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2014

## **Caribou Maine Financial Audit Report 2014**

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*CITY OF CARIBOU, MAINE*  
*as of*  
*DECEMBER 31, 2014*

## *Financial Statements*

CITY OF CARIBOU, MAINE

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## INDEPENDENT AUDITORS' REPORT

To the City Council of the  
City of Caribou, Maine

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Caribou, Maine as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the City Council of the  
City of Caribou, Maine

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Caribou, Maine, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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, 2014, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the City of Caribou, Maine, as of and for the year ended December 31, 2014, and our report thereon, dated July 9, 2015, expressed an unmodified opinion on those financial statements.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information on Pages I through X and Supplements 1 and 2, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Council of the  
City of Caribou, Maine

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Caribou's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2015 on our consideration of the City of Caribou's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Caribou's internal control over financial reporting and compliance.

*Felch & Company LLC*

Caribou, Maine  
July 9, 2015



City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

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, 2014. Management's discussion and analysis should be viewed as a tool to aid the reader in understanding of 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 2014.
- The Financial Administrators of the City have implemented a modified approach towards valuing its infrastructure. This approach includes the establishment of condition statements for much of the City's infrastructure and a plan of capital actions to maintain and improve assets in accordance with prudent financial practices.
- The City has also implemented infrastructure management and measurement tools as a result of these standards. The City has implemented and integrated a full depreciation basis of all capital infrastructures in a further effort to measure the ability of appropriately maintaining the existing infrastructure as well as accounting for future needs.

**The Financial Statements**

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

**City-Wide Financial Statements**

The City-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting, similar in manner to private sector accounting statements. The statements present governmental activities and business-type activities separately. The business-type activity consists of services provided by the governmental unit that are largely supported by fees charged for the service or revenues generated by the performance of such activity. These statements also include all assets of the City (including infrastructure) as well as the liabilities with certain interfund activities eliminated.

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

City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

UNAUDITED

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

Both of these statements within the City-wide financials distinguish between governmental-type functions, principally supported by taxes, and intergovernmental revenues for the City. These activities are separated from those business-type activities whose functions and activities are primarily supported by user fees and charges generated from performing the related activities within the City. Governmental Activities for Caribou are defined as general government, health and sanitation, public works, protection, insurance and retirement, recreation, library, County tax, general assistance, Chamber of Commerce, Section 8 Housing, capital projects and other activities. The business-type activity is the ambulance operation.

**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 three categories: governmental funds, proprietary fund and fiduciary funds.

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

Proprietary funds are those revenues gained from activities and services that are primarily supported by user fees or charges for those related activities. The City maintains one proprietary fund, the Ambulance Service. This activity is maintained as an enterprise account and is reported separately to better demonstrate the cash flows and net of operational activity that is generated from the services throughout the year.

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

City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

UNAUDITED

The Statement of Net Position (Exhibit A) reports total net position of \$21,575,786 from the combined operations of the Governmental and Business-type activity. This aggregate amount consists of total assets less depreciation and liabilities for these combined operations. Exhibit A is delineated into Assets: Current and Non-current, Liabilities: Current and Non-current 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 2013 to 2014. Total Current Assets decreased by \$167,515 in 2014 primarily due to a decrease in other receivables of \$420,917 or 50% which is offset by an increase in cash of approximately \$264,000 or 11%. Capital Assets, net of depreciation, increased by \$2,457,460 primarily from the completion of the airport improvement project.

Table I indicates Current Liabilities decreased by \$622,228 primarily due to a decrease in accounts payable of \$553,750. Net Position increased by \$2,967,530 for 2014 as Total Assets increased by \$2,289,945 and Liabilities decreased by \$677,585.

The reader should refer to Table II as a comparison of the changes in Net Position from 2013 to 2014. Total City net Expenditures for Governmental activities combined were \$7,885,054, as compared to \$9,294,082 for 2013 for a decrease of \$1,409,028. The major components of the decrease in Expenditures were \$2,058,640 in capital projects and \$84,974 in recreation which were offset by increases in general government, public works and education.

For 2014, the total General Revenues were \$10,766,529 as compared to \$10,759,028 for 2013, an increase of \$7,501. Taxes increased by \$530,349 due to rising costs and losses of other non-property tax revenue. There was an increase in Excise tax of approximately \$46,000 and a decrease in unrestricted federal and state aid of about \$280,000.

For Business-type activities, Table II shows the Ambulance Service expending \$1,774,291 while generating revenues of \$1,860,346 from billings producing a net income of \$86,055 for 2014 compared to a net loss of \$22,760 in 2013. The Service receives no net support from property taxation.

Pie charts follow to give the reader a visual indication of City Revenues and Expenses for 2014 as compared to 2013.

City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

UNAUDITED

Table I provides data for the Governmental Activities for the years ended 2014 and 2013.

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

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and temporary investments	\$ 3,082,347	\$ 2,818,172
Taxes receivable	1,210,014	1,085,541
Notes receivable	298,468	310,368
Other receivables	413,523	834,440
Other current assets	<u>47,091</u>	<u>170,437</u>
Total Current Assets	<u>5,051,443</u>	<u>5,218,958</u>
Noncurrent Assets		
Capital assets, net of depreciation	<u>18,153,619</u>	<u>15,696,159</u>
Total Assets	<u>23,205,062</u>	<u>20,915,117</u>
Current Liabilities		
Accounts payable and accrued expenses	118,986	672,736
Deferred compensation	624,232	665,365
Current portion note payable	<u>26,699</u>	<u>54,044</u>
	<u>769,917</u>	<u>1,392,145</u>
Noncurrent Liabilities		
Note payable, net of current portion	<u>859,359</u>	<u>914,716</u>
Net Position		
Net investment in capital assets	17,267,561	14,727,399
Restricted for special revenue funds	263,116	236,892
Unrestricted	<u>4,045,109</u>	<u>3,643,965</u>
TOTAL NET POSITION	<u>\$21,575,786</u>	<u>\$18,608,256</u>

City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

UNAUDITED

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

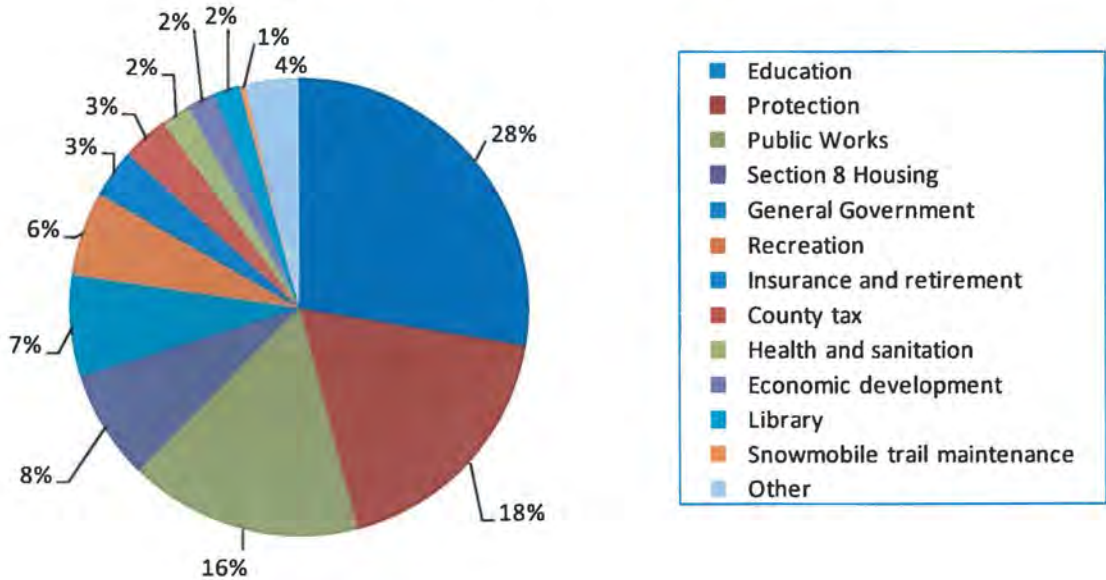
	<u>2014</u>	<u>2013</u>
Governmental Activities:		
<u>General Revenues</u>		
Taxes	\$ 8,432,705	\$ 7,902,356
Federal and state assistance	538,280	818,051
Excise taxes	1,303,885	1,257,526
Other revenues	491,659	781,095
Total general revenues	<u>10,766,529</u>	<u>10,759,028</u>
<u>General Expenses, net of related revenues</u>		
General Government	729,342	545,556
Public Works	1,826,603	1,309,678
Protection	2,002,827	1,919,336
Education	3,460,276	3,336,540
Recreation	627,421	712,395
County tax	410,995	396,474
Health and Sanitation	260,203	264,610
Insurance and retirement	422,521	475,502
Library	213,796	215,134
Capital projects	(2,805,482)	(746,842)
Other	736,552	865,699
Total general activities expenses	<u>7,885,054</u>	<u>9,294,082</u>
Change in Net Position from general governmental activities	<u>2,881,475</u>	<u>1,464,946</u>
Business-type Activity:		
Revenues		
Charges for services	1,860,346	1,478,158
Expenses	1,774,291	1,500,918
Change in Net Position from business-type activity	<u>86,055</u>	<u>(22,760)</u>
Change in Net Position	<u>2,967,530</u>	<u>1,442,186</u>
Net Position January 1	18,608,256	16,419,614
Prior period adjustment	-	746,456
Net Position January 1 (restated)	<u>18,608,256</u>	<u>17,166,070</u>
Net Position December 31	<u>\$21,575,786</u>	<u>\$18,608,256</u>

