

City of Presque Isle, Maine

**Comprehensive Annual
Financial Report**

Fiscal Year Ended December 31, 2017

City of Presque Isle, Maine

**Comprehensive Annual
Financial Report**

Fiscal Year Ended December 31, 2017

**Issued by:
Finance Department**

CITY OF PRESQUE ISLE, MAINE
DECEMBER 31, 2017
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Introductory Section

City of Presque Isle

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July 30, 2018

To the City Councilors and
The Citizens of Presque Isle, Maine

Maine state statutes and the Presque Isle City Charter require that the City issue annually a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2017. These financial statements are presented in conformance with generally accepted accounting principles in the United States (GAAP) and audited in accordance with generally accepted governmental auditing standards (GAGAS).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that is established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The firm of Ron L. Beaulieu and Company, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of Presque Isle, Maine's financial statements for the year ended December 31, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Governmental Profile

The City of Presque Isle, Maine is located in central Aroostook County, the northernmost and largest of Maine's sixteen counties and the largest county east of the Mississippi River. The city encompasses approximately 72 square miles and serves a population of 9,692 as of the 2010 census. Presque Isle was first incorporated as a township on April 4, 1859 and incorporated as a City in 1939. Under Maine statutes, the City is empowered to levy a property tax on both real and personal property within its boundaries.

The City operates under a municipal charter approved by the voters of the community November 2, 1993 that provides for a council-manager form of government. Policy making and legislative authority is vested in a seven-member City Council. Councilors are elected on a non-partisan basis for four-year staggered terms. The City Manager is the chief administrative officer of the City and is appointed by the Council, as are the City Solicitor and City Clerk. The City Manager is responsible for overseeing the day to day operations of the City; for carrying out the policies and ordinances of the City Council; and for appointing the City's Department Heads. The current City Manager was appointed by the City Council effective August 16, 2015.

The financial reporting entity includes all of the funds of the City of Presque Isle. The City provides a full range of services including police and fire protection; refuse collection; traffic control; on- and off-street parking; the construction and maintenance of highways, streets, sidewalks, and other infrastructure; recreational and cultural activities; a secure landfill; regional airport; social welfare;

municipal planning, assessing, building inspection and code enforcement; licenses and permits; vital statistics; general administration and economic development.

The annual budget for the general fund serves as the foundation for the City's financial planning and control. The budget, which must be in balance, contains estimates of all non-tax revenue and receipts expected to be received during the next fiscal year, expenditures necessary to support City operations, debt service, and capital expenditures. The initial budget must be presented to the Council by the City Manager no later than 90 days before the beginning of the fiscal year on January 1. The Council may then make any modifications and recommendations. The City Council is required to hold two public hearings on the proposed budget before final approval. The budget must be approved by a two-thirds majority of the City Council before the beginning of the fiscal year on January 1.

The budget includes information, by department, on the current and preceding fiscal years and requested appropriations for the next fiscal year. The City Manager may transfer resources within a department, promptly notifying the Council in writing of the reallocation. Transfers between departments require special approval from the Council. Expenditures may not legally exceed appropriations at the departmental level without Council approval. Budgetary Comparison by Department – Legal Level of Budgetary Control is provided on page 41 of this report.

Factors Affecting Financial Condition

Local Economy

The City of Presque Isle is the largest municipality north of Bangor. Through the years, Presque Isle has evolved into a regional service center for commerce, finance, education, healthcare, recreation, air transportation, and numerous other aspects of life in Aroostook County. This evolutionary process is attributable to several factors including:

- Historical and geographical influences;
- A clear assumption of a leadership role by the municipal government;
- The active involvement of Presque Isle citizens in regional, county, and statewide projects, politics, agencies and organizations;
- The aggressively self-reliant nature that has been characteristic of Aroostook County residents.

These factors have helped to sustain the City in times of economic hardship including the closing of a military installation and a significant downturn in the woods and agriculture industries, all mainstays of the area.

Other factors that contribute to the economic stability of the City include:

- Presque Isle is home to Northern Maine Regional Airport, the state's third largest airport.
- The Skyway Industrial Park, the third largest Industrial Park in the state.
- Educational opportunities include:
 - University of Maine at Presque Isle,
 - Northern Maine Community College,
 - An extension of Husson University,
 - An outstanding public school system.
- Excellent medical services include a local hospital and ambulance service as well as a Municipal 911 EMS Ambulance Service.
- An active Industrial Council that works to attract new businesses to the area.

The major industries affecting the local economy, agriculture and service, continue to be key components of the region's economic base. The two major agricultural industries, potato and woods, continue to struggle. Planted potato acreage, though lower than historical, remains stable. A third, broccoli, is doing well in the County. The City has a balanced and fairly diverse tax base with a 55 to 45 split between residential and commercial property values. The largest single tax payer in 2017 comprised 4.71% of the total tax base with the top ten taxpayers combined representing 18.34% of the total tax base.

Long-term financial planning

The City of Presque Isle's basic long term financial planning document is its Five Year Capital Improvement Plan that is submitted to the Council for review annually by the City Manager. The CIP identifies those major programs necessary to meet the citizens' needs for services while continuing to meet sharply increasing fixed costs. It includes a listing of possible capital improvement programs as well as potential financing sources that may include: federal, state, or private grants; the general operating fund through the annual budget process; new revenue; or the issuance of debt. Among these programs are road construction and repair, vehicle equipment purchases, building renovations, and recreational activities.

Included in the 2017 Capital Improvement Plan are:

- Ambulances and equipment for the Fire Department's new 911EMS Ambulance Service beginning operations in 2017. Financing is to be through an internal loan from the Presque Isle Development Fund;
- A snow blower for the airport; 95% financed by the Federal Aviation Administration, 2.5% by the Maine Department of Transportation and 2.5% from local funds;
- Completion of Alpha Runway; 95% financed by the Federal Aviation Administration, 2.5% by the Maine Department of Transportation and 2.5% from local funds;
- Construction of a 1,400 foot rail spur on the Skyway Industrial Park to increase petroleum transfer capabilities;
- A water truck, tractor and mower, and a loader for the Public Works Department;
- Completion of renovations of commercial building on the Industrial Park at a cost of \$3 million, \$2.3 million of which was funded through various grants.

In addition, the Plan includes continued funding of the reserves for maintenance and improvements to various buildings at the Industrial Park and to add to the balance in the Emergency Reserve.

Relevant financial policies

The City of Presque Isle has in place a comprehensive set of financial policies including the implementation and use of the City's Emergency Reserve.

By charter, the City maintains an Emergency Reserve to be used only in extraordinary circumstances with unanimous City Council approval. This reserve is funded through an appropriation each year, mandated by the City Charter in the amount of 1.5% of the City's net municipal budget to a maximum of .5% of the current state valuation. Funds in this reserve have been used twice since its inception in 1993.

The City Council adopted a policy in 2009 stating that the amount that should be maintained in the General Fund unassigned fund balance should be 16.6%, or two months of budgeted expenditures. This amount can be reduced to 12% if an additional 4% is maintained in the emergency reserve for a total of 16%.

Major initiatives include

Street Lights Replace Emera owned City street lights with higher efficiency LED lights owned by the City to reduce electricity costs.

Solid Waste The City's landfill and recycling functions will be merging with another regional entity resulting in a reduction of cost to the taxpayer for solid waste management as of January 1, 2019

Airport In 2018 the airport will begin an update of the Airport Master Plan that will determine the needs of the airport over the next twenty years utilizing forecasts and Federal Aviation Administration regulations. Areas to be investigated include upgrading or replacement of the passenger terminal and the north hangar complex and the future development of airport property to maximize revenue generation. 95% of this project will be financed by the Federal Aviation Administration and 5% from local funds.

A key initiative for 2018 will be to rebrand the airport. This effort will include a complete redo of the website, development of a media presence, advertising campaign and potentially a name change 71% will be financed by the US Department of Transportation and the remainder will come from local funds.

Recreation and Parks initiatives for 2018 include the opening of the children's splash pad adjoining the Sargent Family Community Center; in conjunction with the local Rotary Club, the Kiwanis Club and the United Way, will totally reconstruct the children's playground in Riverside Park.

Downtown Revitalization The *Downtown Revitalization Committee* is recognized as the formal committee and voice of downtown. Through their efforts a *Downtown Master Plan* was created in 2008 which included a number of design goals, strategies and proposed investments in the downtown business district.

Current projects include:

- In conjunction with Maine Department of Transportation, complete the Bike Path around the City;
- Improvements to the sidewalks in the downtown area;
- Sponsoring a series of summer concerts at the Downtown Pavilion to encourage traffic in the downtown area;
- Supporting Bike Maine activities that will attract over 450 riders to the area;
- Support tourism.

Industrial Council the Council's focus is to establish, assist, and implement area economic development using the Industrial Park's substantial developable land acreage, existing infrastructure, and building. Our objective is to best utilize these assets for long term economic growth. 2018 initiatives include:

- Groundbreaking for a 43,000 square foot Maine Army National Guard Readiness Center to be constructed on Skyway Industrial Park;
- Begin the second phase of the expansion of the new petroleum storage/distribution facility;

- Expansion of the industrial park's existing infrastructure to house additional truck transportation facilities;
- Upgrade existing and construction of new commercial building to promote area business growth;
- Continue to upgrade the existing rail system on the park to increase viability of area rail service.

Planning Department Continues to update the Comprehensive Plan; is coordinating and encouraging the consolidation of the Presque Farmers Market into the Riverside Drive area to further stimulate and expand downtown visitation; is making major revisions to the Land Use and Development Code to make it more supportive of economic development proposals.

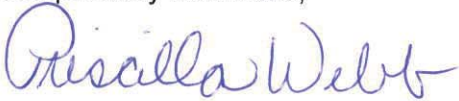
Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Presque Isle, Maine for its Comprehensive Annual Financial Report for the year ended December 31, 2016. This was the 18th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirement.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Appreciation is also extended to the accounting firm of Ron L. Beaulieu & Company, Certified Public Accountants for its assistance in the preparation and review of this report. Credit should also be given to the City Manager and the City Council for their unfailing support in maintaining the highest standards of professionalism with regard to the City's finances.

