

FELCH & COMPANY, LLC

Certified Public Accountants

CITY OF CARIBOU, MAINE

as of

DECEMBER 31, 2021

Financial Statements

CITY OF CARIBOU, MAINE

Table of Contents

Independent Auditors' Report

Required Supplemental Information

I-V Management's Discussion and Analysis

Basic Financial Statements

Exhibit

City-Wide Financial Statements

A Statement of Net Position

B Statement of Activities

Fund Financial Statements

Governmental Funds:

C Balance Sheet

D Statement of Revenues, Expenditures and Changes in Fund Balance

E Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position

F Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the City-Wide Statement of Activities

Fiduciary Funds:

G Statement of Fiduciary Net Position

G Statement of Changes in Fiduciary Net Position

Notes to the Financial Statements

Other Required Supplemental Information

Supplement

1 Budgetary Comparison Schedule for the General Fund

Note to Supplement One - Budgetary Comparison Schedule for the General Fund

2 Modified Approach for City Capital Assets

3 Schedule of the City's Proportionate Share of the Net Pension Liability

4 Schedule of the City's Contributions

Notes to Supplements 3 and 4

5 Schedule of Change in Net Other Post-Employment Benefits (OPEB) Liability –
Maine Municipal Employees Health Trust

Notes to Supplement 5

CITY OF CARIBOU, MAINE

Table of Contents

Schedule

- 1 Balance Sheet for Non-Major Funds
- 2 Statement of Revenues, Expenditures and Changes in Fund Balance for Non-Major Funds
- 3 Schedule of Capital Outlays - General Fund
- 4 Schedule of Non-Capital Outlays - General Fund
- 5 Schedule of Property Taxes - General Fund

Page

- 1-2 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*
- 3-4 Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- 5 Schedule of Findings and Questioned Costs
- 6 Schedule of Expenditures of Federal Awards
- 7 Notes to the Schedule of Expenditures of Federal Awards
- 8 Schedule of Prior Audit Findings

Independent Auditors' Report

To the City Council of the
City of Caribou, Maine

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Caribou, Maine as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Caribou, Maine, as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Caribou, Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2021, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 75, Other Post-Employment Benefits. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

To the City Council of the
City of Caribou, Maine

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

To the City Council of the
City of Caribou, Maine

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Caribou, Maine's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2022 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 grants 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 effectiveness of the City of Caribou's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Caribou's internal control over financial reporting and compliance.

Felch & Company LLC

July 18, 2022

City of Caribou, Maine

Management's Discussion and Analysis For the Year Ended December 31, 2021

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, 2021. 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 2021.
- 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, 2021

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 \$27,687,687 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 2020 to 2021. Total Current Assets increased by \$1,030,383 in 2021. Capital Assets, net of depreciation, increased by \$90,569.

Table I indicates Current Liabilities decreased by \$210,021 and Noncurrent Liabilities decreased by \$678,882 due to a change in the value of the net pension liability to a net pension asset. Net Position increased by \$1,496,460 for 2021.

The reader should refer to Table II as a comparison of the changes in Net Position from 2020 to 2021. Total City Expenditures for Governmental activities were \$15,665,367, as compared to \$15,905,280 for 2020 for a decrease of \$239,913.

For 2021, the total General Revenues were \$12,682,963 as compared to \$11,644,369 for 2020, an increase of \$1,038,594. Taxes increased by \$510,499 and excise tax increased by approximately \$117,000 and other revenues decreased by about \$136,000 while federal and state assistance increased by about \$548,000.

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2021

UNAUDITED

Table I
Net Position

		(Restated)
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and temporary investments	\$ 9,655,292	\$ 8,718,329
Taxes receivable	969,029	954,799
Notes receivable	206,667	53,953
Other receivables	313,578	290,213
Other current assets	<u>180,526</u>	<u>277,415</u>
Total Current Assets	<u>11,325,092</u>	<u>10,294,709</u>
Noncurrent Assets		
Net pension asset	53,442	-
Capital assets, net of depreciation	<u>18,338,283</u>	<u>18,247,714</u>
	<u>18,391,725</u>	<u>18,247,714</u>
Total Assets	<u>29,716,817</u>	<u>28,542,423</u>
Deferred outflows of resources	<u>417,293</u>	<u>269,678</u>
Current Liabilities		
Accounts payable and accrued expenses	170,121	159,097
Deferred compensation	493,645	607,851
Current portion of capital leases payable	<u>99,903</u>	<u>206,742</u>
Total Current Liabilities	<u>763,669</u>	<u>973,690</u>
Noncurrent Liabilities		
Capital leases payable, net of current portion	293,961	393,864
Net pension liability	-	651,442
Net OPEB liability	<u>594,286</u>	<u>521,823</u>
	<u>888,247</u>	<u>1,567,129</u>
Total Liabilities	<u>1,651,916</u>	<u>2,540,819</u>
Deferred inflows of resources	<u>794,507</u>	<u>80,055</u>
Net Position		
Net Investment in capital assets	17,944,419	17,647,108
Restricted for special revenue funds	458,806	465,720
Unrestricted	<u>9,284,462</u>	<u>8,078,399</u>
Total Net Position	<u>\$ 27,687,687</u>	<u>\$ 26,191,227</u>

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2021

UNAUDITED

Table II
Change in Net Position

	<u>2021</u>	(Restated) <u>2020</u>
<u>General Revenues</u>		
Taxes	\$ 8,997,916	\$ 8,487,417
Federal and state assistance	1,642,901	1,095,039
Excise taxes	1,625,809	1,509,122
Other revenues	<u>416,337</u>	<u>552,791</u>
Total general revenues	12,682,963	11,644,369
<u>Program Revenues</u>		
Charges for services	2,556,581	2,907,075
Operating grants and contributions	<u>1,922,283</u>	<u>1,636,530</u>
Total revenues	<u>17,161,827</u>	<u>16,187,974</u>
<u>Program Expenses</u>		
General government	840,970	877,710
Public works	2,098,051	2,564,471
Police department	2,015,962	2,050,377
Fire and ambulance	2,836,359	2,611,019
Education	3,671,829	3,791,190
Caribou Housing Authority	1,076,736	950,368
Recreation	672,507	842,092
Economic development	414,375	472,857
County tax	552,758	527,974
Health and sanitation	253,256	250,803
Insurance and retirement	116,162	68,014
Library	215,195	217,547
Other	<u>901,207</u>	<u>680,858</u>
Total program expenses	<u>15,665,367</u>	<u>15,905,280</u>
Change in Net Position	1,496,460	282,694
Net Position - January 1	<u>26,191,227</u>	<u>25,908,533</u>
Net Position - December 31	<u>\$ 27,687,687</u>	<u>\$ 26,191,227</u>