City of Caribou, Maine

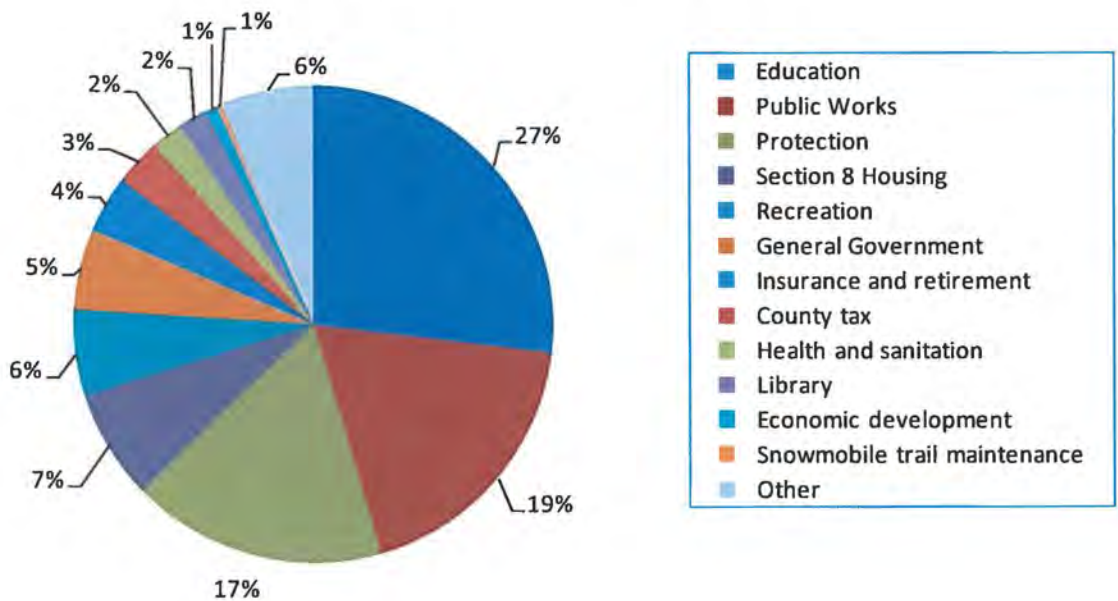
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

UNAUDITED

### 2014 Government Activity Expense



### 2013 Government Activity Expense

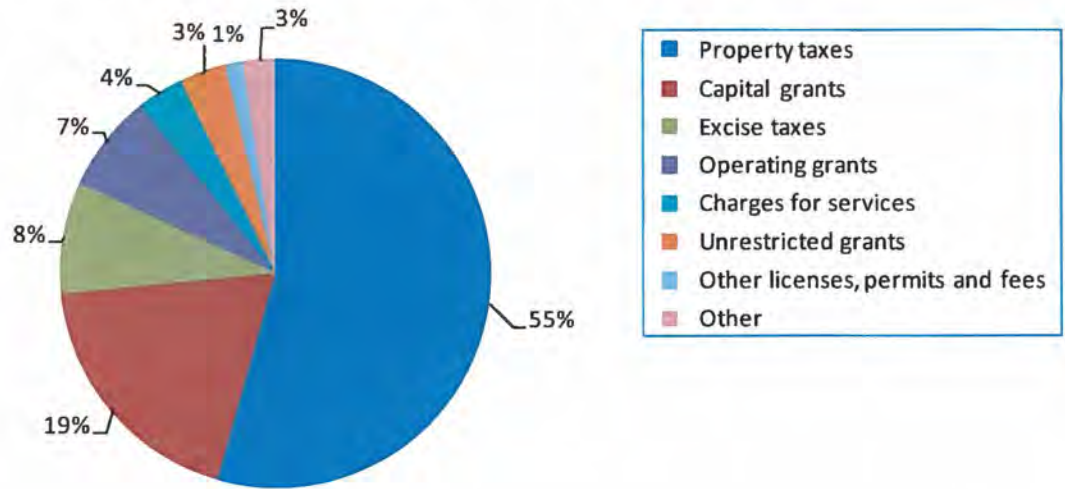


City of Caribou, Maine

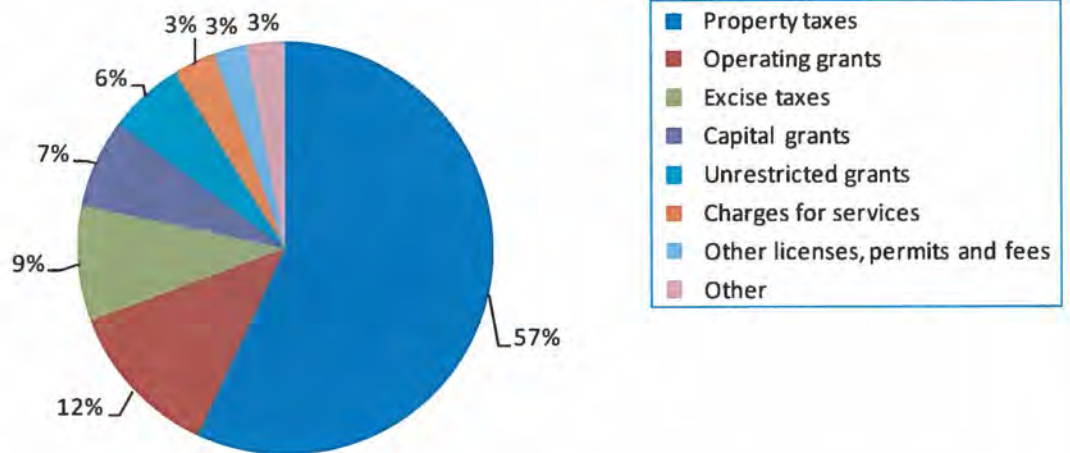
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

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### 2014 Government Activity Revenue



### 2013 Government Activity Revenue



City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

UNAUDITED

Management has produced Table III to further assist the reader in assessing the major changes in Revenues for the City comparing the current year to that of 2013. Total City Revenues for 2014 were \$17,277,037, an increase of \$1,914,850 compared to 2013. Please refer to page VII for the pie charts illustrating the same. Property Taxes increased by \$530,349 due to increased expenditures for both municipal and school operations coupled with the loss of prior revenues. Restricted Grants increased by \$1,436,556 due to ongoing work at the Airport funded 90% by FAA, 5% State and 5% Local. Unrestricted Grants decreased by \$279,771 due to losses of State Revenue Sharing. Management recognizes the need to reduce revenue from property taxes by maximizing other non-property tax revenues provided charges for services are reasonable and customary or fall within State allowances. Management also recognizes the continued detrimental impacts upon property taxation stemming from the State's reduction of Municipal Revenue Sharing by over \$950,000 since 2008, reducing the City's share from broad based taxation specifically set within Title 30-A \$5681 to stabilize the municipal property tax burden. A graphic representation has been provided.