Respectfully submitted,



Priscilla Webb,
Finance Director

CITY OF PRESQUE ISLE, MAINE

DECEMBER 31, 2017

LIST OF PRINCIPAL OFFICIALS

Elected Officials

City Council Chair	Emily Smith
City Council Vice Chair	Michael Chasse
Council Member	Randy Smith
Council Member	Kevin Freeman
Council Member	Craig Green
Council Member	Leigh Smith
Council Member	Natilee Graves

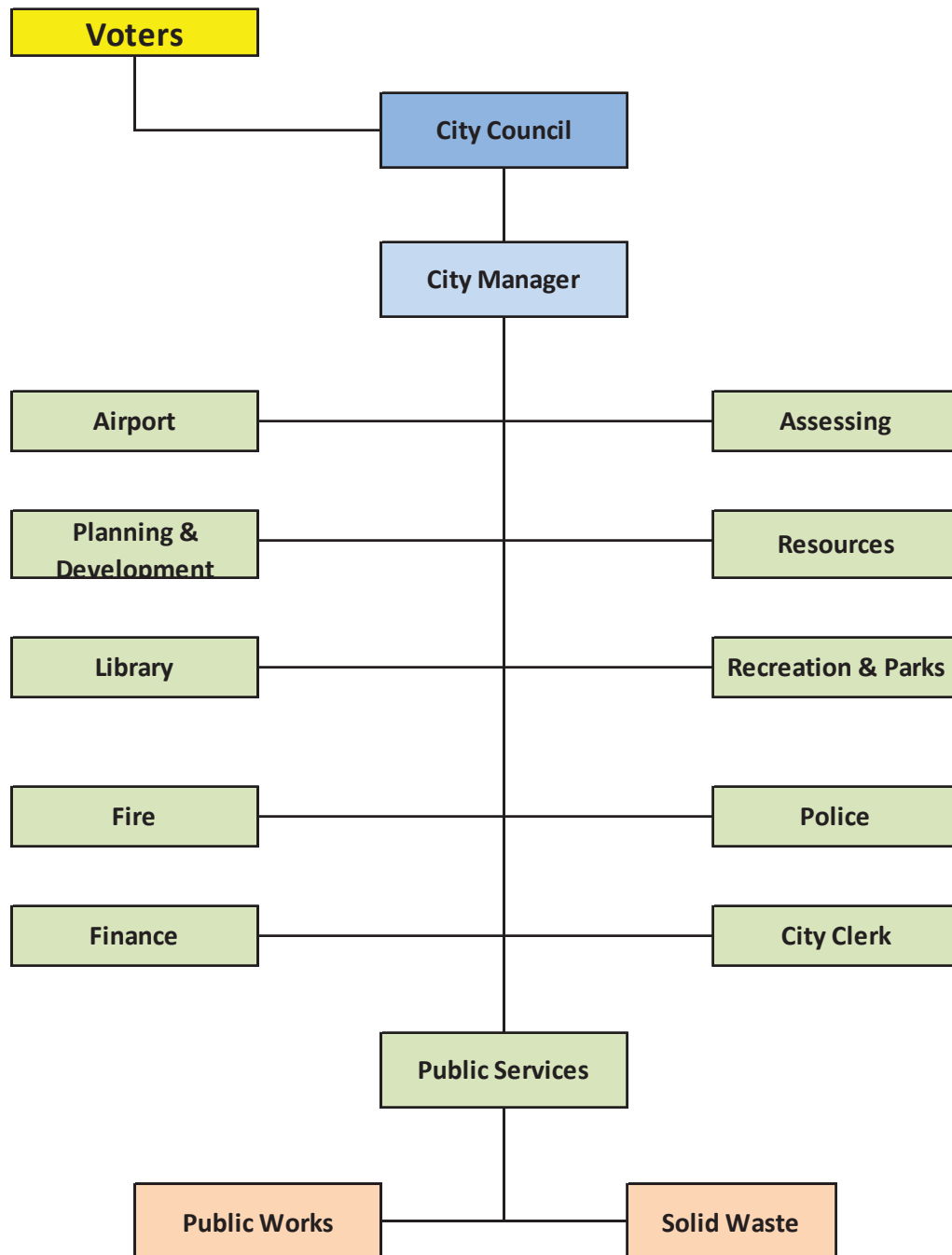
Appointed Officials

City Manager	Martin Puckett
Assessor	Lewis Cousins
Airport Manager	Scott Wardwell
Finance Director	Priscilla Webb
Fire Chief	Darrell White
Librarian, Mark and Emily Turner Memorial Library	Sonja Plummer-Eyler
Police Chief	Matthew Irwin
Recreation and Parks Director	Christopher Beaulieu
Planning & Development Director	Ken Arndt
Public Services Director	Dana Fowler
Presque Isle Industrial Council Executive Director	Tom Powers

CITY OF PRESQUE ISLE, MAINE

DECEMBER 31, 2017

ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Presque Isle
Maine**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrell

Executive Director/CEO

Financial Section

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the City Council of
City of Presque Isle, Maine
Presque Isle, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Presque Isle, Maine, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Presque Isle, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Presque Isle, Maine, as of December 31, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3.1 through 3.10, pension schedules on pages 36 through 39, and budgetary comparison information on pages 35 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Presque Isle, Maine's basic financial statements. The introductory section, additional information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory, additional information, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2018, on our consideration of the City of Presque Isle, Maine'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 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 the City of Presque Isle, Maine's internal control over financial reporting and compliance.

Ron L. Beaulieu & Co.

Portland, Maine
July 25, 2018

CITY OF PRESQUE ISLE
Management's Discussion and Analysis
December 31, 2017

As management of the City of Presque Isle, we offer this narrative overview and analysis of the financial activities of the City of Presque Isle for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here along with additional information that is furnished in our letter of transmittal which can be found on pages i - v of this report.

Financial Highlights

- The assets of the City of Presque Isle exceeded its liabilities at the close of 2017 by \$59,213,456 (*net position*).
- The City's total net position increased \$6,361,921 from December 31, 2016, a 9.8% increase.
- Prior period adjustments were made that affects the Statement of Position and Statement of Activities:
 - A correction was made to Capital Assets (net) reducing the beginning capital assets (net) by \$5,540,410 and decreasing beginning Net Position by \$5,540,410, and
 - A correction was made to long term liabilities increasing the beginning long term liabilities by \$3,109,644 and decreasing beginning net position by \$3,109,644.
 - Total effect of these two corrections was to reduce beginning net position by \$8,650,054.
- As of the close of the current fiscal year, the City of Presque Isle's governmental funds reported a combined ending fund balance of \$12,188,954, a decrease of \$315,116 from the previous year. 40.57% of this total amount or \$4,945,244 is available for spending at the government's discretion (*unassigned fund balance*).
- As of December 31, 2017, unassigned fund balance for the general fund was \$4,945,244, approximately 21.3% of general fund revenues and transfers in.
- The City of Presque Isle's bonds and loan outstanding decreased \$756,890 or 0.05%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Presque Isle's basic financial statements. The City's financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information intended to furnish additional support to the basic financial statements themselves.

The **Basic Financial Statements** include financial information in two differing views: The government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to the financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in their preparation.

Government-Wide Financial Statements are designed to provide readers with a broad overview of the City of Presque Isle's finances. These statements are presented using the accrual basis of accounting which is similar to the accounting method used by most private sector businesses. There are two Government-Wide Financial Statements, the *statement of net position* and the *statement of activities*.

The *statement of net position* presents information on all of the City of Presque Isle's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you may also need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City's financial position.

The *statement of activities* presents information showing how the City of Presque Isle's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event causing the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported for

CITY OF PRESQUE ISLE
Management's Discussion and Analysis
December 31, 2017

some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused employee vacation leave).

For the City of Presque Isle, all activities are classified as *governmental activities* because they are principally supported by taxes and intergovernmental revenues (federal and state grants). Most of the City's basic services are reported in governmental activities, which includes general government, public safety, public works, education, recreation and culture and other unclassified.

The government-wide financial statements can be found on pages 4 and 5 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Presque Isle, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal documents. All of the funds of the City are governmental funds.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City of Presque Isle maintains individual governmental funds for specific purposes. Information is presented separately in the *governmental fund balance sheet* and in the *governmental funds statement of revenues, expenditures and changes in fund balance* for the general fund, the community center construction fund and the special revenue fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

The City of Presque Isle adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4 through 10 of this report.

Fiduciary Funds. These funds are used to account for resources held for the benefit of parties outside the government of the City of Presque Isle. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that of proprietary funds, they use the accrual basis of accounting. The City of Presque Isle does not have any fiduciary funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 35 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* consisting of: general fund budgetary comparison, budgetary basis, budget to

CITY OF PRESQUE ISLE
Management's Discussion and Analysis
December 31, 2017

actual; schedule of changes in net pension liability and related ratios, schedule of contributions, and a schedule of investment returns.

Other supplementary information follows the *required supplementary information* and provides additional information regarding non-major funds, capital asset activity and other detailed budgetary information for the general fund.

Required supplementary information can be found on page 36 through 41 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position may serve as a useful indicator over time of a government's financial position. For the City of Presque Isle, assets and deferred inflows of resources exceeded liabilities and deferred outflows of resources by \$59,213,456 at December 31, 2017.

CITY OF PRESQUE ISLE'S Net Position

	2017	2016
Current and other assets	\$ 14,122,577	\$ 14,356,307
Capital assets	<u>72,271,655</u>	<u>65,404,514</u>
Total Assets	\$ 84,394,232	\$ 79,760,822
Deferred outflows of resources	435,754	285,417
 Long term debt outstanding	 \$ 22,612,044	 \$ 24,138,805
Other liabilities	<u>1,588,731</u>	<u>1,767,051</u>
Total liabilities	\$ 20,838,429	\$ 25,950,856
Deferred inflows of resources	1,415,756	1,243,848
 Net Assets		
Net investment in capital assets	\$ 56,612,676	\$ 50,926,243
Restricted	2,774,499	3,627,446
Unrestricted	<u>(173,719)</u>	<u>(1,702,156)</u>
Net Position	<u>\$ 59,213,456</u>	<u>\$ 52,851,535</u>

By far the largest portion of the City of Presque Isle's net position \$56,615,676 (95.6%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide a wide variety of services to citizens; consequently, these assets are *not* available for future spending. Although the City of Presque Isle's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Presque Isle's net position \$2,774,499 (4.7%) represents resources that are subject to external restrictions on how they may be spent. The remaining balance of is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Presque Isle is able to report a positive balance in two of the three reported categories of net position for the government as a whole. The unrestricted category has improved \$1,528,437 from the prior fiscal year.