City of Caribou, Maine

Management's Discussion and Analysis
For the Year Ended December 31, 2021

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 \$14,472,231, \$77,218 less than budgeted. Revenues were \$15,235,304, \$945,661 more than budgeted. Revenues exceeded Expenditures by \$763,073 for the year. Total Other Sources consists of capital outlays in excess of appropriations of \$55,041. The resulting net increase in the General Fund Balance was \$708,032.

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 years ended December 31, 2021 and 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 \$471,000 in 2021 to maintain infrastructure at the desired condition level. Actual expenditures for 2021 were \$473,256 from unassigned fund balance with an additional \$106,696 from reserves. This compares to estimates of \$489,000 in 2020 and actual expenditures of \$473,382 from unassigned fund balance and \$343,448 from reserves.

A more complete understanding of the capital outlay is summarized in Note 6 of this financial statement. Note 5 indicates that the City's capital assets, net of depreciation, increased by \$90,569. Depreciation expense of \$705,220 and net disposals of \$64,777 were offset by additions totaling \$860,566. Management recognizes that the relationship of depreciation expense being less than net additions by \$155,346 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 \$206,742 in the year ended December 31, 2021. The debt at year end consists of one capital lease.

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 2021 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 2021 calendar year. A complete copy of the 2021 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, 2021ASSETS

CURRENT ASSETS

Cash and temporary investments (Note 2)	\$ 9,655,292
Uncollected taxes	822,116
Tax acquired property	146,913
Accounts receivable	459,248
Allowance for uncollectibles	(145,670)
Inventories	21,733
Notes receivable (Note 3)	206,667
Restricted cash (Note 4)	157,792
Other assets	1,001
	<u>11,325,092</u>

NONCURRENT ASSETS

Net pension asset - defined benefit plan (Note 7)	53,442
Capital assets (Note 5)	
Non-depreciable	10,443,918
Depreciable, net of accumulated depreciation	<u>7,894,365</u>
	<u>18,391,725</u>

Total assets	<u>29,716,817</u>
--------------	-------------------

<u>DEFERRED OUTFLOWS OF RESOURCES</u> (Note 1)	<u>417,293</u>
--	----------------

LIABILITIES

CURRENT LIABILITIES

Accounts payable	59,215
Accrued payroll	50,398
Accrued interest	7,091
Escrow (Note 4)	103,815
Compensated absences (Note 1)	443,247
Current portion, capital leases payable	<u>99,903</u>
	<u>763,669</u>

NONCURRENT LIABILITIES

Capital leases payable, net of current portion (Note 6)	293,961
Net OPEB liability (Note 8)	<u>594,286</u>
	<u>888,247</u>

Total liabilities	<u>1,651,916</u>
-------------------	------------------

<u>DEFERRED INFLOWS OF RESOURCES</u> (Note 1)	<u>794,507</u>
---	----------------

NET POSITION

Net investment in capital assets	17,944,419
Restricted for:	
Special revenue funds	458,806
Unrestricted	<u>9,284,462</u>

Total net position	<u>\$ 27,687,687</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, 2021

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Net (Cost)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General government	\$ 840,970	\$ 200,965	\$ -	\$ (640,005)
Economic development	414,375	316,207	400,970	302,802
Health and sanitation	253,256	-	-	(253,256)
Public works	2,098,051	42,796	135,156	(1,920,099)
Police department	2,015,962	30,465	13,516	(1,971,981)
Fire and ambulance	2,836,359	1,902,081	-	(934,278)
Insurance and retirement	116,162	-	-	(116,162)
Recreation	583,975	7,707	-	(576,268)
Snowmobile trail maintenance	88,532	-	140,979	52,447
Library	215,195	5,056	-	(210,139)
County tax	552,758	-	-	(552,758)
Education	3,671,829	-	-	(3,671,829)
Tax assessment office	227,542	-	-	(227,542)
Section 8 Housing	1,076,736	51,304	1,231,662	206,230
Interest expense	13,675	-	-	(13,675)
Other	659,990	-	-	(659,990)
	<u>\$ 15,665,367</u>	<u>\$ 2,556,581</u>	<u>\$ 1,922,283</u>	<u>(11,186,503)</u>

General revenues:

Taxes

Property taxes, levied for general purposes	8,276,349
Less: TIF payments	(429,722)
Homestead reimbursement and other property tax related	1,151,289
Excise	1,625,809
Federal and state aid not restricted to specific purposes	1,642,901
Aroostook Waste Solutions distribution	324,082
Other licenses, permits and fees	15,093
Miscellaneous revenues	77,162
Subtotal, general revenues	<u>12,682,963</u>