**Table III**  
**Percentage of Revenue Sources**

	2014 <u>Revenues</u>	2014 (by <u>percentage</u> )	2013 <u>Revenues</u>	2013 (by <u>percentage</u> )
<u>Governmental Revenues:</u>				
Program revenues				
Charges for services	\$ 545,536	3%	\$ 456,931	3%
Operating grants	1,147,707	7%	1,709,907	11%
Capital grants	2,956,919	17%	958,163	6%
Ambulance - charges for services	1,860,346	11%	1,478,158	10%
General revenues				
Property taxes	8,432,705	48%	7,902,356	52%
Excise taxes	1,303,885	8%	1,257,526	8%
Unrestricted grants	538,280	3%	818,051	5%
Other licenses, permits and fees	211,272	1%	351,665	2%
Other	<u>280,387</u>	<u>2%</u>	<u>429,430</u>	<u>3%</u>
Total City Revenues	<u>\$17,277,037</u>	<u>100%</u>	<u>\$15,362,187</u>	<u>100%</u>



City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

UNAUDITED

Management has produced Table IV to illustrate any significant changes within the Governmental Expenditures from 2014 to 2013 as a percentage of total expenditures for each year. Please refer to page VI for pie charts illustrating the same. Total Governmental Expenses increased by \$389,506. Increases in General Government, Public Works and Education were offset by decreases in Recreation and Insurance and retirement.

Table IV shows the percentage of expenses for governmental activities for the years 2014 and 2013.

**Table IV**  
**Percentage of Expenses**

	<u>2014</u> <u>Expenses</u>	2014 (by <u>percentage)</u>	<u>2013</u> <u>Expenses</u>	2013 (by <u>percentage)</u>
<u>Governmental Expenses:</u>				
General Government	\$ 904,770	6%	\$ 682,654	5%
Economic development	258,099	2%	99,380	1%
Health and sanitation	260,203	2%	264,610	2%
Public Works	2,050,387	14%	2,312,665	16%
Protection	2,300,740	16%	2,133,590	15%
Education	3,460,276	24%	3,336,540	23%
Recreation	747,567	5%	731,395	5%
Snowmobile trail maintenance	47,981	1%	44,500	1%
County tax	410,995	3%	396,474	3%
Section 8 Housing	972,591	7%	922,922	7%
Insurance and retirement	422,521	3%	475,502	3%
Library	223,812	2%	246,606	2%
Ambulance	1,774,291	12%	1,500,918	11%
Other	<u>475,274</u>	<u>3%</u>	<u>772,245</u>	<u>6%</u>
<b>Total Governmental Expenses</b>	<b><u>\$14,309,507</u></b>	<b><u>100%</u></b>	<b><u>\$13,920,001</u></b>	<b><u>100%</u></b>

City of Caribou, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

UNAUDITED

The Reader may refer to Supplement 1 as the report comparing the City's Governmental Fund and Business-type Fund activity for the year as they compared to budget. Total Expenditures for the year, excluding Ambulance, were \$11,299,062, \$143,860 less than budgeted. Revenues, excluding Ambulance, were \$11,205,315, \$121,546 more than budgeted. Expenditures exceeded Revenues by \$93,747 for the year. Total Other Sources of \$191,440 came from the ambulance fund. Capital outlays of \$143,808 and transfers to non-major funds of \$410,678 further reduced fund balance. The resulting net decrease in Fund Balance General Fund from Governmental Operations was \$456,793.

The Ambulance Service on Supplement 1 had Total Revenues of \$1,823,844, \$124,379 less than budgeted and Total Expenditures of \$1,632,404, \$132,840 more than budgeted. The Ambulance Service had a net of operations of just \$191,440 for the year as compared to a budgeted \$448,659. Ambulance volumes were close to expectations but State and Federal reimbursements continued to lag. The uncertainty of the State and Federal reimbursement and processing continues to detrimentally impact Ambulance receipts.

A more complete understanding of the capital outlay is summarized in Note 7 of this audit. Note 7 indicates that the City's capital assets, net of depreciation, increased by \$2,593,305. Additions to infrastructure, buildings, vehicles and equipment totaled \$4,381,419 while depreciation across land improvements, buildings, vehicles and equipment totaled \$519,871. The retirements of capital assets, net of the transfer of the completed airport project to infrastructure, totaled \$13,761 of book value. Management recognizes that the relationship of depreciation expense being less than additions by \$2,607,066 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. Note 7 also indicates that the Business-type Activity of the Ambulance had depreciation of \$135,845 accounting for the decrease for the year.

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 2014 Audit with the continued pledge of researching and applying where possible economies of scale, regionalized services, best practices and efficiencies to minimize these pending impacts. This concludes the Management Discussion and Analysis Statement for the calendar year of 2014. A complete copy of the 2014 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, 2014

	Governmental Activities	Business- type Activity	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and temporary investments (Note 2)	\$ 3,082,347	\$ -	\$ 3,082,347
Uncollected taxes	1,156,805	-	1,156,805
Tax acquired property	53,209	-	53,209
Accounts receivable	144,928	353,595	498,523
Allowance for uncollectibles	(85,000)	-	(85,000)
Inventories	22,366	-	22,366
Notes receivable (Notes 3 and 4)	298,468	-	298,468
Restricted cash (Note 5)	24,097	-	24,097
Other assets	628	-	628
	<u>4,697,848</u>	<u>353,595</u>	<u>5,051,443</u>
NONCURRENT ASSETS			
Capital assets (Note 7)			
Non-depreciable	10,056,459	-	10,056,459
Depreciable	13,272,201	1,419,359	14,691,560
Less allowance for depreciation	(6,024,764)	(569,636)	(6,594,400)
	<u>17,303,896</u>	<u>849,723</u>	<u>18,153,619</u>
Total assets	<u>22,001,744</u>	<u>1,203,318</u>	<u>23,205,062</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	41,329	53,560	94,889
Accrued payroll	75,255	-	75,255
Escrow (Note 5)	24,097	-	24,097
Compensated absences (Note 1)	459,216	89,761	548,977
Current portion, notes payable	26,699	-	26,699
Total current liabilities	<u>626,596</u>	<u>143,321</u>	<u>769,917</u>
NONCURRENT LIABILITIES (Note 8)			
Notes payable, net of current portion	<u>859,359</u>	<u>-</u>	<u>859,359</u>
Total liabilities	<u>1,485,955</u>	<u>143,321</u>	<u>1,629,276</u>
<u>NET POSITION</u>			
Net investment in capital assets	16,417,838	849,723	17,267,561
Restricted for:			
Special revenue funds	263,116	-	263,116
Unrestricted	<u>3,834,835</u>	<u>210,274</u>	<u>4,045,109</u>
Total net position	<u>\$ 20,515,789</u>	<u>\$ 1,059,997</u>	<u>\$ 21,575,786</u>