CITY OF PRESQUE ISLE
Management's Discussion and Analysis
December 31, 2017

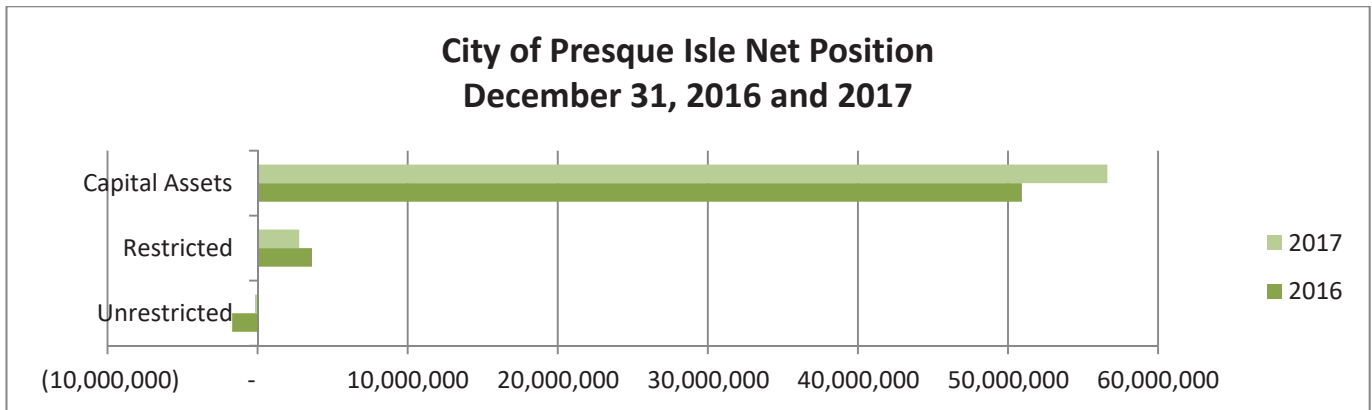
The City's net position increased by \$6,361,921 during the current year. Factors that affected the increase in net position include: increase in capital assets funded by grants (\$4,876,733); a decrease in net pension liability (\$1,438,691); and a net decrease in bonds and notes outstanding (\$756,893);

Key elements of the increase in net position are shown below.

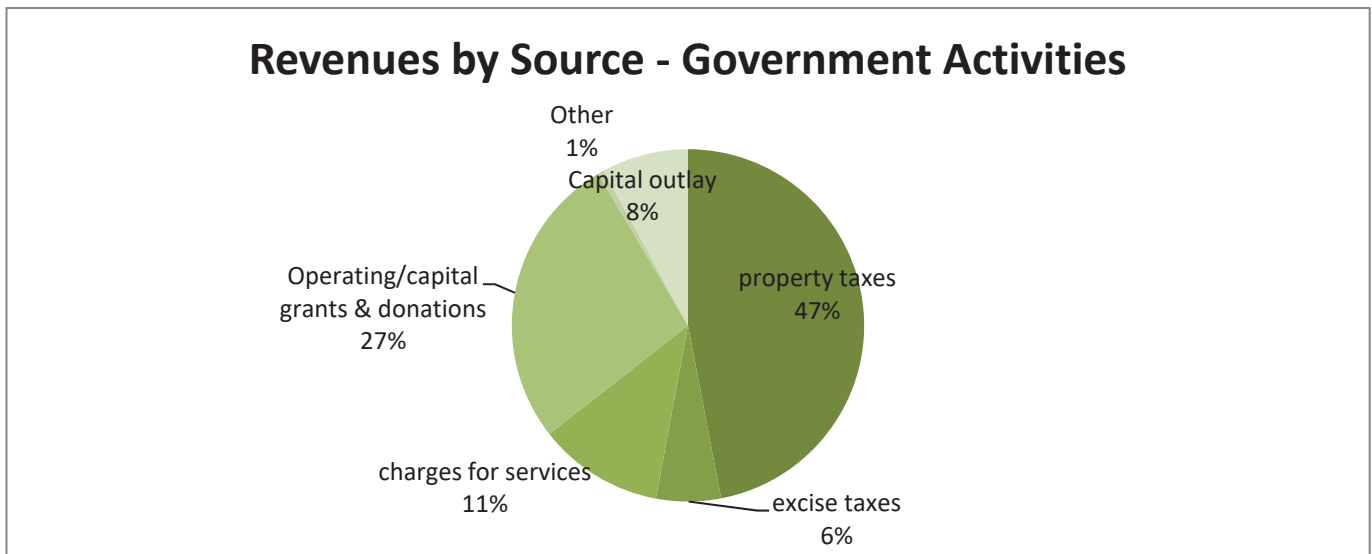
CITY OF PRESQUE ISLE'S Changes in Net Position

Revenue	2017	2016
Program revenue		
Charges for services	\$ 3,363,427	\$ 2,703,374
Operating/capital grants & contributions	7,826,131	5,902,477
General Revenue		
Property taxes	13,587,465	13,696,050
Excise taxes	1,714,653	1,629,208
Licenses and permits	13,951	593,440
Interest	150,104	170,066
Miscellaneous Revenue	2,296,310	3,127,186
Total Revenue	\$ 28,952,041	\$ 27,821,801
Expenses		
General government	\$ 2,937,715	\$ 6,327,967
Public Safety	3,037,148	2,614,101
Solid Waste	1,110,981	1,749,569
Public Works	2,521,107	2,421,188
Recreation and culture	1,655,539	1,455,310
Airport	3,345,973	2,967,703
Education	6,210,945	6,240,554
County tax	665,733	645,031
Miscellaneous	394,818	435,797
Outside requests	59,000	-0-
Debt service		
Interest	320,227	311,766
Capital outlay	330,935	-0-
Total Expenses	\$ 22,590,121	\$ 25,168,986
Increase (decrease) in net position	6,361,921	2,652,815
Net position – January 1 restated	52,851,535	50,198,720
Net position – December 31	\$ 59,213,455	\$ 52,851,535

CITY OF PRESQUE ISLE
Management's Discussion and Analysis
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Governmental Activities Governmental activities resulted in an increase in the City of Presque Isle's net position of \$6,361,921 for an ending balance of \$59,213,456. The increase is primarily attributable to 2 major capital improvement projects: improvements to the runways at the airport financed 95% by the Federal Aviation Administration and 2.5% by Maine Department of Transportation; the renovation of a commercial building on the Industrial Park primarily financed by three federal grants as well as a decrease in the City's net pension liability.



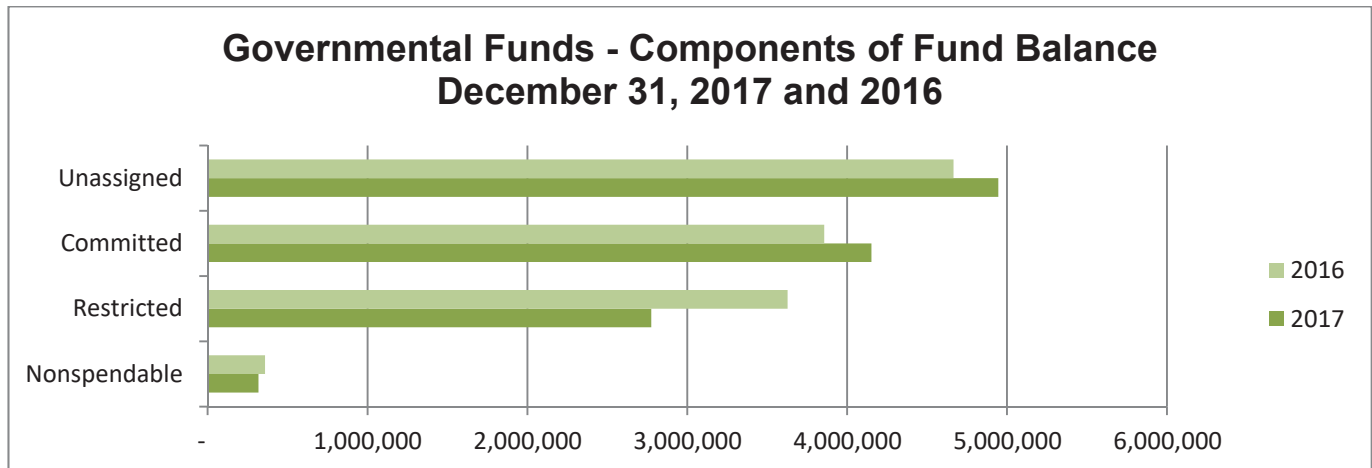
Financial Analysis of Governmental Funds

As noted earlier, the City of Presque Isle uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Presque Isle's **governmental funds** is to provide information on near-term inflows, outflows and balance of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Presque Isle itself, or a group or individuals that has been delegated authority to assign resources for use for particular purposes by the City of Presque Isle's Council.

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As of December 31, 2017, the City of Presque Isle's governmental funds reported combined fund balances of \$12,188,954, a decrease of \$315,116 from 2016. Approximately 40.57% (\$4,945,244) of the total amount constitutes *unassigned fund balance*, which is available to meet the future financial needs of the City. The remainder of the fund balance is either *nonspendable*, *restricted*, or *committed* to indicate that it is 1) not in spendable form (\$317,839), 2) restricted for a particular purpose (\$2,774,499), 3) committed for particular purposes (\$4,151,372).



The *general fund* is the central operating fund of the City of Presque Isle. In 2017 a change was made to the financial statements to include all non-major projects. Previously non-major special revenue funds, non-major capital projects and permanent funds were shown separately and are now combined into the General Fund. At the end of the current fiscal year, nonspendable fund balance is \$317,839, committed \$4,151,372 and unassigned is \$4,945,244.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 22.53% of total general fund expenditures, while total fund balance represents approximately 55.05% of that same amount.

The General Fund Balance increased \$1,193,632 in 2017, the major part of that increase was in Committed Funds-\$950,990. Of that amount, \$525,188 was received from the state for partial reimbursement of prior Landfill Closing Costs, these funds are put aside to fund future closure costs. There was also an increase of \$447,571 in funds set aside for specific projects. Unassigned Fund balance increased \$279,873.