CHANGE IN NET POSITION 1,496,460

NET POSITION - JANUARY 1, 2021, as restated (Note 1) 26,191,227

NET POSITION - DECEMBER 31, 2021 \$ 27,687,687

CITY OF CARIBOU, MAINE

Exhibit C

Balance Sheet
Governmental Funds
As of December 31, 2021

	<u>General Fund</u>	<u>Section 8 Housing Program</u>	<u>Non-major Funds (Schedule 1)</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and temporary investments (Note 2)	\$ 8,379,966	\$ 175,171	\$ 1,100,155	\$ 9,655,292
Uncollected taxes	822,116	-	-	822,116
Tax acquired property	146,913	-	-	146,913
Accounts receivable	436,689	22,559	-	459,248
Allowance for uncollectibles	(145,670)	-	-	(145,670)
Inventories	21,733	-	-	21,733
Notes receivable (Note 3)	47,667	-	159,000	206,667
Restricted cash (Note 4)	-	157,792	-	157,792
Other assets	-	1,001	-	1,001
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 9,709,414</u>	<u>\$ 356,523</u>	<u>\$ 1,259,155</u>	<u>\$ 11,325,092</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 37,796	\$ 21,419	\$ -	\$ 59,215
Escrow (Note 4)	-	103,815	-	103,815
	<u>37,796</u>	<u>125,234</u>	<u>-</u>	<u>163,030</u>
Deferred inflow of resources:				
Deferred revenue (Note 1)	<u>617,000</u>	<u>12,175</u>	<u>-</u>	<u>629,175</u>
Fund balances:				
Nonspendable				
Inventory	21,733	-	-	21,733
Restricted				
Special revenue funds	-	219,114	239,692	458,806
Unrestricted				
Assigned				
Capital (Schedule 3)	583,319	-	-	583,319
Non-capital (Schedule 4)	4,291,877	-	-	4,291,877
Other funds	-	-	1,019,463	1,019,463
Unassigned	<u>4,157,689</u>	<u>-</u>	<u>-</u>	<u>4,157,689</u>
Total fund balances	<u>9,054,618</u>	<u>219,114</u>	<u>1,259,155</u>	<u>10,532,887</u>
Total liabilities and fund balances	<u>\$ 9,709,414</u>	<u>\$ 356,523</u>	<u>\$ 1,259,155</u>	<u>\$ 11,325,092</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, 2021

	<u>General Fund</u>	<u>Section 8 Housing Program</u>	<u>Non-major Funds (Schedule 2)</u>	<u>Total Governmental Funds</u>
REVENUES				
Local property taxes	\$ 8,339,484	\$ -	\$ -	\$ 8,339,484
Homestead reimbursement	830,845	-	-	830,845
Abatements	(13,135)	-	-	(13,135)
Other property tax related	320,444	-	-	320,444
Excise taxes	1,625,809	-	-	1,625,809
Federal and state assistance	1,791,573	1,231,662	669,395	3,692,630
Fire and ambulance revenue	1,902,081	-	-	1,902,081
Other licenses, permits and fees	301,316	-	52,070	353,386
Aroostook Waste Solutions distribution	324,082	-	-	324,082
Other revenues	<u>168,926</u>	<u>52,211</u>	<u>455,302</u>	<u>676,439</u>
TOTAL REVENUES	<u>15,591,425</u>	<u>1,283,873</u>	<u>1,176,767</u>	<u>18,052,065</u>
EXPENDITURES				
General government	744,895	214,724	-	959,619
Economic development	-	-	414,375	414,375
Health and sanitation	253,256	-	-	253,256
Public works	2,137,438	-	-	2,137,438
Police department	2,082,016	-	-	2,082,016
Fire and ambulance	2,710,460	-	-	2,710,460
Insurance and retirement	116,162	-	-	116,162
Recreation	1,040,619	-	234,266	1,274,885
Library	209,338	-	-	209,338
County tax	552,758	-	-	552,758
Tax assessment office	227,542	-	-	227,542
General assistance	48,735	1,076,736	-	1,125,471
Education	3,671,829	-	-	3,671,829
Tax increment financing	429,722	-	-	429,722
Debt service - principal	206,742	-	-	206,742
- interest	19,698	-	-	19,698
Other	<u>432,183</u>	<u>-</u>	<u>137,434</u>	<u>569,617</u>
TOTAL EXPENDITURES	<u>14,883,393</u>	<u>1,291,460</u>	<u>786,075</u>	<u>16,960,928</u>
Net Increase (Decrease) In Fund Balance	708,032	(7,587)	390,692	1,091,137
Fund Balance - January 1, 2021	<u>8,346,586</u>	<u>226,701</u>	<u>868,463</u>	<u>9,441,750</u>
Fund Balance - December 31, 2021	<u>\$ 9,054,618</u>	<u>\$ 219,114</u>	<u>\$ 1,259,155</u>	<u>\$ 10,532,887</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, 2021

Total fund balance - governmental funds (Exhibit C) \$10,532,887

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	\$ 28,771,259	
Accumulated depreciation is	<u>(10,432,976)</u>	
		18,338,283

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

Deferred outflows of resources	417,293
--------------------------------	---------

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	629,175
------------------	---------

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	(794,507)
------------------------------	-----------

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

Notes payable	(393,864)	
Accrued payroll	(50,398)	
Accrued interest payable	(7,091)	
Net pension asset	53,442	
Net OPEB liability	(594,286)	
Compensated absences	<u>(443,247)</u>	
		<u>(1,435,444)</u>

Total net position - governmental activities (Exhibit A) \$27,687,687

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, 2021

Total net change in fund balances - governmental funds (Exhibit D) \$ 1,091,137

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense.

Capital outlays	\$ 860,566	
Depreciation expense	<u>(705,220)</u>	
		155,346

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. (64,777)

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. 38,679

Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

(Decrease) in deferred property tax revenue	(50,000)	
(Decrease) in other deferred revenue	(27,801)	

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 206,742

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	75,526	
Decrease in accrued interest	6,023	
Decrease in deferred pension liability	704,884	
(Increase) in deferred OPEB liability	(72,463)	
Change in deferred inflows/outflows of resources	<u>(566,836)</u>	

Change in net position of governmental activities (Exhibit B) \$ 1,496,460

CITY OF CARIBOU, MAINE

Exhibit G

Statement of Fiduciary Net Position
December 31, 2021

	<u>Total</u>	<u>Cemetery Trust Funds</u>	<u>Library Trust Funds</u>	<u>Memorial Funds</u>
ASSETS				
Cash	<u>\$ 159,841</u>	<u>\$ 1,079</u>	<u>\$ 52,351</u>	<u>\$ 106,411</u>
NET POSITION				
Undesignated	<u>\$ 159,841</u>	<u>\$ 1,079</u>	<u>\$ 52,351</u>	<u>\$ 106,411</u>