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

## CITY OF CARIBOU, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT B

	Expenses	Charges for Services	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activity	Total
<u>Functions/Programs</u>							
Primary Government							
Governmental Activities:							
General government	\$ 904,770	\$ 175,428	\$ -	\$ -	\$ (729,342)		\$ (729,342)
Economic development	258,099	-	-	-	(258,099)		(258,099)
Health and sanitation	260,203	-	-	-	(260,203)		(260,203)
Public works	2,050,387	90,040	133,744	-	(1,826,603)		(1,826,603)
Protection	2,300,740	205,228	92,685	-	(2,002,827)		(2,002,827)
Insurance and retirement	422,521	-	-	-	(422,521)		(422,521)
Recreation	747,567	41,690	-	84,490	(621,387)		(621,387)
Snowmobile trail maintenance	47,981	-	-	41,947	(6,034)		(6,034)
Library	223,812	10,016	-	-	(213,796)		(213,796)
County tax	410,995	-	-	-	(410,995)		(410,995)
General assistance	54,662	-	-	-	(54,662)		(54,662)
Education	3,460,276	-	-	-	(3,460,276)		(3,460,276)
Chamber of Commerce	46,360	-	-	-	(46,360)		(46,360)
Section 8 Housing	972,591	23,134	921,278	-	(28,179)		(28,179)
Capital projects	-	-	-	2,805,482	2,805,482		2,805,482
Interest expense	33,240	-	-	-	(33,240)		(33,240)
Other	341,012	-	-	25,000	(316,012)		(316,012)
Total governmental activities	12,535,216	545,536	1,147,707	2,956,919	(7,885,054)		(7,885,054)
Business-type Activity:							
Ambulance service	1,774,291	1,860,346	-	-	-	\$ 86,055	86,055
Total City	\$ 14,309,507	\$ 2,405,882	\$ 1,147,707	\$ 2,956,919	(7,885,054)	86,055	(7,798,999)
General revenues:							
Taxes							
Property taxes, levied for general purposes					8,401,119	-	8,401,119
Less: TIF payments					(387,216)	-	(387,216)
Homestead reimbursement and other property tax related					418,802	-	418,802
Excise					1,303,885	-	1,303,885
Federal and state aid not restricted to specific purposes					538,280	-	538,280
Other licenses, permits and fees					211,272	-	211,272
Miscellaneous revenues					280,387	-	280,387
Net transfers governmental and business-type funds from operations					93,479	(93,479)	-
Subtotal, general revenues and transfers					10,860,008	(93,479)	10,766,529
Change in net position					2,974,954	(7,424)	2,967,530
NET POSITION - JANUARY 1, 2014					16,706,284	1,067,421	17,773,705
PRIOR PERIOD ADJUSTMENT (Note 13)					834,551	-	834,551
TOTAL NET POSITION - JANUARY 1, 2014 (Restated)					17,540,835	1,067,421	18,608,256
NET POSITION - DECEMBER 31, 2014					\$ 20,515,789	\$ 1,059,997	\$ 21,575,786

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2014

	General Fund	Section 8 Housing Program	Airport Improvement Project	Non-major Funds (Schedule 1)	Total Governmental Funds
<b>ASSETS</b>					
Cash and temporary investments (Note 2)	\$ 2,786,157	\$34,564	\$ 46,045	\$ 215,581	\$ 3,082,347
Uncollected taxes	1,156,805	-	-	-	1,156,805
Tax acquired property	53,209	-	-	-	53,209
Accounts receivable	140,078	4,850	-	-	144,928
Allowance for uncollectibles	(85,000)	-	-	-	(85,000)
Due from other funds	-	-	-	487,342	487,342
Inventories	22,366	-	-	-	22,366
Notes receivable (Notes 3 and 4)	289,164	-	-	9,304	298,468
Restricted cash (Note 5)	-	24,097	-	-	24,097
Other assets	-	628	-	-	628
<b>Total assets</b>	<b>\$ 4,362,779</b>	<b>\$64,139</b>	<b>\$ 46,045</b>	<b>\$ 712,227</b>	<b>\$ 5,185,190</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 29,859	\$ 1,811	\$ -	\$ -	\$ 31,670
Escrow (Note 5)	-	24,097	-	-	24,097
Due to other funds (Note 6)	487,342	-	-	-	487,342
	517,201	25,908	-	-	543,109
<b>Deferred inflow of resources:</b>					
Deferred revenue - property taxes	1,011,455	-	-	-	1,011,455
<b>Total liabilities</b>	<b>1,528,656</b>	<b>25,908</b>	<b>-</b>	<b>-</b>	<b>1,554,564</b>
<b>Fund balances:</b>					
<b>Nonspendable</b>					
Inventory	22,366	-	-	-	22,366
<b>Restricted</b>					
Special revenue funds	-	38,231	-	224,885	263,116
<b>Unrestricted</b>					
<b>Assigned</b>					
Capital (Schedule 3)	1,044,751	-	46,045	-	1,090,796
Non-capital (Schedule 4)	555,003	-	-	-	555,003
<b>Unassigned</b>					
General fund	1,066,653	-	-	487,342	1,553,995
Deferred property taxes	145,350	-	-	-	145,350
<b>Total fund balances</b>	<b>2,834,123</b>	<b>38,231</b>	<b>46,045</b>	<b>712,227</b>	<b>3,630,626</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,362,779</b>	<b>\$64,139</b>	<b>\$ 46,045</b>	<b>\$ 712,227</b>	<b>\$ 5,185,190</b>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Section 8 Housing Program	Airport Improvement Project	Non-major Funds (Schedule 2)	Total Governmental Funds
<b>REVENUES</b>					
Local property taxes	\$ 8,244,368	\$ -	\$ -	\$ -	\$ 8,244,368
Homestead reimbursement	241,040	-	-	-	241,040
Abatements	(20,153)	-	-	-	(20,153)
Other property tax related	177,762	-	-	-	177,762
Excise taxes	1,303,885	-	-	-	1,303,885
Federal assistance	96,660	921,278	2,637,988	-	3,655,926
State assistance	756,514	-	167,494	41,947	965,955
Other licenses, permits and fees	360,859	-	-	117,913	478,772
Other revenues	312,396	23,134	7,672	346,895	690,097
<b>TOTAL REVENUES</b>	<b>11,473,331</b>	<b>944,412</b>	<b>2,813,154</b>	<b>506,755</b>	<b>15,737,652</b>
<b>EXPENDITURES</b>					
General government	787,334	129,356	-	-	916,690
Economic development	-	-	-	258,099	258,099
Health and sanitation	260,203	-	-	-	260,203
Public works	1,902,932	-	-	-	1,902,932
Protection	2,290,452	-	-	-	2,290,452
Insurance and retirement	422,521	-	-	-	422,521
Recreation	672,673	-	-	-	672,673
Snowmobile trail maintenance	-	-	-	47,981	47,981
Library	257,448	-	-	-	257,448
County tax	410,995	-	-	-	410,995
General assistance	54,662	843,235	-	-	897,897
Education	3,460,276	-	-	-	3,460,276
Construction and improvements	-	-	2,903,207	-	2,903,207
Tax increment financing	387,216	-	-	-	387,216
Interest expense	50,682	-	-	-	50,682
Other	337,704	-	-	122,564	460,268
<b>TOTAL EXPENDITURES</b>	<b>11,295,098</b>	<b>972,591</b>	<b>2,903,207</b>	<b>428,644</b>	<b>15,599,540</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>178,233</b>	<b>(28,179)</b>	<b>(90,053)</b>	<b>78,111</b>	<b>138,112</b>
<b>OTHER SOURCES</b>					
Transfer from other funds	93,479	-	10,000	410,678	514,157
<b>OTHER USES</b>					
Payments on long-term debt	82,702	-	-	-	82,702
Transfer to other funds	420,678	-	-	-	420,678
<b>TOTAL OTHER USES</b>	<b>503,380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>503,380</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>(231,668)</b>	<b>(28,179)</b>	<b>(80,053)</b>	<b>488,789</b>	<b>148,889</b>
<b>FUND BALANCE - JANUARY 1, 2014</b>	<b>3,065,791</b>	<b>66,410</b>	<b>126,098</b>	<b>223,438</b>	<b>3,481,737</b>
<b>FUND BALANCE - DECEMBER 31, 2014</b>	<b>\$ 2,834,123</b>	<b>\$ 38,231</b>	<b>\$ 46,045</b>	<b>\$ 712,227</b>	<b>\$ 3,630,626</b>