The *Community Center Construction Reserve* was created to monitor the funding and construction costs of the new community center project. The building and furnishings were completed in 2016 at a cost of \$9,230,816. The splash pad, pool house and ball fields were completed in 2017. Total cost of the project is projected to be \$9,500,000 with \$7,500,000 financed by a bond and \$2,000,000 in citizen's donations. The construction is nearing completion and the fund will be closed in 2018

The *Special Projects Fund* includes all other construction projects and projects funded by outside sources. This fund is subject to large fluctuations in revenue and expenditures because many of the projects are funded by the FAA and other Federal Grants. Fund balance decreased by \$852,949 in 2017 because 2 major construction projects were completed and the projects closed.

General Fund Budgetary Highlights

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Management's Discussion and Analysis
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The General Fund budget overall (on a budgetary basis of accounting), ended the year with revenue \$24,807 below estimates and expenses were \$612,858 below estimates, for an increase to unassigned fund balance of \$662,512 at year end.

Resources (inflows) for the General Fund (on the budgetary basis of accounting) totaled \$22,206,235 for the year ended December 31, 2017, a decrease of \$285,748 or 1.27% from 2016.

For both the current and prior years, real estate and personal property taxes represent the largest revenue source--\$13,787,465 or 62.1% of all general fund revenues, an increase of \$167,915 or 1.2% from 2016. Excise tax collections of \$1,714,653, an increase of \$85,445 from 2016 represents 7.7% of total revenues.

Charges for services of \$3,362,497 or 15.1% of total revenue increased \$79,092 from 2016 due primarily to the addition of the Ambulance Service at the Fire Department;

Operating grants and contributions of \$1,662,319 or 7.5% of total revenues increased \$93,594 from 2016. The increase is primarily from increases in Homestead Exemption reimbursements and BETE reimbursements supported by the improved economy causing businesses to increase their investment in personal property, and from the assessor's increased involvement in enrolling taxpayers in the program.

Miscellaneous revenue of \$1,548,392 or 7.0% of total revenue decreased \$693,520 from 2016.

Charges to Appropriations (outflows) from the General Fund (on the budgetary basis of accounting) totaled \$21,618,184 for the year ended December 31, 2017, a decrease of \$205,850 from 2016.

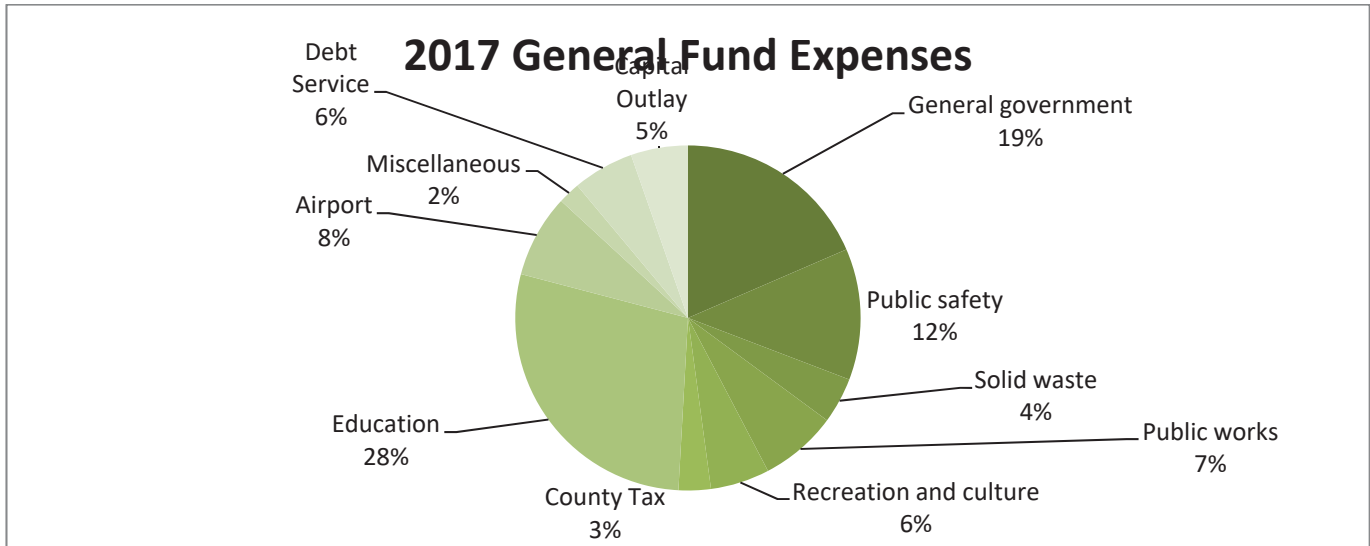
The following schedule provides a summary of the General Fund revenue and expenditures on the budgetary basis of accounting for the year 2016, the per cent of total revenue collected, and the amount of increase (decrease) in comparison with the prior year.

General Fund Revenue and Expenses

	Amount	% of Total	Change from 2016
Revenue:			
Taxes			
Real Estate	\$ 13,787,465	62.1%	\$ 167,915
Excise	1,714,653	7.7%	85,445
Operating grants & contributions	1,662,319	7.5%	93,594
Licenses, permits & fees	13,951	0.1%	541
Charges for services	3,362,497	15.1%	79,092
Interest earned	116,958	0.5%	(18,817)
Miscellaneous	<u>1,548,392</u>	<u>7.0%</u>	<u>(693,610)</u>
Total Revenue	\$ 22,206,235	100.0%	\$(285,840)
Expenses:			
General government	\$ 4,074,519	18.8%	\$ 75,472
Public safety	2,709,520	12.5%	389,077
Solid waste	944,965	4.4%	(381,812)
Public works	1,593,313	7.4%	42,211
Recreation and culture	1,218,379	5.6%	93,773
County tax	665,733	3.1%	20,702
Education	6,210,945	28.7%	(29,609)
Airport	1,711,313	8.2%	197,470

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Management's Discussion and Analysis
December 31, 2017

Outside requests	59,000	0.3%	(1,825)
Miscellaneous	251,247	1.2%	(200,430)
Debt Service			
Principal	945,483	4.4%	18,710
Interest	315,441	1.5%	(131)
Capital Outlay	858,326	4.0%	(429,458)
Total Expenses	\$ 21,618,184	100.0%	\$ (205,850)



Capital Asset and Debt Administration

Capital Assets As of December 31, 2017, the City of Presque Isle's investment in capital assets was \$70,271,655 (net of depreciation), an increase of \$4,867,141 or 7.44% from December 31, 2016. Physical assets increased \$12,318,847 less depreciation and deletions of \$7,451,706. This investment in capital assets includes building, improvements, machinery, equipment, roads and airport improvements and airport runways.

CITY OF PRESQUE ISLE'S Capital Assets Net of Depreciation

	2017	2016
Land	\$ 5,500,788	\$ 5,500,788
Construction in progress	1,095,896	3,993,714
Works of art and historical treasures	698,990	698,990
Buildings and improvements	24,650,952	22,827,782
Improvements other than buildings	1,782,075	1,068,033
Machinery, equipment and vehicles	5,587,664	4,667,534
Infrastructure	30,955,290	26,925,641
Total assets net of depreciation	<u>\$ 70,271,655</u>	<u>\$ 65,440,514</u>

Major capital asset events during the current fiscal year include:

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Management's Discussion and Analysis
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- **Infrastructure:** Construction was completed on improvements to Alpha runway. Total cost of the project was \$5,570,890; \$2,344,005 was expended in 2017. These projects are funded 95% by the Federal Aviation Administration and 2.5% by the Maine Department of Transportation. Road improvements totaled \$352,399.
- **Building Improvements:** Renovations were completed on a commercial building on Skyway Industrial Park at a total cost of \$3,029,853; \$2,425,320 of which was funded from three federal grants.
- **Machinery, equipment and vehicles** Purchases for all departments totaled \$1,583,782 which included a snow blower for the airport runways \$611,040; a police cruiser \$30,018; additional equipment for the new 911EMS ambulance service \$124,352; a loader/snow plow \$253,739; a Zamboni ice machine for the ice rink \$85,813.
- **Improvements other than buildings:** Construction of a rail spur at Skyway Industrial Park \$407,432, and alterations to land at the airport \$361,050.

Additional information about the City of Presque Isle's capital assets can be found in the notes to the financial statements on page of this report.

Long-term Debt At the end of the current fiscal year, the City of Presque Isle had total bonded debt outstanding of \$13,422,242, a decrease of \$810,331 from 2016 due to scheduled principal payments. Bank loans outstanding of \$299,139 increased \$53,441 from 2016 consisting of one additional loan (\$188,591) less principal pay downs (\$135,153).

State statutes limit the amount of general obligation debt a municipality may issue to 15% of its total state assessed valuation. The current debt limitation of the City of Presque Isle is \$42,045,000 which is well in excess of the City's outstanding general obligation debt.

The City of Presque Isle's rating was set at A+ by Standard and Poor's for its general obligation debt. Pension related debt consists of \$3,633,248 a decrease of \$1,436,691 from 2016.

CITY OF PRESQUE ISLE'S Outstanding Debt

	2017	2016
General obligation bonds	\$ 13,422,242	\$ 14,232,573
Notes payable	299,136	245,698
Pension liabilities net of pension assets	<u>3,633,248</u>	<u>5,071,939</u>
Total	\$ 17,354,626	\$ 19,550,210

Economic Factors and Next Year's Budget

In preparing the City's 2017 budget, City management and officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic services to the citizens of the City while attempting to keep the property tax low.

During the 2018 fiscal year, the City's management will continue to monitor and evaluate local economic conditions. Items of concern include:

Revenue projections:

- A possible continued reduction in the Municipal Revenue Sharing pool resulting from a slowdown in the state's tax receipts and possible changes in how the State calculates the revenue sharing pool;

Expenditure projections:

- Continuing uncertainty in the State budget regarding local school funding is a concern. While the school district is separate from the City, the City is responsible for 73.4% of the School District's funding at this time. Currently the school district requires an increase of 3% each year to maintain its current level of

CITY OF PRESQUE ISLE
Management's Discussion and Analysis
December 31, 2017

services. If the state should decrease its funding, the City would need to proportionately increase its share to keep the same level of services.