CITY OF CARIBOU, MAINE

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2021

	<u>Total</u>	<u>Cemetery Trust Funds</u>	<u>Library Trust Funds</u>	<u>Memorial Funds</u>
REVENUE				
Interest income	<u>\$ 1,482</u>	<u>\$ 1</u>	<u>\$ 1,072</u>	<u>\$ 409</u>
DEDUCTIONS				
Expenses	<u>5,662</u>	<u>30</u>	<u>3,632</u>	<u>2,000</u>
NET CHANGE IN NET POSITION	(4,180)	(29)	(2,560)	(1,591)
NET POSITION - JANUARY 1	<u>164,021</u>	<u>1,108</u>	<u>54,911</u>	<u>108,002</u>
CASH AND NET POSITION - DECEMBER 31	<u>\$ 159,841</u>	<u>\$ 1,079</u>	<u>\$ 52,351</u>	<u>\$ 106,411</u>

CITY OF CARIBOU, MAINE

Notes to the Financial Statements December 31, 2021

(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, 2021

(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.

Custodial Funds - The City's custodial funds account for trust funds donated to the City that are fiduciary in nature.

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, 2021

(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, 2021

(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 \$125,000. 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</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
	<u>Estimated Lives</u>	<u>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, 2021

(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 other post-employment benefit (OPEB) and pension-related items 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 OPEB and pension-related items 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, 2021

(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 2021 fiscal year there were no unrestricted committed funds.

New Pronouncements

The City implemented GASB Statement No. 84, Fiduciary Activities, effective for periods beginning after June 15, 2020. Under GASB No. 84, funds that meet the criteria of fiduciary in nature are classified as custodial funds and reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These funds are not derived from City source revenues, nor does the City have administrative involvement in the activities. Additionally, the funds benefit organizations that are not part of the City.

During the year ended December 31, 2021 the City implemented GASB Statement No. 75, Other Post-Employment Benefits. The implementation of this accounting standard required a restatement of beginning net position for the beginning net other post-employment benefits, resulting in a reduction of net position as originally reported.

Statement of Activities

January 1, 2021 net position, as previously reported	\$26,597,296
Restatement for net OPEB liability	<u>(406,069)</u>
January 1, 2021 net position, as restated	<u>\$26,191,227</u>

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, 2021, the bank balance, including the various fiduciary accounts, was \$10,239,037 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

As of December 31, 2021, the City's General Fund had the following notes receivable:

0% Note receivable with a balloon payment due in 2022	\$159,000
2% Note receivable in annual installments of \$7,365 principal and interest through December 2028.	<u>47,667</u>
	<u>\$206,667</u>

CITY OF CARIBOU, MAINE

Notes to the Financial Statements
December 31, 2021

(3) NOTES RECEIVABLE (Continued)

The note receivable of \$47,667 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.

As of December 31, 2021, the note receivable matures as follows:

<u>Year</u>	<u>Amount</u>
2022	\$165,412
2023	6,540
2024	6,671
2025	6,804
2026	6,940
2027-2028	<u>14,300</u>
	<u>\$206,667</u>

(4) ACTIVITIES OF THE CITY OF CARIBOU SECTION 8 HOUSING PROGRAM

The City operates a Voucher Program (HCV) 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. In addition, to the HCV program, the Caribou Housing Authority has a Mainstream Voucher Program for up to forty participants and an Emergency Housing Voucher Program for up to fifteen participants to receive housing assistance.

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.

(5) 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.

CITY OF CARIBOU, MAINE

Notes to the Financial Statements
December 31, 2021(5) CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending 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	45,000	17,502	1,371,638
Buildings	8,028,406	-	-	8,028,406
Vehicles	5,364,758	190,307	251,394	5,303,671
Equipment	<u>3,165,917</u>	<u>625,259</u>	<u>167,550</u>	<u>3,623,626</u>
Totals at historical cost	<u>28,347,139</u>	<u>860,566</u>	<u>436,446</u>	<u>28,771,259</u>
Less accumulated depreciation for:				
Land improvements	1,162,107	17,498	17,502	1,162,103
Buildings	2,889,641	194,566	-	3,084,207
Vehicles	4,251,764	265,189	223,581	4,293,372
Equipment	<u>1,795,913</u>	<u>227,967</u>	<u>130,586</u>	<u>1,893,294</u>
Total accumulated depreciation	<u>10,099,425</u>	<u>705,220</u>	<u>371,669</u>	<u>10,432,976</u>
Governmental activities capital assets, net	<u>\$18,247,714</u>	<u>\$155,346</u>	<u>\$ 64,777</u>	<u>\$18,338,283</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General	\$ 73,485
Library	5,857
Police	47,252
Fire and Ambulance	310,204
Public works	102,645
Recreation and parks	124,139
Airport	38,769
Other	<u>2,869</u>
	<u>\$705,220</u>

CITY OF CARIBOU, MAINE

Notes to the Financial Statements
December 31, 2021

(6) GENERAL LONG-TERM DEBT

As of December 31, 2021, long-term debt consisted of the following of a 3.591% Capital lease payable in semi-annual payments ranging from \$44,205 to \$61,565 principal and interest through June 2025. The lease had a balance due of \$393,864 at December 31, 2021.

Long-term debt activity during the year ended December 31, 2021, was as follows:

	Balance January 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, 2021	Due Within One Year
<u>Governmental Activities</u>					
Capital Lease Payable	\$486,638	\$ -	\$ 92,774	\$393,864	\$99,903
Capital Lease Payable	<u>113,968</u>	<u>-</u>	<u>113,968</u>	<u>-</u>	<u>-</u>
	<u>\$600,606</u>	<u>\$ -</u>	<u>\$206,742</u>	<u>\$393,864</u>	<u>\$99,903</u>

As of December 31, 2021, long-term obligations mature as follows:

Fiscal <u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022 (included in current liabilities)	\$ 99,903	\$13,272
2023	107,435	9,618
2024	115,390	5,690
2025	<u>71,136</u>	<u>1,472</u>
	<u>\$393,864</u>	<u>\$30,052</u>

CITY OF CARIBOU, MAINE

Notes to the Financial Statements December 31, 2021

(7) 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, 2021, there were 305 employers in the plan. As of June 30, 2021, 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 0.93%), 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, 2021, the City reported an asset of \$53,442 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was .1663%, which was a decrease of .0024% from its proportion as measured as of June 30, 2020.