*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, 2014

Total fund balance - governmental funds (Exhibit C)		\$ 3,630,626
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	\$ 23,328,660	
Accumulated depreciation is	<u>(6,024,764)</u>	17,303,896
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:		
Deferred property tax revenue		1,011,455
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Notes payable		(886,058)
Accrued payroll		(75,255)
Accrued expense		(9,659)
Compensated absences		<u>(459,216)</u>
Total net position - governmental activities (Exhibit A)		<u>\$ 20,515,789</u>

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

## 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, 2014

Total net change in fund balances - governmental funds (Exhibit D)	\$ 148,889
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation expense in the period.	
Capital outlays	\$ 4,381,419
Completed construction-in-progress	(1,254,482)
Depreciation expense	<u>(519,871)</u>
	2,607,066
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 assets differs from the change in fund balance by the depreciated value of assets sold.	
	(13,761)
Expenses paid prior to the period due are accounted for under the non-allocated method and are, therefore, reported as expenses in the current period in governmental funds. However, for governmental activities, these amounts are recorded as prepaid expenses and are expensed when the item is consumed.	
	(75,762)
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.	
	55,851
Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	
Increase in deferred property tax revenue	176,904
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	82,702
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
(Increase) in accrued payroll	(14,718)
(Increase) in accrued expense	(9,659)
Decrease in accrued interest payable	<u>17,442</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 2,974,954</u>

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



## CITY OF CARIBOU, MAINE

EXHIBIT G

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
AS OF DECEMBER 31, 2014ASSETS

## CURRENT ASSETS

Cash and temporary investments (Note 2)	\$ -
Accounts receivable, net of allowance of \$46,220	<u>353,595</u>
Total current assets	<u>353,595</u>

## NONCURRENT ASSETS

Land, buildings and improvements	223,065
Vehicles and equipment	<u>1,196,294</u>
Total noncurrent assets	1,419,359
Accumulated depreciation	<u>(569,636)</u>
Net noncurrent assets	<u>849,723</u>
Total assets	<u>1,203,318</u>

LIABILITIES

## CURRENT LIABILITIES

Accounts payable and accrued liabilities	<u>143,321</u>
--	----------------

NET POSITION

Invested in capital assets	849,723
Unrestricted	<u>210,274</u>
Total net position	<u>\$ 1,059,997</u>

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

## CITY OF CARIBOU, MAINE

EXHIBIT H

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Ambulance Service</u>
Operating revenues	
Fees	\$ 2,155,390
Less contractual allowances	(513,214)
Outside service - Other Municipalities	33,913
Veterans' Administration contracts	104,443
Billing services	70,873
Other	<u>8,941</u>
Total operating revenues	<u>1,860,346</u>
Operating expenses	
Salaries and benefits	1,064,563
Transport expenses	273,107
Occupancy	34,835
Equipment and vehicle expense	85,280
Supplies and materials	19,048
Depreciation	135,845
Uncollectible	147,575
Other	<u>14,038</u>
Total operating expenses	<u>1,774,291</u>
Operating income	<u>86,055</u>
OTHER SOURCES (USES)	
Transfer to general fund	<u>(93,479)</u>
Change in net position	(7,424)
TOTAL NET POSITION - JANUARY 1, 2014	<u>1,067,421</u>
TOTAL NET POSITION - DECEMBER 31, 2014	<u>\$ 1,059,997</u>

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

## CITY OF CARIBOU, MAINE

EXHIBIT I

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from fees	\$ 1,727,062
Cash payments for salaries and benefits	(1,059,700)
Cash payments for transportation	(273,107)
Cash payments for other operating costs	<u>(300,776)</u>
Net cash provided by operating activities	<u>93,479</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advance (to) general fund	<u>(93,479)</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents - January 1, 2014	<u>-</u>
Cash and cash equivalents - December 31, 2014	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 86,055
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	135,845
Changes in assets and liabilities:	
Receivables	(133,284)
Accounts payable and accrued expenses	<u>4,863</u>
Net cash provided by operating activities	<u>\$ 93,479</u>

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

CITY OF CARIBOU, MAINE

EXHIBIT J

STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2014

	<u>Total</u>	<u>Hospital Memorial Funds</u>	<u>Cemetery Trust Funds</u>	<u>Library Trust Funds</u>	<u>Memorial Funds</u>
ASSETS					
Cash	<u>\$214,242</u>	<u>\$48,455</u>	<u>\$1,268</u>	<u>\$58,107</u>	<u>\$106,412</u>
NET POSITION					
Undesignated	<u>\$214,242</u>	<u>\$48,455</u>	<u>\$1,268</u>	<u>\$58,107</u>	<u>\$106,412</u>

CITY OF CARIBOU, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Total</u>	<u>Hospital Memorial Funds</u>	<u>Cemetery Trust Funds</u>	<u>Library Trust Funds</u>	<u>Memorial Funds</u>
REVENUE					
Interest income	\$ 2,090	\$ 451	\$ 2	\$ 1,043	\$ 594
Contributions	<u>8,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,200</u>
	<u>10,290</u>	<u>451</u>	<u>2</u>	<u>1,043</u>	<u>8,794</u>
DEDUCTIONS					
Expenses	<u>8,805</u>	<u>-</u>	<u>24</u>	<u>170</u>	<u>8,611</u>
NET CHANGE IN NET POSITION	1,485	451	(22)	873	183
NET POSITION - JANUARY 1	<u>212,757</u>	<u>48,004</u>	<u>1,290</u>	<u>57,234</u>	<u>106,229</u>
CASH AND NET POSITION - DECEMBER 31	<u>\$214,242</u>	<u>\$48,455</u>	<u>\$1,268</u>	<u>\$58,107</u>	<u>\$106,412</u>

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

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

(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. These statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activity 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 and for the business-type activity of the City. Direct expenses are those that are specifically associated with a service or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the department, grants and contributions that are restricted to meeting the operational or capital requirements of a particular department and interest earned on grants that is required to be used to support a particular department. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or 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.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

The focus of governmental and enterprise fund financial statements is on major funds in the governmental or business-type activities. 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.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The following funds are reported as major by the City:

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

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

Capital Projects - The Boiler Project and Airport Improvement Project are reported as capital projects. These funds account for the revenues and expenses incurred for major capital projects of the City over a period of time exceeding one year.

PROPRIETARY FUND

The proprietary fund is used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, and expenses relating to the government's business activity are accounted for through a proprietary fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

FIDUCIARY FUNDS

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

Measurement Focus

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

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Like the City-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activity.

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, together with proprietary and 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 (Continued)  
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Caribou City Council and may be amended during the year if projected increases or decreases in revenues or expenditures are identified by the City. The amounts reported as the original budget amounts in the budgetary statements (Supplement 1) reflect the amounts in the legally adopted budget. Changes, if any, are reflected in the final budget column.



CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Taxes

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

The City has adopted the standard established by GASB No. 33 regarding the recognition of property taxes. The criterion for this standard is to recognize property tax revenue as it becomes both "measurable and available". Measurable is defined as the amount that the City can reasonably expect to receive of the property taxes assessed for the current year. Available is defined as the amount that will be collected of current and past due taxes during the current period or expected to be collected shortly thereafter to pay current liabilities. For the purposes of this report, 60 days is used as the collection period after year-end. Accordingly, a liability has been established on the combined 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 \$95,000 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 \$46,220. Revenues have been netted to reflect the allowance.

Prepaid Expense

Payments made benefiting future periods under the governmental fund basis are recorded under the non-allocated method and are currently expensed as paid. Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method for City-wide activities. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Inventories

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

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the City-wide statement of net position and in the respective funds.

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

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

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

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

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

Accounts Payable, Accrued Expenses and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the City-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

Net Position

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

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

Operating revenues and expenses consist of amounts generated directly from the primary activity of the City's proprietary funds. For the City, these sales are ambulance service charges.