- The state of unrest in global conditions may easily lead to significant increases in the cost of fuel and electricity.
- Rising cost of health insurance.
- Consolidation of the City's landfill with another regional landfill is expected to reduce expenses in the future.
- Union negotiations.
- Political implications – trade wars could increase the cost of goods, particularly vehicles and affect sales and excise taxes.

Requests for Information

This financial report is designed to provide a general overview of the City of Presque Isle's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 12 Second Street, Presque Isle, Maine 04769.

CITY OF PRESQUE ISLE, MAINE
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Cash	\$ 9,928,545
Investments	770,061
Accounts receivable (net)	1,898,007
Taxes receivable (net)	934,272
Tax liens	273,854
Due from other governments (net)	-
Inventory	75,878
Prepaid expenses	126,796
Tax acquired property	115,165
Capital assets:	
Land, works of art, construction in progress	7,295,674
Other capital assets, net of depreciation	62,975,981
Total capital assets	<u>70,271,655</u>
TOTAL ASSETS	<u>84,394,233</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	435,754
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>435,754</u>
LIABILITIES	
Accounts payable	441,817
Accrued expenses	-
Accrued payroll	117,293
Accrued interest	54,267
Due to other governments	43,307
Tax anticipation note	-
Long term liabilities	
Due within one year	932,047
Due in more than one year	22,612,044
TOTAL LIABILITIES	<u>24,200,775</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid property taxes	179,663
Prepaid rents	20,044
Deferred inflows related to pensions	1,216,049
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,415,756</u>
NET POSITION	
Net investment in capital assets	56,612,676
Restricted:	
Special Projects	2,774,499
Unrestricted	<u>(173,719)</u>
TOTAL NET POSITION	<u><u>\$ 59,213,456</u></u>

See accompanying independent auditors' report and management's notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,937,715	\$ 781,643	\$ 1,805,447	\$ 2,629,036	\$ 2,278,411
Public safety	3,037,148	471,439	168,170	-	(2,397,539)
Solid waste	1,110,981	224,892	-	516,688	(369,401)
Public works	2,521,107	-	-	-	(2,521,107)
Recreation and culture	1,655,539	351,505	-	-	(1,304,034)
County tax	665,733	-	-	-	(665,733)
Education	6,210,945	-	-	-	(6,210,945)
Airport	3,345,973	1,533,949	-	2,706,790	894,766
Outside requests	59,000	-	-	-	(59,000)
Miscellaneous	394,817	-	-	-	(394,817)
Debt Service:					
Principal	-	-	-	-	-
Interest expense	320,228	-	-	-	(320,228)
Capital outlay	330,935	-	-	-	(330,935)
Total governmental activities	<u>\$ 22,590,121</u>	<u>\$ 3,363,428</u>	<u>\$ 1,973,617</u>	<u>\$ 5,852,514</u>	<u>(11,400,562)</u>

General revenues:	
Property tax	13,587,465
Excise tax	1,714,653
License & permits	13,951
Interest	150,104
Miscellaneous revenues	2,296,310
Total general revenues	<u>17,762,483</u>

Change in net position	<u>6,361,921</u>
Net position - January 1 - original	<u>61,501,589</u>
Prior Period Adjustment	<u>(8,650,054)</u>
Net position - January 1 - revised	<u>52,851,535</u>
Net position - December 31	<u>\$ 59,213,456</u>

See accompanying independent auditors' report and management's notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Major General	Major Community Center	Major Special Projects	Total
ASSETS				
Cash	\$ 9,928,545	\$ -	\$ -	\$ 9,928,545
Investments	770,061	-	-	770,061
Accounts receivable (net)	1,427,149	-	470,861	1,898,010
Tax receivable (net)	934,272	-	-	934,272
Tax liens	273,854	-	-	273,854
Due from other governments (net)	-	-	-	-
Due from other funds	-	62,399	2,303,638	2,366,037
Inventory	75,878	-	-	75,878
Prepaid expenses	126,796	-	-	126,796
Tax acquired property	115,165	-	-	115,165
TOTAL ASSETS	\$ 13,651,720	\$ 62,399	\$ 2,774,499	\$ 16,488,618
LIABILITIES				
Accounts payable	441,820	-	-	441,820
Accrued expenses	-	-	-	-
Accrued payroll	117,293	-	-	117,293
Due to other governments	43,307	-	-	43,307
Due to other funds	2,366,037	-	-	2,366,037
Tax anticipation note	-	-	-	-
TOTAL LIABILITIES	2,968,457	-	-	2,968,457
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax	1,131,500	-	-	1,131,500
Prepaid property taxes	179,663	-	-	179,663
Prepaid rents	20,044	-	-	20,044
TOTAL DEFERRED INFLOWS OF RESOURCES	1,331,207	-	-	1,331,207
FUND BALANCES				
Nonspendable	317,839	-	-	317,839
Restricted	-	-	2,774,499	2,774,499
Committed	4,088,973	62,399	-	4,151,372
Assigned	-	-	-	-
Unassigned	4,945,244	-	-	4,945,244
TOTAL FUND BALANCES	9,352,056	62,399	2,774,499	12,188,954
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,651,720	\$ 62,399	\$ 2,774,499	\$ 16,488,618

See accompanying independent auditors' report and management's notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
 RECONCILIATION OF THE BALANCE SHEET-
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2017

Fund balances - total governmental funds	\$ 12,188,954
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets	70,271,655
Deferred outflows related to pensions	435,754
Accrued interest	(54,267)
Short-term liabilities	(932,047)
Long-term liabilities	(22,612,044)
Deferred property tax	1,131,500
Deferred inflows related to pensions	(1,216,049)
Net position of governmental activities	<u>\$ 59,213,456</u>

See accompanying independent auditors' report and management's notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2017

	Major	Major	Major	
	General	Community Center	Special Projects	Total
REVENUES				
Property tax	\$ 13,787,465	\$ -	\$ -	\$ 13,787,465
Excise taxes	1,714,653	-	-	1,714,653
Intergovernmental	2,368,395	-	5,457,736	7,826,131
License & permits	13,951	-	-	13,951
Charges for services	3,363,427	-	-	3,363,427
Interest earned	133,958	-	16,147	150,105
Miscellaneous	1,819,296	161,165	315,849	2,296,310
TOTAL REVENUES	23,201,145	161,165	5,789,732	29,152,042
EXPENDITURES				
Current:				
General government	4,074,519	-	-	4,074,519
Public safety	2,709,520	-	-	2,709,520
Solid waste	944,965	-	-	944,965
Public works	1,593,313	-	-	1,593,313
Recreation and culture	1,218,379	-	-	1,218,379
County tax	665,733	-	-	665,733
Education	6,210,945	-	-	6,210,945
Airport	1,771,313	-	-	1,771,313
Outside requests	59,000	-	-	59,000
Miscellaneous	394,818	-	-	394,818
Debt Service:				
Principal	945,483	-	-	945,483
Interest expense	315,441	-	-	315,441
Capital outlay	1,178,545	816,964	6,756,811	8,752,320
TOTAL EXPENDITURES	\$ 22,081,974	\$ 816,964	\$ 6,756,811	\$ 29,655,749

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT E (CONTINUED)

CITY OF PRESQUE ISLE, MAINE
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2017

	Major General	Major Community Center	Major Special Projects	Total
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	\$ 1,119,171	\$ (655,799)	\$ (967,079)	\$ (503,707)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	188,591	-	-	188,591
Transfers in	-	-	298,501	298,501
Transfers out	(114,130)	-	(184,371)	(298,501)
TOTAL OTHER FINANCING SOURCES (USES)	74,461	-	114,130	188,591
NET CHANGE IN FUND BALANCES	1,193,632	(655,799)	(852,949)	(315,116)
FUND BALANCE - JANUARY 1	8,158,424	718,198	3,627,448	12,504,070
FUND BALANCE - DECEMBER 31	\$ 9,352,056	\$ 62,399	\$ 2,774,499	\$ 12,188,954

See accompanying independent auditors' report and management's notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds	\$ (315,116)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlays.	8,676,958
This is the amount of contributed capital assets.	-
This is the amount of depreciation expense.	(3,806,950)
This is the amount of capital assets (net) deleted.	(2,867)

Expenses for accrued interest do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(4,787)
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Proceeds from debt is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(552,258)
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Repayment of long term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,416,606
--	-----------

Changes in related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	150,335
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Change in deferred tax revenue	(200,000)
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Change in net position of governmental activities.	<u>\$ 6,361,921</u>
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See accompanying independent auditors' report and management's notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Presque Isle, Maine (the City), was incorporated as a City in 1940. The City operates under a City Council form of government.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

These financial statements present the City (the primary government) and its component units, if any. As defined by GASB No. 14, component units are legally separate entities that are included in the City's reporting entity because of the significance of the operating or financial relationships with the City.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, certain intergovernmental revenues, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net cost (by function or business-type activity) are normally covered by general revenue (property, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

- a. The general fund is the City's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.
- b. The Community Center fund is used to account for and report all financial resources related to the construction of a new Community Center. The fund's primary revenue source is the proceeds from the issuance of a bond.
- c. The Special Projects fund is used to account for and report all financial resources related to state and federal grant awards. The fund's primary revenue source is state and federal grants.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City reports the following proprietary fund types:

- a.) Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The City does not have an enterprise fund.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. FINANCIAL STATEMENTS ACCOUNTS

1. Cash and investments:

Nearly all of the cash balances of the City's funds are pooled for investment purposes. The individual funds' portions of the pool's cash and investments are reported as "pooled cash and investments." Investments are stated at fair value (quoted market price or the best available estimate).

2. Cash:

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Additionally, each fund's equity in the City's investment pool is treated as cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

3. Inventories:

Inventories in the general fund consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method.

4. Receivables:

All receivables are reported net of estimated uncollectible amounts.

5. Capital assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The City reports all major general infrastructure assets constructed or acquired in fiscal years ending after June 30, 1980, or that received major renovations, restorations, or improvements during that period. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	7-40 years
Machinery and Equipment	5-20 years
Vehicles	5-15 years
Infrastructure	40 years

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Property Tax Calendar and Revenues:

The City's property tax for the current year was levied July 11, 2017 on the assessed value listed as of April 1, 2017, for all real estate and personal property located in the City. Taxes were due on July 11, 2017. Interest on unpaid taxes commenced on October 17, 2017, at 7% per annum. The City may record a lien on the property between eight to twelve months after the levied date. The tax lien may be foreclosed, if the tax lien remains unpaid eighteen months from the date the lien is recorded.

7. Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

8. Government-wide and Proprietary Fund Net Position:

Government-wide and proprietary fund net positions are divided into three components:

- Net investments in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (though restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City's parks endowment less related liabilities and deferred inflows of resources).
- Unrestricted – all other net position is reported in this category.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by vote of the City Council.
- Assigned – Amounts that are designated by the City Manager for a particular purpose.
- Unassigned – All amounts not included in other spendable classifications.

The City's policy on unassigned fund balance is as follows:

“A target of 16% (two months of expenditures) is an appropriate level to maintain as an unreserved, undesignated general fund balance.”

10. Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Interfund Activity:

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 2 - CASH

The total amount of the City's cash consists of the following at December 31, 2017:

Cash	\$ 9,928,545
------	--------------

The total amount of the City's deposits in financial institutions, per the bank statements, at December 31, 2017 was \$10,446,847, of which \$8,387,901 was covered by federal depository insurance. The deposits of \$2,006,175 were collateralized by a bank, and the remaining deposits of \$52,771 were uncollateralized.

NOTE 3 - INVESTMENTS

Investments are reported at their fair value at year end. Although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at year end.

The fair value measurement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy has three levels which are described below.

Level 1 Fair Value Measurements

The fair value of stocks is based on quoted prices of the shares held by the City at year-end. The fair values of common stock, mutual funds, corporate bonds, and U.S. Government securities are based on the closing price reported on the active market where the individual securities are traded.

Level 2 Fair Value Measurements

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 – INVESTMENTS (CONTINUED)

Investments in certain preferred stocks are valued on the market approach using the quoted market price of the issuer's unrestricted common stock less an appropriate discount.

Level 3 Fair Value Measurements

The fair value of certain investments is not actively traded and significant other observable inputs are not available. In this case, management decides what the best valuation technique to use is.

The investments of the City consisted of the following as of:

Description	Fair Value	December 31, 2017		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant un-observable inputs (Level 3)
Common stock	\$ 193,068	\$ 193,068	\$ -	\$ -
Mutual funds	576,993	576,993	-	-
Total	<u>\$ 770,061</u>	<u>\$ 770,061</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts at December 31, 2017 is estimated to be:

	Accounts Receivable	Tax Receivable	Due From Other Governments	Total
General Fund	\$ -	\$ -	\$ -	\$ -
Community Center Fund	-	-	-	-
Special Projects Fund	-	-	-	-
Governmental Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets:

GOVERNMENTAL ACTIVITIES

	Balance 01/01/17	Additions	Deletions	Balance 12/31/17
Capital assets (non-depreciable):				
Works of Art	\$ 698,990	\$ -	\$ -	\$ 698,990
Land	5,500,788	-	-	5,500,788
Construction in progress	3,993,714	744,071	3,641,889	1,095,896
Total capital assets (non-depreciable)	10,193,492	744,071	3,641,889	7,295,674
Other capital assets (depreciable):				
Land Improvements	8,296,211	822,174	-	9,118,385
Buildings	32,534,561	25,457	-	32,560,018
Building Improvements	10,325,241	3,168,638	-	13,493,879
Furniture & Fixtures	374,234	47,436	-	421,670
Machinery & Equipment	5,702,735	989,112	76,710	6,615,137
Vehicles	6,194,571	594,670	22,998	6,766,243
Infrastructure	46,120,560	5,927,289	-	52,047,849
Total other capital assets at historical cost	109,548,113	11,574,776	99,708	121,023,181
Less accumulated depreciation				
Land Improvements	(7,228,178)	(108,132)	-	(7,336,310)
Buildings	(14,802,974)	(652,268)	-	(15,455,242)
Building Improvements	(5,507,014)	(440,689)	-	(5,947,703)
Furniture & Fixtures	(113,218)	(17,968)	-	(131,186)
Machinery & Equipment	(3,850,296)	(342,705)	(73,843)	(4,119,158)
Vehicles	(3,640,492)	(347,548)	(22,998)	(3,965,042)
Infrastructure	(19,194,919)	(1,897,640)	-	(21,092,559)
Total accumulated depreciation	(54,337,091)	(3,806,950)	(96,841)	(58,047,200)
Other capital assets, net	55,211,022	7,767,826	2,867	62,975,981
Net capital assets	<u>\$65,404,514</u>	<u>\$ 8,511,897</u>	<u>\$ 3,644,756</u>	<u>\$70,271,655</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 396,920
Public Safety	304,402
Public Works	927,794
Airport	1,574,659
Solid Waste	166,016
Recreation	437,159
	<u>\$ 3,806,950</u>

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANs or TANs).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs) or grant anticipation notes (GANs).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the fiscal year ended December 31, 2017, is as follows:

Type	Purpose	Rate	Due Date	Balance 01/01/17	Issued	Retired	Balance at 12/31/17
TAN	Cash flow	N/A	N/A	\$ -	\$ -	\$ -	\$ -
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of bonds outstanding at December 31, 2017

\$2,600,000 - 2001 General Obligation Bond due in annual installments and semi-annual interest installments through November 2021. Interest is charged at a varying rate of 3.25% to 5.125% per annum. Annual principal installments are \$130,000.	\$ 520,000
\$1,145,000 - 2007 General Obligation Bond due in annual installments and semi-annual interest installments through November 2025. Interest is charged at a varying rate of 2.00% to 6.00% per annum. Annual principal installments vary from \$42,999 to \$91,297.	619,574
\$6,225,000 - 2013 General Obligation Bond due in annual installments and semi-annual interest installments through April 2033. Interest is charged at a varying rate of 0.7% per annum. Annual principal installments vary from \$291,057 to \$332,306.	5,048,490
\$375,000 - 2015 General Obligation Bond due in annual installments and semi-annual interest installments through July 2030. Interest is charged at a varying rate of 2.99% per annum. Annual principal installments vary from \$20,091 to \$30,563.	334,178
\$7,500,000 - 2016 General Obligation Bond due in annual installments and semi-annual interest installments through October 2040. Interest is charged at a varying rate of 2.00% to 3.25% per annum. Annual principal installments are \$300,000.	6,900,000
	<u>\$ 13,422,242</u>

The following is a summary of notes outstanding at December 31, 2017

\$60,000 - Note Payable to Katahdin Trust Company for an excavator with interest at 3.25%. Note matures on January 7, 2017 with annual interest installments of \$16,256	\$ -
\$500,000 - Note Payable to KeyBank National Association for a fire truck with interest at 1.99%. Note matures on October 1, 2018 with annual interest installments that vary from \$5,697 to \$224,799.	-
\$145,000 - Note Payable to KeyBank National Association for a Public Works plow truck with interest at 2.49%. Note matures on October 1, 2018 with annual interest installments that vary from \$5,697 to \$224,799.	110,545
\$188,591 - Note Payable to Katahdin Trust Company for a JD Loader with Plow with interest at 2.26%. Note matures on December 1, 2021 with annual interest installments that vary from \$1,102 to \$4,262.	188,591
	<u>\$ 299,136</u>

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended December 31, 2017 is as follows:

	Balance 01/01/17	Additions	Deletions	Balance 12/31/17	Current Portion
Governmental Activities:					
Bonds and notes payable:					
2001 Bond	\$ 650,000	\$ -	\$ (130,000)	\$ 520,000	\$ 130,000
2007 Bond	681,962	-	(62,388)	619,574	64,883
2013 Note	15,672	-	(15,672)	-	-
2013 Note	84,432	-	(84,432)	-	-
2013 Bond	5,345,702	-	(297,212)	5,048,490	299,292
2015 Bond	354,909	-	(20,731)	334,178	21,359
2016 Note	145,594	-	(35,049)	110,545	35,934
2016 Bond	7,200,000	-	(300,000)	6,900,000	300,000
2017 Note	-	188,591	-	188,591	45,579
Total bonds and notes payable	<u>\$ 14,478,271</u>	<u>\$ 188,591</u>	<u>\$ (945,484)</u>	<u>\$ 13,721,378</u>	<u>\$ 897,047</u>
Other liabilities					
Compensated absences	\$ 376,298	\$ 55,659	\$ (32,431)	\$ 399,526	\$ 35,000
Landfill closure & post closure	4,411,171	252,704	-	4,663,875	-
Net pension liability	5,071,939	-	(1,438,691)	3,633,248	-
Other postemployment benefits	1,070,760	55,304	-	1,126,064	-
Total other liabilities	<u>\$ 10,930,168</u>	<u>\$ 363,667</u>	<u>\$ (1,471,122)</u>	<u>\$ 9,822,713</u>	<u>\$ 35,000</u>
Governmental activities long-term liabilities	<u>\$ 25,408,439</u>	<u>\$ 552,258</u>	<u>\$ (2,416,606)</u>	<u>\$ 23,544,091</u>	<u>\$ 932,047</u>

The annual principal and interest requirements to maturity for bonds payable are as follows:

	Principal	Interest	Total Debt Service
2018	\$ 815,534	\$ 28,781	\$ 844,315
2019	821,522	28,343	849,865
2020	827,680	27,919	855,599
2021	834,092	27,438	861,530
2022	710,695	20,307	731,003
2023-2027	3,464,203	82,390	3,546,593
2028-2032	3,216,211	58,098	3,274,309
2033-2037	1,832,306	47,326	1,879,632
2038-2042	900,000	28,500	928,500
	<u>\$ 13,422,242</u>	<u>\$ 349,104</u>	<u>\$ 13,771,346</u>

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

The annual principal and interest requirements to maturity for notes payable are as follows:

	Principal	Interest	Total Debt Service
2018	\$ 81,513	\$ 7,053	\$ 88,566
2019	83,450	5,116	88,566
2020	85,432	3,135	88,567
2021	48,740	1,102	49,842
2022	-	-	-
	<u>\$ 299,136</u>	<u>\$ 16,406</u>	<u>\$ 315,541</u>

The City uses the General Fund to liquidate the other long-term liabilities.

NOTE 8 – CAPITAL LEASES

The City does not have any Capital leases.

NOTE 9 – LANDFILL CLOSURE

The City records a liability for the estimated costs of landfill closure and post-closure care, as required by U.S. generally accepted accounting principles. The closure and post-closure requirements are regulated by Federal laws and rules, and State of Maine laws and rules.