CITY OF CARIBOU, MAINE

Notes to the Financial Statements December 31, 2021

(7) EMPLOYEES' RETIREMENT PLAN (Continued)

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

For the year ended December 31, 2021, the City recognized pension credit of \$4,454. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 34,571	\$ 3,632
Net difference between projected and actual investment earnings on pension plan investments	-	728,436
Changes of assumptions	179,454	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>6,835</u>	<u>1,577</u>
Total	<u>\$220,860</u>	<u>\$733,645</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ (78,492)
2023	(66,057)
2024	(165,818)
2025	(202,418)

Actuarial Assumptions

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

Salary increases	2.75% - 11.48%
Inflation rate	2.75%
Investment rate of return	6.5% per annum, compounded annually
Cost of living benefit increases	1.91%

Mortality rates were based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using RPEC_2020 model.

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, 2021 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, 2021

(7) EMPLOYEES' RETIREMENT PLAN (Continued)

Discount Rate

The discount rate used to measure the collective pension liability was 6.5% for 2021. 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, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

1% Decrease	Current Discount Rate	1% Increase
<u>5.5%</u>	<u>6.5%</u>	<u>7.5%</u>
\$760,513	\$(53,442)	\$(726,691)

All other employees are covered under the Social Security System.

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

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.

(8) OTHER POST-EMPLOYMENT BENEFIT (OPEB)

Plan Description – Maine Municipal Employees Health Trust

The City of Caribou, Maine participates in the Maine Municipal Employees Health Trust (MMEHT) in which retirees and spouses may participate in group health insurance through a single employer defined benefit OPEB plan. The employee must meet certain age and length of service requirements in order to be eligible for post-retirement benefits.

Benefits

The non-Medicare retirees are offered the same plans that are available to the active employees. Medicare retirees are assumed to be enrolled in Medicare Parts A and B and the Retiree Group Companion Plan which includes prescription coverage. Medical benefits are provided for the life of the retiree and surviving spouses. Current retirees do not have access to dental benefits. Future new retirees who retire after December 31, 2016 will have access to purchase dental coverage at the Plan COBRA (Consolidated Omnibus Budget Reconciliation Act) rates.

CITY OF CARIBOU, MAINE

Notes to the Financial Statements December 31, 2021

(8) OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)

Employees Covered by Benefit Terms

At January 1, 2020, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	<u>59</u>
Total	<u>61</u>

Discount Rate

Since the Plan is pay as you go and is not funded, the discount rate will be based on a 20-year, tax-exempt general obligation municipal bond index and is 2.12% as of December 31, 2020. The discount rate as of December 26, 2019 was 2.74% per annum.

The following table shows how the net MMEHT OPEB liability as of December 31, 2020 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

1% Decrease	Current Discount Rate	1% Increase
<u>1.12%</u>	<u>2.12%</u>	<u>3.12%</u>
\$703,924	\$594,286	\$506,205

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments. Lower healthcare trend rates produce a lower total OPEB liability.

1% Decrease	Healthcare Cost Trend Rates	1% Increase
\$496,471	\$594,286	\$721,543

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2021, using the following methods and assumptions apply to all periods included in the measurement:

The Entry Age Normal Actuarial Cost Method to value the plan's actuarial liabilities and to set the normal cost. Under this method, a normal cost rate is determined as a level percent of pay for each active plan member and then summed to produce the total normal cost for the plan. The unfunded actuarial liability and the actuarial value of assets.

Trend Assumptions

The Society of Actuaries Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field.

Future Plan Changes

It is assumed that the current Plan and cost-sharing structure remains in place for all future years.

CITY OF CARIBOU, MAINE

Notes to the Financial Statements
December 31, 2021

(8) OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)

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

At December 31, 2021, the City reported a liability of \$86,784 for its net MMEHT liability. The net OPEB liability was measured as of January 1, 2021, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 17,104	\$30,390
Changes of assumptions	<u>179,329</u>	<u>30,472</u>
Total	<u>\$196,433</u>	<u>\$60,862</u>

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

Year Ending December 31,	Amounts
2022	\$19,068
2023	19,068
2024	19,068
2025	19,068
2026	19,073
Thereafter	40,226

Change in net OPEB Liability

Balance at December 31, 2020	<u>\$521,823</u>
Changes for the year:	
Service cost	24,494
Interest	14,890
Changes of benefits	-
Differences between expected and actual	-
Changes of assumptions	38,885
Benefit payments/ Employer contributions	<u>(5,806)</u>
Net changes	<u>72,463</u>
Balance at December 31, 2021	<u>\$594,286</u>

CITY OF CARIBOU, MAINE

Notes to the Financial Statements December 31, 2021

(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 25, 2022. These financial statements are available from the City's Finance Department.

A summary of the facility's activity for 2021, is as follows:

	<u>Amount</u>
Total assets	\$20,899,849
Deferred outflows of resources	145,669
Total liabilities	17,633,861
Deferred inflows of resources	<u>380,105</u>
Total net position	<u>\$ 3,031,552</u>
Total revenue	\$ 4,163,301
Less total expenditures	<u>4,884,103</u>
Decrease in net position	<u>\$ (720,802)</u>

The City has guaranteed, together with the other member communities, three notes payable. As of December 31, 2021, the total balance owed was \$6,069,217.

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, 2021, the estimated total cost of closure and post-closure care was approximately \$35,181,517 of which \$11,252,000 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 2021 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, 2021, the City abated property taxes totaling \$94,721 in connection with these agreements.