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 grand 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.

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 2014 fiscal year there were no unrestricted committed funds.

Estimates

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

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.

(2) CASH AND TEMPORARY INVESTMENTS

As of December 31, 2014, cash and temporary investments consisted of the following:

	<u>Carrying Amount</u>
Deposits with financial institutions	\$3,121,172

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

(2) CASH AND TEMPORARY INVESTMENTS (Continued)

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, 2014, the bank balance, including the various fiduciary accounts, was \$3,121,172 of which all was insured or collateralized.

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

(3) NOTE RECEIVABLE - REVOLVING LOAN FUND

The Revolving Loan Fund had a 6.5% note receivable in monthly installments of \$218 principal and interest through December 2017 with a balance of \$9,304 as of December 31, 2014.

(4) NOTES RECEIVABLE

As of December 31, 2014, the City's General Fund had the following notes receivable:

0% Note receivable with a balloon payment due in 2016.	\$200,000
2% Note receivable in annual installments of \$7,365 principal and interest through December 2028.	<u>89,164</u>
	<u>\$289,164</u>

As of December 31, 2014, the notes receivable mature as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 5,693
2016	205,807
2017	5,923
2018	6,042
2019	6,281
2020-2024	34,572
2025-2028	<u>24,846</u>
	<u>\$289,164</u>

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

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

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

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

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

(6) INTERFUND BALANCES

The balance of \$487,342 due from the general fund to various non-major funds consists of fund balances transferred during the year in order to aid financial management of those non-major funds. The City pools its cash into one account and transactions are recorded using due to/due from accounts.

(7) CAPITAL ASSETS

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

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retire- ments/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Nondepreciable:				
Land	\$ 498,100	\$ -	\$ -	\$ 498,100
Construction-in-process	1,254,482	-	1,254,482	-
Infrastructure	<u>5,403,333</u>	<u>4,155,026</u>	<u>-</u>	<u>9,558,359</u>
Total nondepreciable	7,155,915	4,155,026	1,254,482	10,056,459
Land improvements	1,315,967	-	-	1,315,967
Buildings	7,198,861	43,639	-	7,242,500
Vehicles	4,303,338	125,566	696,448	3,732,456
Equipment	<u>936,529</u>	<u>57,188</u>	<u>12,439</u>	<u>981,278</u>
Totals at historical cost	<u>20,910,610</u>	<u>4,381,419</u>	<u>1,963,369</u>	<u>23,328,660</u>
Less accumulated depreci- ation for:				
Land improvements	1,028,493	17,506	-	1,045,999
Buildings	1,683,425	181,877	-	1,865,302
Vehicles	2,953,601	237,086	683,263	2,507,424
Equipment	<u>534,500</u>	<u>83,402</u>	<u>11,863</u>	<u>606,039</u>
Total accumulated depreciation	<u>6,200,019</u>	<u>519,871</u>	<u>695,126</u>	<u>6,024,764</u>
Governmental activities capital assets, net	<u>\$14,710,591</u>	<u>\$3,861,548</u>	<u>\$1,268,243</u>	<u>\$17,303,896</u>

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

(7) CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Retire- ments/ Transfers	Ending Balance
Business-type Activity				
Land	\$ 31,600	\$ -	\$ -	\$ 31,600
Land improvements	4,673	-	-	4,673
Buildings	186,792	-	-	186,792
Vehicles	594,738	-	59,622	535,116
Equipment	666,271	-	5,093	661,178
Totals at historical cost	<u>1,484,074</u>	<u>-</u>	<u>64,715</u>	<u>1,419,359</u>
Less accumulated depreciation for:				
Land improvements	4,673	-	-	4,673
Buildings	134,572	3,736	-	138,308
Vehicles	185,848	63,012	59,622	189,238
Equipment	173,413	69,097	5,093	237,417
Total accumulated depre- ciation	<u>498,506</u>	<u>135,845</u>	<u>64,715</u>	<u>569,636</u>
Business-type activity capital assets, net	<u>\$ 985,568</u>	<u>\$ (135,845)</u>	<u>\$ -</u>	<u>\$ 849,723</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General	\$ 69,098
Library	10,969
Protection	89,282
Public works	204,306
Recreation and parks	103,862
Other	42,354
	<u>\$519,871</u>
Business-type Activity	<u>\$135,845</u>

(8) GENERAL LONG-TERM DEBT

As of December 31, 2014, long-term debt consisted of one 3.591% capital lease payable in semi-annual payments ranging from \$44,205 to \$61,565 principal and interest through June 2025.

As of December 31, 2014, long-term obligations mature as follows:

Fiscal Year	Principal	Interest
2015 (included in current liabilities)	\$ 26,699	\$ 15,909
2016	65,523	30,209
2017	67,911	27,916
2018	73,613	25,428
2019	79,647	22,731
2020-2024	501,529	65,061
2025	<u>71,136</u>	<u>1,472</u>
	<u>\$886,058</u>	<u>\$188,726</u>

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

(8) GENERAL LONG-TERM DEBT (Continued)

Long-term debt activity during the year ended December 31, 2014, was as follows:

<u>Balance</u> <u>January</u> <u>1, 2014</u>	<u>Additions</u>	<u>Reduc-</u> <u>tions</u>	<u>Balance</u> <u>December</u> <u>31, 2014</u>	<u>Due Within</u> <u>One Year</u>
\$ <u>968,760</u>	\$ <u>      -</u>	\$ <u>82,702</u>	\$ <u>886,058</u>	\$ <u>26,699</u>

(9) EMPLOYEES' RETIREMENT PLANS

Maine Public Employees Retirement System (MainePERS)

Some employees of participating local government units are eligible to participate in the City's defined benefit plan provided by the Maine Public Employees Retirement System (MainePERS). MainePERS is an agent of multiple-employer public employee retirement system that acts as a common investment and administrative agent for teachers, state employees and the employees of participating local districts (PLDs). Approximately \$1,256,000 or 37% of the payroll of the City, a PLD, qualified for this plan for the year ended December 31, 2014.

Participants contribute 6.5% of their wages to the plan. The City contributes the remaining amounts necessary to fund the system based on the amounts determined by the actuary in accordance with the statutes to fund future retirement benefits. The City currently has a surplus of contributions with the State which is reduced by their share of the funding. All other employees are covered by the Social Security System.

Employees covered under this plan become vested after ten years of service. The calculation of benefits is based on the highest three years of earnings that the employee earned under the plan.

Complete information concerning the City's funding of the plan and obligation is available at the MainePERS office in Augusta.

Defined Contribution Plan

The City has established for its employees a voluntary 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 City will match employee contributions up to 3.5% of their wages. The employer contribution for the year ended December 31, 2014 was approximately \$64,000.

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

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

Financial statements for this joint venture were issued and reported on by us in a separate report dated March 13, 2015. These financial statements are available from the City's Finance Department.

CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

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

A summary of the facility's activity for 2014, is as follows:

	<u>Amount</u>
Total assets	\$15,756,369
Total liabilities	<u>12,902,345</u>
Total net position	<u>\$ 2,854,024</u>
Total revenue	\$ 2,425,141
Less total expenditures	<u>2,519,489</u>
Decrease in net position	<u>\$ (94,348)</u>

The City has guaranteed, together with the other member towns, two notes payable totaling \$8,526,000 for the Tri-Community Recycling and Sanitary Landfill. As of December 31, 2014, the balance owed was \$6,507,089.

The State of Maine Department of Environmental Protection requires the Landfill to place a final cover on its landfill once it is closed and perform certain maintenance and monitoring functions at the site for twenty years after closure. These estimated closure and post-closure care costs are being recognized in the financial statements referred to above at the rate of utilization of the landfill site. As of December 31, 2014, the estimated total cost of closure and post-closure care was approximately \$19,170,000 of which \$6,120,000 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 2014 financial statements of the Tri-Community Recycling and Sanitary Landfill.