The landfill has an estimated remaining life of 70 years. An estimated 35.4% of the landfill capacity has been used as of December 31, 2017. The City has recognized a liability in the government-wide financial statements, based on percentage used, as of December 31, 2017, of \$4,663,876 for closure and post-closure costs. In future years, there is \$8,511,489 of closure and post-closure costs to be recognized.

The estimate of the liability is based on current costs. Inflation, deflation, changes in technology, and changes in laws or regulations could have a significant impact on the estimate of current costs in future years.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9 – LANDFILL CLOSURE (CONTINUED)

The City is required to meet the following financial assurance requirements:

- 1) Cash and investments to total expenditures ratio of 0.05 or greater
- 2) Annual debt service to total expenditures ratio of 0.20 or less

The City has met the above financial assurance requirements.

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES

Interfund transfers at December 31, 2017 consisted of the following:

		Transfers In:			
Transfers Out		General Fund	Community Center Fund	Special Project Fund	Total
	General Fund	\$ -	\$ -	\$ 114,130	\$ 114,130
	Community Center Fund	-	-	-	-
	Special Project Fund	-	-	184,371	184,371
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,501</u>	<u>\$ 298,501</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

		Due From:			
Due To:		General Fund	Community Center Fund	Special Project Fund	Total
	General Fund	\$ -	\$ 62,399	\$ 2,303,638	\$ 2,366,037
	Community Center Fund	-	-	-	-
	Special Project Fund	-	-	-	-
	Total	<u>\$ -</u>	<u>\$ 62,399</u>	<u>\$ 2,303,638</u>	<u>\$ 2,366,037</u>

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 11 - FUND BALANCE

At December 31, 2017, the fund balances consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund				
Inventory	\$ 75,878	\$ -	\$ -	\$ -
Tax Acquired Property	115,165	-	-	-
Prepaid Expenses	126,796	-	-	-
Street Overlay Reserve	-	-	26,791	-
Solid Waste Reserve	-	-	2,755,708	-
Special Program Reserve	-	-	62,684	-
Capital Reserves	-	-	1,243,790	-
Community Center Fund	-	-	62,399	-
Special Projects Fund	-	2,774,499	-	-
Total	<u>\$ 317,839</u>	<u>\$ 2,774,499</u>	<u>\$ 4,151,372</u>	<u>\$ -</u>

NOTE 12 - EMERGENCY RESERVE ACCOUNT

The Council has established an Emergency Reserve Account. That Account may not accumulate to more than 0.5% of the City's then current State Valuation.

The account must be funded each year as a budget line item, at a rate of 1.5% of the City's net annual budget appropriations. If there is a surplus at the end of any fiscal year, the council may supplement the appropriation by directing a portion of that surplus for deposit in the Emergency Reserve Account. Expenditure from the account may only be made upon unanimous vote of all Councilors, and only to meet unanticipated, extraordinary needs.

The Stabilization account has a balance of \$2,170,350.

This account is part of unassigned fund balance.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 - EMPLOYEE BENEFIT PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

City employees contribute to the Maine Public Employees Retirement System (MEPERS), an agent multi-employer defined benefit public employee pension plan (The Plan) that acts as a common investment and administrator for its participants.

The MEPERS provides retirement, annual cost-of-living adjustments, and death and disability benefits to members and beneficiaries. These benefit provisions and all other requirements are established by state statute. The MEPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine, 04333-0046.

The Plan membership consists of the following:

Membership	Number of Active Employees	Annual Payroll	Number of Retirees	Annual Benefit	Number of Vested Inactives
Regular employees	9	\$ 468,720	54	\$ 910,918	11
Fire	2	139,893	26	494,665	-
Police	4	276,344	20	431,462	-
Total	<u>15</u>	<u>\$ 884,957</u>	<u>100</u>	<u>\$1,837,045</u>	<u>11</u>

B. Funding Policy

The contribution requirements of plan members are established and may be amended by the state statute. This year, members contributed 6.5% (Regular) and 8.0% (Fire and Police) of gross earnings. The City is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by the statute.

The Plan's fiduciary net position uses the same basis as the plan. The Plan uses the accrual basis of accounting, and benefits and refunds are recognized when due and payable. Plan investments are measured at fair value.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Net Pension Liability assumptions:

- 1) Investment rate of return 6.875%
- 2) Price inflation 2.20%
- 3) Salary increases 2.75%
- 4) Mortality source was the RP-2014 mortality table
- 5) Experience studies were from 2010-2015

Discount rate assumptions:

- 1) Rate equals investment rate of return
- 2) Projected cash flows assume required contributions
- 3) Long-term expected rate of return equals investment rate of return and is applied to all periods
- 4) Asset allocation is as follows: 30% domestic equity, 20% international equity, 25% fixed income, and 25% real assets

Net Pension Liability Sensitivity:

- 1) Discount rate 1% higher: \$1,040,745
- 2) Discount rate 1% lower: \$6,485,002

The actuarial valuation date is June 30, 2017.

Changes in net pension liability are as follows:

Total pension liability	
Service cost	\$ 114,802
Interest	1,894,827
Changes of benefit terms	-
Differences between expected and actual experience	39,140
Changes of assumptions	-
Benefit payments, including refunds	(1,923,149)
Net change in total pension liability	<u>\$ 125,620</u>
Total pension liability - beginning	28,391,917
Total pension liability - ending	<u><u>\$ 28,517,537</u></u>

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Fiduciary net position

Contributions - employer	\$ 533,271
Contributions - member	65,008
Net investment earnings	2,891,957
Benefit payments, including refunds	(1,923,149)
Other	(2,775)
Net change in fiduciary net position	<u>\$ 1,564,312</u>

Fiduciary net position - beginning	23,319,979
Fiduciary net position - ending	<u><u>\$ 24,884,291</u></u>

Net pension liability (asset) - beginning	\$ 5,071,938
Net pension liability (asset) - ending	<u><u>\$ 3,633,246</u></u>

Pension expense recognized during December 31, 2017 was \$(1,029,726).

The following is the composition of deferred outflows and deferred inflows related to pension:

Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Contributions subsequent to the measurement date	Total Deferred Outflows Related to Pension
\$-	\$169,515	\$-	\$-	\$266,239	\$435,754
Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows Related to Pension	
(\$-)	(\$1,216,049)	(\$-)	(\$-)	(\$1,216,049)	

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 - EMPLOYEE BENEFIT PLANS (CONTINUED)

The following is a 5 year schedule of changes in Deferred Outflows and Deferred Inflows related to pensions:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Deferred Outflows and (Inflows)	(\$261,634)	(\$261,634)	(\$261,633)	(\$261,633)	(\$-)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

The City, in accordance with its current health insurance company agreement, provides a single-employer plan that offers optional health and other benefits to eligible retirees. Benefit provisions for contractual employees are established and amended through negotiations between the City Council and the respective unions. For all other employees, benefit provisions are established and amended by the City Council.

Funding policy – The City currently funds claims and administrative costs for postemployment benefits through its health insurance company or through current year expenditures.

Active members	81
Retirees	<u>26</u>
Total	107

Annual OPEB Cost and Net OPEB Obligations

The City of Presque Isle, Maine's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset):

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

	2017
Annual required contribution (ARC)	\$ 143,060
Interest on net OPEB obligation	42,830
Adjustment to annual required contribution	(61,922)
Annual OPEB cost	123,968
Contributions made	(68,664)
Increase in net OPEB obligation	55,304
Net OPEB obligation, beginning of year	1,070,760
Net OPEB obligation, end of year	\$ 1,126,064

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended December 31, 2015 through 2017 is presented below:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Employer Contributions	Percentage Of AOC Contributed	Net OPEB Obligation
12/31/15	133,333	89,485	67.1%	1,030,186
12/31/16	132,550	91,976	69.4%	1,070,760
12/31/17	123,968	68,664	55.4%	1,126,064

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

An annual healthcare cost blended trend rate of 10.0% is used initially, decreasing at a variable rate per year to an ultimate rate of 4.0% for 2032 and later. The remaining amortization period at December 31, 2017 was 30 years. As of January 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$1,777,018, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1,777,018.

The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

These numbers are based on information that was presented on January 1, 2017 for December 31, 2017. The amortization method that was used to calculate the numbers is presented below.

	2017
Discount rate	4.0%
Payroll growth assumption	2.75%
Accrued liability	\$1,777,018
Value of assets	-
Unfunded liability	1,777,018
Normal cost	38,745
Amortization of unfunded	98,813
Interest	5,502
Annual required contribution	\$143,060

The OPEB plan does not issue a stand-alone report.

NOTE 15 - DEFERRED COMPENSATION PLAN

There is a deferred compensation 457 plan administered by ICMA Retirement Corporation in the City's name. The plan is a defined contribution plan that can be modified by the City Council at any time. The employees may contribute a portion of their compensation into the plan up to the maximum established by the Internal Revenue Code. The City is required to contribute 1% of the employee's compensation into the plan. During 2017, the City contributed \$304,145.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a member of the Maine Municipal Association (MMA) Property and Casualty Pool. The pools provide coverage for worker's compensation, unemployment insurance, and property liability insurance. There were no unpaid contributions at year-end. There were no deductible claims for the fiscal year.

The pool agreement permits the pool to make additional assessments to members should there be deficiency in pool assets to meet its liabilities. At this time, the pool foresees no likelihood of an additional assessment for past years.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2017 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective agents; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 18 - OVERLAPPING DEBT

Aroostook County

The City is subject to an annual assessment of its proportional share of Aroostook County expenses, including debt repayment. The City's share is determined as the percentage of its equalized state valuation of the total equalized state valuation of all municipalities in the County. At December 31, 2017, the City's share was 12.34% of the County's equalized state valuation. The City's share of Aroostook County's principal debt, as of December 31, 2017, is \$0 or 0% of the total outstanding long-term County debt of \$0.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 18 - OVERLAPPING DEBT (CONTINUED)

MSAD #1

The City is subject to an annual assessment of its proportional share of MSAD #1's expenses, including debt repayment. The City's share is determined as the percentage of its equalized state valuation of the total equalized state valuation of all municipalities in the MSAD #1 district. At December 31, 2017, the City's share was 71.76% of the MSAD #1's equalized state valuation. The City's share of MSAD #1's principal debt, as of December 31, 2017, is \$2,514,600 or 71.76% of the total outstanding long-term MSAD #1 debt of \$3,504,181.