CITY OF CARIBOU, MAINE

Notes to the Financial Statements December 31, 2021

(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. More recent risks include, but are not limited to military conflicts in Europe, the oil and gas market, supply chain issues and inflation. 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 18, 2022, 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, 2021

	General Fund		
	Budgeted Amounts		Actual Budgetary Basis
	Original	Final	
REVENUES			
Local property taxes	\$ 7,766,721	\$ 7,766,721	\$ 7,862,862
Homestead exemption reimbursement	684,600	684,600	830,845
Abatements	(13,000)	(13,000)	(13,135)
Other property tax related	295,300	295,300	320,444
Excise taxes	1,519,850	1,519,850	1,625,809
Federal and state assistance	1,350,500	1,350,500	1,791,573
Ambulance fees	1,105,950	1,105,950	1,303,645
Fire/Ambulance charge to towns	558,600	558,600	558,100
Billing services	13,775	13,775	40,336
Other licenses, permits and fees	320,025	320,025	269,277
Economic Development (TIF)	476,622	476,622	476,622
Other	210,700	210,700	168,926
TOTAL REVENUES	<u>14,289,643</u>	<u>14,289,643</u>	<u>15,235,304</u>
EXPENDITURES			
General government	799,765	799,765	939,686
Education	3,671,829	3,671,829	3,671,829
Health and sanitation	255,671	255,671	253,256
Public works	2,191,691	2,191,691	2,083,171
Police department and emergency management	1,999,695	1,999,695	2,027,190
Fire and ambulance	2,350,449	2,350,449	2,315,599
Insurance and retirement	93,960	93,960	88,827
Parks and recreation	662,666	662,666	678,245
Library	222,119	222,119	207,575
County tax	552,758	552,758	552,758
Tax assessment office	272,981	272,981	226,954
Tax increment financing	476,622	476,622	476,622
Appropriations to capital outlays	745,758	745,758	745,758
Other	253,485	253,485	204,761
TOTAL EXPENDITURES	<u>14,549,449</u>	<u>14,549,449</u>	<u>14,472,231</u>
Excess of Revenues Over (Under) Expenditures	<u>(259,806)</u>	<u>(259,806)</u>	<u>763,073</u>
OTHER SOURCES (USES)			
Capital outlays in excess of appropriations	<u>-</u>	<u>-</u>	<u>(55,041)</u>
Net Increase (Decrease) in Fund Balance	(259,806)	(259,806)	708,032
Fund Balance - January 1, 2021	<u>-</u>	<u>-</u>	<u>8,346,586</u>
Fund Balance - December 31, 2021	<u>\$ (259,806)</u>	<u>\$ (259,806)</u>	<u>\$ 9,054,618</u>

CITY OF CARIBOU, MAINE

Note to Supplement One - Budgetary Comparison Schedule
For the General Fund
For the Year Ended December 31, 2021

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, 2021

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

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

An asset management system employed that:

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

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

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

The City established a condition level of 70% which is a 2 rating. The assessment itself may be made either by the governmental entity directly or by external parties. The condition assessment may be performed annually or on a cyclical basis. For the period of December 31, 2019 through December 31, 2021, the City’s Runway System was rated at an index of 100. The detail of the condition assessments from December 31, 2019 through December 31, 2021 are as follows:

<u>Condition</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Asset Management System Rating</u>
Good	35%	56%	56%	1
Fair	55%	37%	26%	2
Poor to Substandard	10%	7%	18%	3 and 4
Index rating	80	80	79	

As of December 31, 2021, the City had 10,311,934 square feet of roads with a historical cost of \$5,159,583. As of December 31, 2021, the City had 109,189 square feet of sidewalks with a historical cost of \$243,750. As of December 31, 2021, 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>
2021	\$471,000	\$473,256	\$106,696
2020	489,000	473,382	343,448
2019	525,760	480,506	184,393

CITY OF CARIBOU, MAINE

Supplement 3

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.166299%	0.163962%	0.162736%	0.164850%	0.177237%	0.157442%	0.141646%	0.138719%
City's proportionate share of the net pension liability (asset)	\$ (53,442)	\$ 651,442	\$ 497,422	\$ 451,157	\$ 725,674	\$ 836,538	\$ 451,917	\$ 213,462
City's covered-employee payroll	2,058,065	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 (asset) as a percentage of its covered-employee payroll	-2.60%	36.94%	27.73%	26.44%	44.75%	53.86%	33.11%	17.00%
Plan fiduciary net position as a percentage of the total pension liability	100.90%	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 Eight Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 129,991	\$ 108,469	\$ 104,430	\$ 95,568	\$ 89,994	\$ 84,006	\$ 65,501	\$ 53,995
Contributions in relation to the contractually required contribution	<u>129,991</u>	<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>	<u>\$ -</u>
City's covered-employee payroll	\$2,058,065	\$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	6.32%	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, 2021

NOTE 1 – VALUATION DATE

Only fiscal years 2021 through 2014 are reported. The amounts presented have a measurement date as of June 30, 2021. 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, 2021, 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 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	6.5% compounded annually for 2021 6.75% compounded annually for 2020, 2019 and 2018 6.875% compounded annually for 2017 and 2016 7.125% compounded annually for 2015 7.25% compounded annually for 2014
Retirement age	60 or 65, depending on years of creditable service at certain dates
Mortality	2010 Public Plan General Benefits Weighted Healthy Retiree Mortality Table for males and females. Projected generationally using the RPEC_2020 model.