(11) TAX INCREMENT FINANCING (TIF) DISTRICT

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

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



CITY OF CARIBOU, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2014

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

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

(12) LOSS SETTLEMENT

During June 2014, a complaint for damages was filed in Superior Court for allegedly negligent supervision of a former employee. The City entered into a settlement agreement in March 2015, substantially, all of which was covered by the City's liability insurance policy.

(13) PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2014, it was discovered that deferred property tax revenue had been included on the statement of activities as of December 31, 2013. An adjustment of \$834,551 was necessary to correct the balance of net position.

(14) SUBSEQUENT EVENTS

Management has reviewed subsequent events through July 9, 2015, 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.

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND AND AMBULANCE SERVICE  
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund			Ambulance Service		
	Budgeted Amounts		Actual Budgetary Basis	Budgeted Amounts		Actual Budgetary Basis
	Original	Final		Original	Final	
REVENUES						
Local property taxes	\$ 8,291,840	\$ 8,291,840	\$ 8,244,368	\$ -	\$ -	\$ -
Homestead exemption reimbursement	240,217	240,217	241,040	-	-	-
Abatements	(15,000)	(15,000)	(20,153)	-	-	-
Other property tax related	155,953	155,953	177,762	-	-	-
Excise taxes	1,180,200	1,180,200	1,303,885	-	-	-
Federal assistance	-	-	31,237	-	-	-
State assistance	703,137	703,137	672,024	-	-	-
Fees	-	-	-	1,803,734	1,803,734	1,605,675
Charge to towns	-	-	-	64,083	64,083	138,555
Billing services	-	-	-	70,406	70,406	70,873
Recovery of bad debts	-	-	-	10,000	10,000	8,741
Other licenses, permits and fees	274,790	274,790	308,794	-	-	-
Other	252,632	252,632	246,358	-	-	-
TOTAL REVENUES	11,083,769	11,083,769	11,205,315	1,948,223	1,948,223	1,823,844
EXPENDITURES						
General government	650,269	650,269	667,792	-	-	-
Education	3,460,276	3,460,276	3,460,276	-	-	-
Health and sanitation	260,461	260,461	260,203	-	-	-
Public works	1,904,181	1,904,181	1,856,257	-	-	-
Protection	2,176,309	2,176,309	2,139,296	-	-	-
Insurance and retirement	454,488	454,488	448,071	-	-	-
Recreation	530,140	530,140	517,061	-	-	-
Library	228,619	228,619	222,059	-	-	-
County tax	410,995	410,995	410,995	-	-	-
General assistance	75,901	75,901	54,662	-	-	-
Tax increment financing	387,216	387,216	387,216	-	-	-
Appropriations to capital outlays	573,153	573,153	573,153	-	-	-
Ambulance	-	-	-	1,499,564	1,499,564	1,632,404
Other	330,914	330,914	302,021	-	-	-
TOTAL EXPENDITURES	11,442,922	11,442,922	11,299,062	1,499,564	1,499,564	1,632,404
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(359,153)	(359,153)	(93,747)	448,659	448,659	191,440
OTHER SOURCES						
Transfer from ambulance fund, net	448,659	448,659	191,440	-	-	-
OTHER USES						
Capital outlays in excess of appropriations	-	-	143,808	-	-	-
Transfers to other funds	-	-	410,678	448,659	448,659	191,440
TOTAL OTHER USES	-	-	554,486	448,659	448,659	191,440
NET INCREASE (DECREASE) IN FUND BALANCE	89,506	89,506	(456,793)	-	-	-
FUND BALANCE - JANUARY 1, 2014	-	-	3,253,232	-	-	-
FUND BALANCE - DECEMBER 31, 2014	\$ 89,506	\$ 89,506	\$ 2,796,439	\$ -	\$ -	\$ -

CITY OF CARIBOU, MAINE

NOTE TO SUPPLEMENT ONE - BUDGETARY COMPARISON SCHEDULE  
FOR THE GENERAL FUND AND AMBULANCE SERVICE  
FOR THE YEAR ENDED DECEMBER 31, 2014

Budgets and Budgetary Accounting

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

	<u>General Fund</u>
Fund Balance (budgetary basis) - Supplement 1	\$2,796,439
Add: Reserve decrease reported in other funds	80,053
Less: Transfer in of deficit reported in non-major funds in prior year	<u>(42,369)</u>
Fund Balance (GAAP basis) - Exhibit C	<u>\$2,834,123</u>

MODIFIED APPROACH FOR CITY CAPITAL ASSETS  
DECEMBER 31, 2014

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

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

An asset management system employed that:

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

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

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

The City established a condition level of 70% which is a 2 rating. The assessment itself may be made either by the governmental entity directly or by external parties. The condition assessment may be performed annually or on a cyclical basis. A condition assessment will be performed every 3 years commencing in 2006. As of December 31, 2014, the City's street and sidewalk systems were rated at an index of 85 and 74, respectively. The detail of the condition assessments are as follows:

<u>Condition</u>	<u>% of Roads</u>	<u>% of Sidewalks</u>	<u>% of Runways</u>	<u>Asset Management System Rating</u>
Good	60%	16%	100%	1
Fair	31%	70%	0%	2
Poor to Substandard	9%	14%	0%	3 and 4

As of December 31, 2014, the City had 11,840,066 square feet of roads with a historical cost of \$5,159,583. As of December 31, 2014, the City had 109,189 square feet of sidewalks with a historical cost of \$243,750. As of December 31, 2014, the City had 619,000 square feet of runway with a historical cost of \$4,155,026.

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

The City had estimated expenditures of \$339,784 to maintain infrastructure at the desired condition level. Actual expenditures for the year ended December 31, 2014 were \$300,272.

## CITY OF CARIBOU, MAINE

SCHEDULE 1

BALANCE SHEET  
FOR NON-MAJOR FUNDS  
DECEMBER 31, 2014

	<u>Snowmobile Trail Maintenance</u>	<u>Housing</u>	<u>Economic Development</u>	<u>Revolving Loan Fund #10</u>	<u>Total Non- Major Funds</u>
<u>ASSETS</u>					
Cash	\$ -	\$ -	\$ -	\$215,581	\$215,581
Due from other funds	21,941	51,548	413,853	-	487,342
Note receivable (Note 3)	-	-	-	9,304	9,304
	<u>\$ 21,941</u>	<u>\$51,548</u>	<u>\$ 413,853</u>	<u>\$224,885</u>	<u>\$712,227</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<u>FUND BALANCE</u>	<u>21,941</u>	<u>51,548</u>	<u>413,853</u>	<u>224,885</u>	<u>712,227</u>
	<u>\$ 21,941</u>	<u>\$51,548</u>	<u>\$ 413,853</u>	<u>\$224,885</u>	<u>\$712,227</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, 2014

	Snowmobile Trail Maintenance	Housing	Economic Development	Revolving Loan Fund #10	Total Non-major Funds
REVENUES					
Grants	\$ 41,947	\$ -	\$ -	\$ -	\$ 41,947
Interest income	-	-	-	1,447	1,447
TIF Funds	-	-	331,862	-	331,862
Reimbursements	-	117,913	-	-	117,913
Other income	13,586	-	-	-	13,586
Total Revenues	<u>55,533</u>	<u>117,913</u>	<u>331,862</u>	<u>1,447</u>	<u>506,755</u>
EXPENDITURES					
Program expenditures	47,981	122,564	211,739	-	382,284
Chamber of Commerce	-	-	46,360	-	46,360
Construction and improvements	-	-	-	-	-
	<u>47,981</u>	<u>122,564</u>	<u>258,099</u>	<u>-</u>	<u>428,644</u>
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	<u>7,552</u>	<u>(4,651)</u>	<u>73,763</u>	<u>1,447</u>	<u>78,111</u>
OTHER SOURCES					
Transfer from general fund	14,389	56,199	340,090	-	410,678
NET INCREASE IN FUND BALANCE	21,941	51,548	413,853	1,447	488,789
FUND BALANCE - JANUARY 1	-	-	-	223,438	223,438
FUND BALANCE - DECEMBER 31	<u>\$ 21,941</u>	<u>\$ 51,548</u>	<u>\$ 413,853</u>	<u>\$224,885</u>	<u>\$712,227</u>

