <u>U.S. Department of Transportation</u>                                      |                                  |  |                           |
| Passed through the State of Maine Bureau of Highway Safety:                   |                                  |  |                           |
| State and Community Highway Safety  | 20.600                           | N/A  | 791                       |
| National Priority Safety Program  | 20.616                           | N/A  | <u>1,405</u>              |
| <b>Subtotal - U.S. Department of Transportation</b>                           |                                  |  | <u>2,196</u>              |
| <u>U.S. Department of Homeland Security</u>                                   |                                  |  |                           |
| Passed through State of Maine Department of Emergency Management:             |                                  |  |                           |
| Operation Stonegarden   | 97.067                           | N/A  | <u>2,027</u>              |
| <b>Total</b>  |                                  |  | <u>\$ 1,467,543</u>       |

\*\*COVID Related funding

CITY OF CARIBOU, MAINE

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

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

The City has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

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, 2020

There were no audit findings reported for the year ended December 31, 2019 that require follow-up in the December 31, 2020 report.