CITY OF CARIBOU, MAINE

Supplement 5

Schedule of Change in Net Other Post-Employment Benefits (OPEB) Liability -
Maine Municipal Employees Health Trust
For the Last Four Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 24,494	\$ 16,515	\$ 19,105	\$ 15,625
Interest (includes interest on service cost)	14,890	17,137	15,055	12,011
Changes of benefits	-	(9,616)	-	-
Differences between expected and actual experience	-	(37,988)	-	30,784
Changes of assumptions	38,885	137,171	(45,706)	62,272
Benefit payments, including refunds of member contributions	<u>(5,806)</u>	<u>(5,650)</u>	<u>(5,433)</u>	<u>(3,117)</u>
Net change in total OPEB liability	72,463	117,569	(16,979)	117,575
Total OPEB liability - beginning	<u>521,823</u>	<u>404,254</u>	<u>421,233</u>	<u>303,658</u>
Total OPEB liability - ending (a)	<u>\$ 594,286</u>	<u>\$ 521,823</u>	<u>\$ 404,254</u>	<u>\$ 421,233</u>
Plan fiduciary net position				
Contributions - employer	\$ 5,806	\$ 5,650	\$ 5,433	\$ 3,117
Benefit payments	<u>(5,806)</u>	<u>(5,650)</u>	<u>(5,433)</u>	<u>(3,117)</u>
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 594,286</u>	<u>\$ 521,823</u>	<u>\$ 404,254</u>	<u>\$ 421,233</u>
Plan fiduciary net position as a percentage of the total OPEB liability	N/A	N/A	N/A	N/A
Covered employee payroll	\$2,971,088	\$3,048,055	\$3,048,055	\$ 3,048,055
Net OPEB liability as a percentage of covered employee payroll	20.0%	17.1%	13.3%	13.8%

CITY OF CARIBOU, MAINE

Notes to Supplement 5 December 31, 2021

NOTE 1 – VALUATION DATE

Only fiscal years 2018 through 2021 are reported. The amounts presented have a measurement date as of January 1, 2021. The City of Caribou, Maine will continue to present information until a full ten-year trend is compiled.

NOTE 2 – BENEFIT CHANGES

There were no substantive plan changes during calendar year 2021.

NOTE 3 – CHANGE IN ASSUMPTIONS

The change in discount rate from 2.74% to 2.12% was the only change in assumption for the 2021 valuation.

NOTE 4 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Investment rate of return	2.12% compounded annually for 2021 2.74% compounded annually for 2020 4.10% compounded annually for 2019 3.44% compounded annually for 2018
Salary increase rate	2.75%
Mortality	Based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females

CITY OF CARIBOU, MAINE

Schedule 1

Balance Sheet
For Non-Major Funds
December 31, 2021

	<u>Snowmobile Trail Maintenance</u>	<u>Housing</u>	<u>Economic Development</u>	<u>American Rescue Plan</u>	<u>Revolving Loan Fund #10</u>	<u>Total Non-Major Funds</u>
<u>ASSETS</u>						
Cash	\$ 41,197	\$ 152,424	\$ 583,872	\$ 241,970	\$ 80,692	\$ 1,100,155
Notes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,000</u>	<u>159,000</u>
Total Assets	<u>\$ 41,197</u>	<u>\$ 152,424</u>	<u>\$ 583,872</u>	<u>\$ 241,970</u>	<u>\$ 239,692</u>	<u>\$ 1,259,155</u>
<u>LIABILITIES AND FUND</u>						
<u>BALANCES</u>						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance	<u>41,197</u>	<u>152,424</u>	<u>583,872</u>	<u>241,970</u>	<u>239,692</u>	<u>1,259,155</u>
Total liabilities and fund balances	<u>\$ 41,197</u>	<u>\$ 152,424</u>	<u>\$ 583,872</u>	<u>\$ 241,970</u>	<u>\$ 239,692</u>	<u>\$ 1,259,155</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, 2021

	<u>Snowmobile Trail Maintenance</u>	<u>Housing</u>	<u>Economic Development</u>	<u>American Rescue Plan</u>	<u>Revolving Loan Fund #10</u>	<u>Total Non-major Funds</u>
REVENUES						
Federal and state assistance	\$ 140,979	\$ 127,446	\$ -	\$ 400,970	\$ -	\$ 669,395
Interest income	-	-	-	-	673	673
TIF Funds	-	-	316,207	-	-	316,207
Reimbursements	7,312	44,758	-	-	-	52,070
Other income	<u>138,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,422</u>
Total Revenues	<u>286,713</u>	<u>172,204</u>	<u>316,207</u>	<u>400,970</u>	<u>673</u>	<u>1,176,767</u>
EXPENDITURES						
Program expenditures	<u>234,266</u>	<u>137,434</u>	<u>255,375</u>	<u>159,000</u>	<u>-</u>	<u>786,075</u>
Excess of Revenues Over Expenditures	52,447	34,770	60,832	241,970	673	390,692
Fund Balance - January 1	<u>(11,250)</u>	<u>117,654</u>	<u>523,040</u>	<u>-</u>	<u>239,019</u>	<u>868,463</u>
Fund Balance - December 31	<u>\$ 41,197</u>	<u>\$ 152,424</u>	<u>\$ 583,872</u>	<u>\$ 241,970</u>	<u>\$ 239,692</u>	<u>\$ 1,259,155</u>

CITY OF CARIBOU, MAINE

Schedule 3

Schedule of Capital Outlays - General Fund
For the Year Ended December 31, 2021

<u>Department</u>	<u>Balances January 1</u>	<u>Appropri- ations</u>	<u>Grants/ Transfers</u>	<u>Other</u>	<u>Total Available</u>	<u>Expenditures</u>	<u>Balances December 31</u>
Recreation	\$ 453,830	\$ 12,730	\$ -	\$ 50,207	\$ 516,767	\$ 412,578	\$ 104,189
Library	63,670	12,600	-	13,262	89,532	15,025	74,507
Police	186,333	100,100	-	58,497	344,930	113,321	231,609
Fire	265,130	182,570	-	4,259	451,959	388,745	63,214
Ambulance	113,032	34,118	-	9,256	156,406	136,631	19,775
Public Works	35,329	189,000	-	40,878	265,207	95,146	170,061
Assessment Office	68,805	-	-	1,467	70,272	2,055	68,217
Airport	64,471	-	20,000	760	85,231	6,869	78,362
General Government	51,912	181,140	32,000	11,175	276,227	149,078	127,149
Economic Development	296,949	-	27,803	24,250	349,002	23,550	325,452
TIF accounts	100,419	-	126,438	-	226,857	79,536	147,321
RSU 39 Commitment	(1,082,828)	-	3,671,829	-	2,589,001	3,671,829	(1,082,828)
Other reserves	221,615	33,500	-	17,468	272,583	16,292	256,291
	<u>\$ 838,667</u>	<u>\$ 745,758</u>	<u>\$ 3,878,070</u>	<u>\$ 231,479</u>	<u>\$ 5,693,974</u>	<u>\$ 5,110,655</u>	<u>\$ 583,319</u>