## CITY OF CARIBOU, MAINE

SCHEDULE 3

SCHEDULE OF CAPITAL OUTLAYS - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

Department	Balances January 1	Appropri- ations	Grants/ Transfers	Other	Total Available	Expendi- tures	Balances December 31
Recreation	\$ 225,664	\$ 54,500	\$ 70,100	\$ 19,591	\$ 369,855	\$ 50,404	\$ 319,451
Library	66,390	600	750	4,095	71,835	35,389	36,446
Police	91,077	38,980	53,877	37,799	221,733	85,367	136,366
Fire	316,442	76,400	-	9,421	402,263	65,789	336,474
Ambulance	41,673	140,000	-	-	181,673	1,179	180,494
Public Works	268,771	89,700	-	69,467	427,938	46,675	381,263
Assessment	(31,221)	48,973	-	-	17,752	1,063	16,689
Airport	171,250	10,000	3,327,755	-	3,509,005	3,459,351	49,654
General Government	118,393	110,500	-	28,779	257,672	252,926	4,746
Economic Development	336,969	-	-	40,400	377,369	9,143	368,226
TIF accounts	388,660	-	(308,668)	-	79,992	30,354	49,638
RSU 39 Commitment	(874,840)	3,460,276	-	-	2,585,436	3,460,276	(874,840)
Other reserves	139,396	3,500	(32,714)	59	110,241	24,052	86,189
	<u>\$ 1,258,624</u>	<u>\$ 4,033,429</u>	<u>\$ 3,111,100</u>	<u>\$ 209,611</u>	<u>\$ 8,612,764</u>	<u>\$ 7,521,968</u>	<u>\$ 1,090,796</u>

## CITY OF CARIBOU, MAINE

SCHEDULE 4

SCHEDULE OF NON-CAPITAL OUTLAYS - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Balances January 1	Appropri- ations	Transfers	Other	Total Available	Expendi- tures	Balances December 31
Compensated Absences	\$ 63,351	\$ -	\$25,000	\$ -	\$ 88,351	\$20,916	\$ 67,435
Revolving Loan Fund - Cash	327,785	-	-	10,837	338,622	-	338,622
Revolving Loan Fund - Loans Receivable	100,001	-	-	-	100,001	10,837	89,164
Thursday on Sweden Street	900	-	-	2,500	3,400	-	3,400
City Retirement	1,080	-	-	-	1,080	-	1,080
Retirement Reserves	4,139	-	-	-	4,139	-	4,139
Channel 8	-	-	-	5,665	5,665	7,500	(1,835)
HRA Contribution Reserve	27,287	-	69,850	-	97,137	44,299	52,838
Community Bulletin Board	160	-	-	-	160	-	160
	<u>\$524,703</u>	<u>\$ -</u>	<u>\$94,850</u>	<u>\$19,002</u>	<u>\$638,555</u>	<u>\$83,552</u>	<u>\$ 555,003</u>



## CITY OF CARIBOU, MAINE

SCHEDULE 5

SCHEDULE OF PROPERTY TAXES - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Total</u>	<u>2015 Taxes</u>	<u>2014 Taxes</u>	<u>2013 Taxes and Liens</u>	<u>Prior Taxes</u>
UNCOLLECTED AT JANUARY 1	\$ 1,031,578	\$ —	\$ (16,948)	\$772,884	\$275,642
2014 COMMITMENT ((\$371,831,400 @.02230)	8,291,840	—	8,291,840	—	—
SUPPLEMENTAL TAX	3,009	—	1,092	1,917	—
	<u>8,294,849</u>	<u>—</u>	<u>8,292,932</u>	<u>1,917</u>	<u>—</u>
COLLECTIONS	8,107,689	51,548	7,340,151	586,825	129,165
TAX-ACQUIRED PROPERTY	41,780	—	15,044	13,829	12,907
ABATEMENTS	20,153	—	5,846	6,597	7,710
	<u>8,169,622</u>	<u>51,548</u>	<u>7,361,041</u>	<u>607,251</u>	<u>149,782</u>
UNCOLLECTED AT DECEMBER 31	<u>\$ 1,156,805</u>	<u>\$ (51,548)</u>	<u>\$ 914,943</u>	<u>\$167,550</u>	<u>\$125,860</u>
REPRESENTED BY:					
Real Estate Taxes	\$ 968,256	\$ (44,873)	\$ 864,779	\$141,750	\$ 6,600
Personal Property Taxes	188,549	(6,675)	50,164	25,800	119,260
	<u>\$ 1,156,805</u>	<u>\$ (51,548)</u>	<u>\$ 914,943</u>	<u>\$167,550</u>	<u>\$125,860</u>

# FELCH & COMPANY, LLC

*Certified Public Accountants*

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

To the City Council of the  
City of Caribou, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Caribou, Maine as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 9, 2015.

### Internal Control Over Financial Reporting

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

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

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

To the City Council of the  
City of Caribou, Maine

Compliance and Other Matters

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

Purpose of this Report

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

*Felch & Company LLC*

Caribou, Maine  
July 9, 2015

# FELCH & COMPANY, LLC

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council of the  
City of Caribou, Maine

### Report on Compliance for Each Major Federal Program

We have audited the City of Caribou, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. The City of Caribou, Maine's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Caribou, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Caribou, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In our opinion, the City of Caribou, Maine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

To the City Council of the  
City of Caribou, Maine

Report on Internal Control Over Compliance

Management of the City of Caribou, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Felch & Company LLC*

Caribou, Maine  
July 9, 2015

CITY OF CARIBOU, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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 section 510(a) of Circular A-133?                     yes             no

Identification of major programs:

Department of Housing and Urban Development

Section 8 Housing Choice Voucher Program                    CFDA #14.871  
Airport Improvement Program    CFDA #20.106

Dollar threshold used to distinguish  
between type A and type B programs:                    \$300,000

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, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Receipts	Disburse- ments
<u>U.S. Department of Housing and Urban Development</u>				
Direct Award - Section 8 Housing Choice Vouchers	14.871	N/A	\$ 921,278	\$ 921,278
Passed through State Department of Economic and Community Development:				
Community Development Block Grants	14.228	N/A	<u>25,000</u>	<u>25,000</u>
<b>Subtotal - U.S. Department of Housing and Urban Development</b>			<u>946,278</u>	<u>946,278</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of Maine Department of Emergency Management:				
Operation Stonegarden	97.067	N/A	4,447	4,447
EMPG, Caribou EMA grant	97.042	N/A	<u>11,895</u>	<u>11,895</u>
<b>Subtotal - U.S. Department of Homeland Security</b>			<u>16,342</u>	<u>16,342</u>
<u>U.S. Department of Transportation</u>				
Direct Award - Airport Improvement Program	20.106	N/A	<u>2,637,988</u>	<u>2,637,988</u>
<u>U.S. Department of Justice</u>				
Passed through Maine Office of Substance Abuse Programs:				
Enforcing Underage Drinking Laws Program	16.727	N/A	<u>1,316</u>	<u>1,316</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through Maine Association of Substance Abuse Programs:				
Enforcing Underage Drinking Laws Program	93.959	N/A	<u>1,000</u>	<u>1,000</u>
<b>Total</b>			<u>\$3,602,924</u>	<u>\$3,602,924</u>

CITY OF CARIBOU, MAINE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation, of the basic financial statements.

NOTE B - BASIS OF PRESENTATION

Reporting Entity

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

Pass-Through Programs

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

NOTE C - INDIRECT COSTS

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

NOTE D - MATCHING COSTS

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



CITY OF CARIBOU, MAINE

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2014

There were no audit findings reported for the year ended December 31, 2013 that require follow-up in the December 31, 2014 report.