CITY OF CARIBOU, MAINE

Schedule 4

Schedule of Non-Capital Outlays - General Fund
For the Year Ended December 31, 2021

	Balances <u>January 1</u>	Appropri- <u>ations</u>	<u>Transfers</u>	<u>Other</u>	Total <u>Available</u>	Expendi- <u>tures</u>	Balances <u>December 31</u>
Compensated Absences	\$ 118,314	\$ -	\$ 25,000	\$ -	\$ 143,314	\$ 59,828	\$ 83,486
Revolving Loan Fund - Cash	386,683	-	-	6,286	392,969	-	392,969
Revolving Loan Fund - Loans Receivable	53,953	-	-	-	53,953	6,286	47,667
Tax Relief Fund	-	-	194,790	-	194,790	-	194,790
Thursday on Sweden Street	(241)	-	-	200	(41)	-	(41)
Heritage Day	(8,000)	-	-	-	(8,000)	-	(8,000)
Caribou Marathon	(35,722)	-	-	23,804	(11,918)	33,334	(45,252)
Story of Caribou	7,500	-	-	-	7,500	6,768	732
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	100,245	-	-	139,017	239,262	131,525	107,737
Resource Reserve Account	212,065	-	-	-	212,065	23,525	188,540
Aroostook Waste Solutions	-	-	-	324,082	324,082	-	324,082
Miscellaneous events	(559)	-	-	307	(252)	-	(252)
	<u>\$ 3,839,657</u>	<u>\$ -</u>	<u>\$ 219,790</u>	<u>\$ 493,696</u>	<u>\$ 4,553,143</u>	<u>\$ 261,266</u>	<u>\$ 4,291,877</u>

CITY OF CARIBOU, MAINE

Schedule 5

Schedule of Property Taxes - General Fund
For the Year Ended December 31, 2021

	<u>Total</u>	<u>2022 Taxes</u>	<u>2021 Taxes</u>	<u>2020 Taxes and Liens</u>	<u>Prior Taxes</u>
UNCOLLECTED AT JANUARY 1	\$ 810,160	\$ -	\$ (49,595)	\$ 639,916	\$ 219,839
2021 COMMITMENT (\$350,035,800 @ .023550)	8,243,343	-	8,243,343	-	-
SUPPLEMENTAL TAX	-	-	-	-	-
	8,243,343	-	8,243,343	-	-
COLLECTIONS	8,186,447	83,780	7,435,120	539,375	128,172
TAX-ACQUIRED PROPERTY	31,806	-	17,917	-	13,889
ABATEMENTS	13,134	-	250	12,023	861
	8,231,387	83,780	7,453,287	551,398	142,922
UNCOLLECTED AT DECEMBER 31	\$ 822,116	\$ (83,780)	\$ 740,461	\$ 88,518	\$ 76,917
REPRESENTED BY					
Real Estate Taxes	\$ 702,213	\$ (83,712)	\$ 712,473	\$ 72,379	\$ 1,073
Personal Property Taxes	119,903	(68)	27,988	16,139	75,844
	\$ 822,116	\$ (83,780)	\$ 740,461	\$ 88,518	\$ 76,917

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, 2021, 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 18, 2022.

Report on 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

Report on 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 18, 2022

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

Opinion on Each Major Federal Program

We have audited the City of Caribou, Maine's compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, the City of Caribou, Maine complied, in all material respects, with the types of 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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Caribou, Maine and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Caribou, Maine's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Caribou, Maine's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Caribou, Maine's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material

To the City Council of the
City of Caribou, Maine

Auditors' Responsibilities for the Audit of Compliance (Continued)

noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Caribou, Maine's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Caribou, Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Caribou, Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 18, 2022

CITY OF CARIBOU, MAINE

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

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

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

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

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

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

Identification of major programs:

Department of Housing and Urban Development

Section 8 Housing Choice Voucher Program CFDA #14.871

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

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

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF CARIBOU, MAINE

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass- through Grantor's Number</u>	<u>Disburse- ments</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Award - Section 8 Housing Choice Vouchers	14.871	N/A	\$ 985,108
Direct Award - Family Self-Sufficiency Program	14.896	N/A	57,446
Direct Award - Mainstream Vouchers	14.879	N/A	90,239
** Direct Award - Emergency Housing Vouchers	14.EHV	N/A	58,892
** Direct Award - HCV CARES Act Funding	14.HCC	N/A	<u>39,977</u>
Subtotal - U.S. Department of Housing and Urban Development			<u>1,231,662</u>
<u>U.S. Department of Justice</u>			
Passed through Aroostook County Sheriff's Office			
** COVID Emergency Supplemental Funding Grant	16.034	N/A	15,725
Direct Award - Bulletproof Vest Program	16.607	N/A	7,555
Direct Award - Edward Byrne Assistance Grant	16.738	N/A	<u>1,942</u>
Subtotal - U.S. Department of Justice			<u>25,222</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	1,253
National Priority Safety Program	20.616	N/A	<u>4,673</u>
Subtotal - U.S. Department of Transportation			<u>5,926</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State of Maine Department of Emergency Management:			
Shelter Upgrades	97.042	N/A	6,137
Operation Stonegarden	97.067	N/A	<u>19,578</u>
Subtotal - U.S. Department of Homeland Security			<u>25,715</u>
<u>U.S. Department of Agriculture</u>			
Direct Award - Rural Business Development Grant	10.351	N/A	<u>95,000</u>
Subtotal - U.S. Department of Agriculture			<u>95,000</u>
Total			<u>\$ 1,383,525</u>

** COVID Related funding

CITY OF CARIBOU, MAINE

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

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 Assistance Listing Number (ALN) 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, 2021

There were no audit findings reported for the year ended December 31, 2020 that require follow-up in the December 31, 2021 report.