NOTE 19 - JOINT VENTURE

On January 26, 2018, the City entered into a memorandum of understanding with the Tri-Community Recycling and Sanitary Landfill. The memorandum is supplemental to an interlocal solid waste agreement which has been executed and is effective on January 1, 2019.

The City of Presque Isle, Maine will have an ongoing financial interest and financial responsibility. Beginning in calendar year 2019, all financial gains or losses will be shared among all participating municipalities in accordance with a defined appropriation/distribution formula.

Tri-Community Recycling and Sanitary Landfill issues a publicly available financial report that includes financial statements. That report may be obtained by writing to Tri-Community Recycling and Sanitary Landfill, P.O. Box 605, Caribou, Maine, 04736.

NOTE 20 - PRIOR PERIOD ADJUSTMENT

Statement of Net Position and Statement of Activities

A correction was made to Capital assets (net) for amounts that should have been applied to landfill closure liability in a prior year. This decreased the beginning Capital assets (net) by \$5,540,410 and decreased beginning Net position by \$5,540,410. There was no effect on the preceding year's change in net position.

A correction was made to Long term liabilities for landfill closure and post-closure liabilities error in computing estimate. This increased the beginning Long term liabilities by \$3,109,644 and decreased beginning Net position by \$3,109,644. The preceding year's change in net position decreased by \$19,392.

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 21 - MANAGEMENT REVIEW

Management has reviewed subsequent events as of July 25, 2018, the date the financial statements were available to be issued. At that time, there were no material subsequent events.

CITY OF PRESQUE ISLE, MAINE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property tax	\$ 13,518,383	\$ 13,518,383	\$ 13,787,465	\$ 269,082
Excise taxes	1,623,500	1,623,500	1,714,653	91,153
Operating grants and contributions	1,715,961	1,715,961	1,662,319	(53,642)
License & permits	12,400	12,400	13,951	1,551
Charges for services	4,330,195	4,330,195	3,362,497	(967,698)
Interest earned	77,000	77,000	116,958	39,958
Miscellaneous	953,603	953,603	1,548,392	594,789
TOTAL REVENUES	22,231,042	22,231,042	22,206,235	(24,807)
EXPENDITURES				
Current:				
General government	4,301,785	4,301,785	4,074,519	227,266
Public safety	2,790,070	2,790,070	2,709,520	80,550
Solid waste	934,742	934,742	944,965	(10,223)
Public works	1,657,406	1,657,406	1,593,313	64,093
Recreation and culture	1,265,732	1,265,732	1,218,379	47,353
County tax	665,733	665,733	665,733	-
Education	6,210,946	6,210,946	6,210,945	1
Airport	2,136,142	2,136,142	1,771,313	364,829
Outside requests	59,000	59,000	59,000	-
Program expenditures	-	-	-	-
Miscellaneous	382,398	382,398	251,247	131,151
Debt service:				
Principal	899,510	899,510	945,483	(45,973)
Interest expense	291,646	291,646	315,441	(23,795)
Capital outlay	635,932	635,932	858,326	(222,394)
TOTAL EXPENDITURES	22,231,042	22,231,042	21,618,184	612,858
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	-	-	588,051	588,051
OTHER FINANCING SOURCES (USES)				
Prior year fund balance utilization	-	-	-	-
Long term debt issued	-	-	188,591	188,591
Transfers in	-	-	-	-
Transfers out	-	-	(114,130)	(114,130)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	74,461	74,461
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 662,512	\$ 662,512

See accompanying independent auditors' report and management's notes to required supplementary information.

CITY OF PRESQUE ISLE, MAINE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RATIOS
YEAR ENDED DECEMBER 31, 2017

	2017	2016	2015	2014	2013
Total pension liability					
Service cost	\$ 114,802	\$ 126,831	\$ 124,786	\$ 128,547	*
Interest	1,894,827	1,975,016	2,046,607	2,032,234	*
Changes of benefit terms	-	-	-	-	*
Differences between expected and actual experience	39,140	(158,217)	(1,240,226)	58,985	*
Changes of assumptions	-	(193,153)	416,189	-	*
Benefit payments, including refunds	(1,923,149)	(1,939,722)	(1,943,291)	(1,889,865)	*
Net change in total pension liability	\$ 125,620	\$ (189,245)	\$ (595,935)	\$ 329,901	*
Total pension liability - beginning	28,391,917	28,581,162	29,177,097	28,847,196	*
Total pension liability - ending	\$ 28,517,537	\$ 28,391,917	\$ 28,581,162	\$ 29,177,097	*
Fiduciary net position					
Contributions - employer	\$ 533,271	\$ 651,488	\$ 697,879	\$ 507,333	*
Contributions - member	65,008	69,399	76,352	70,439	*
Net investment earnings	2,891,957	81,119	457,533	3,748,995	*
Benefit payments, including refunds	(1,923,149)	(1,939,722)	(1,943,291)	(1,889,865)	*
Other	(2,775)	(20,671)	(22,206)	(18,343)	*
Net change in fiduciary net position	\$ 1,564,312	\$ (1,158,387)	\$ (733,733)	\$ 2,418,559	*
Fiduciary net position - beginning	23,319,979	24,478,366	25,212,099	22,793,540	*
Fiduciary net position - ending	\$ 24,884,291	\$ 23,319,979	\$ 24,478,366	\$ 25,212,099	*
Net pension liability (asset) - beginning	\$ 5,071,938	\$ 4,102,796	\$ 3,964,998	\$ 6,053,656	*
Net pension liability (asset) - ending	\$ 3,633,246	\$ 5,071,938	\$ 4,102,796	\$ 3,964,998	*
Fiduciary net position as a percentage of the total pension liability	87.26%	82.14%	85.65%	86.41%	*
Covered-employee payroll	\$ 861,629	\$ 923,352	\$ 962,341	\$ 952,531	*
Net pension liability (asset) as a percentage of covered-employee payroll	421.67%	549.30%	426.33%	416.26%	*
	2012	2011	2010	2009	2008
Total pension liability					
Service cost	*	*	*	*	*
Interest	*	*	*	*	*
Changes of benefit terms	*	*	*	*	*
Differences between expected and actual experience	*	*	*	*	*
Changes of assumptions	*	*	*	*	*
Benefit payments, including refunds	*	*	*	*	*
Net change in total pension liability	*	*	*	*	*
Total pension liability - beginning	*	*	*	*	*
Total pension liability - ending	*	*	*	*	*
Fiduciary net position					
Contributions - employer	*	*	*	*	*
Contributions - member	*	*	*	*	*
Contributions - nonemployer	*	*	*	*	*
Transfers from other systems	*	*	*	*	*
Net investment earnings	*	*	*	*	*
Benefits paid	*	*	*	*	*
Refunds of contributions	*	*	*	*	*
Transfers to other systems	*	*	*	*	*
Administrative expenses	*	*	*	*	*
Net change in fiduciary net position	*	*	*	*	*
Fiduciary net position - beginning	*	*	*	*	*
Fiduciary net position - ending	*	*	*	*	*
Net pension liability (asset) - beginning	*	*	*	*	*
Net pension liability (asset) - ending	*	*	*	*	*
Fiduciary net position as a percentage of the total pension liability	*	*	*	*	*
Covered-employee payroll	*	*	*	*	*
Net pension liability (asset) as a percentage of covered-employee payroll	*	*	*	*	*

*- Information not available.

See accompanying independent auditors' report and management's notes to required supplementary information.

**CITY OF PRESQUE ISLE, MAINE
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2017**

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 559,300	\$ 628,253	\$ 736,961	\$ 534,465	*
Contributions in relation to the actuarially determined contribution	(559,300)	(628,253)	(736,961)	(534,465)	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>
Covered-employee payroll	\$ 861,629	\$ 923,352	\$ 962,341	\$ 952,531	*
Contributions as a percentage of covered-employee payroll	64.9%	68.0%	76.6%	56.1%	*

	2012	2011	2010	2009	2008
Actuarially determined contribution	*	*	*	*	*
Contributions in relation to the actuarially determined contribution	*	*	*	*	*
Contribution deficiency (excess)	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Covered-employee payroll	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	*	*	*	*	*

*- Information not available.

See accompanying independent auditors' report and management's notes to required supplementary information.

CITY OF PRESQUE ISLE, MAINE
SCHEDULE OF INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 2017

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	12.00%	0.35%	7.13%	*	*
	2012	2011	2010	2009	2008
Annual money-weighted rate of return, net of investment expenses	*	*	*	*	*

*- Information not available.

See accompanying independent auditors' report and management's notes to required supplementary information.

CITY OF PRESQUE ISLE, MAINE
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
1/1/2009	-	\$ 1,674,527	\$ 1,674,527	0.0%	\$ 4,097,354	40.87%
10/1/2011	-	\$ 2,002,819	\$ 2,002,819	0.0%	\$ 3,757,277	53.31%
1/1/2014	-	\$ 1,730,326	\$ 1,730,326	0.0%	\$ 3,838,726	45.08%

See accompanying independent auditors' report and management's notes to required supplementary information.

CITY OF PRESQUE ISLE, MAINE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The City is required to have a budget for the General Fund. The City is not required to adopt an annual budget for its other funds.

Basis of Accounting

The modified accrual basis of accounting (GAAP basis) is used in preparing budgets except when non-cash items are involved. In that case, the non-cash items are omitted from the budget.

NOTE 2 – ACTUAL (BUDGET BASIS) TO GAAP BASIS RECONCILIATION

Revenues:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 22,206,235
---	---------------

Differences - budget to GAAP:

Grant revenues are not predictable and are not budgeted as a revenue, but are recorded as revenues for GAAP.	<u>994,910</u>
--	----------------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 23,201,145</u></u>
--	-----------------------------

Expenditures:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 21,618,184
---	---------------

Differences - budget to GAAP:

Expenditures related to grant revenues are not predictable and are not budgeted as expenditures, but are recorded as expenditures for GAAP.	<u>463,790</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 22,081,974</u></u>
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NOTE 3 – OVERSPENT APPROPRIATIONS

Materially overspent appropriations are as follows:

Capital outlay	\$222,394
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Additional Information

CITY OF PRESQUE ISLE, MAINE
BUDGETARY COMPARISON BY DEPARTMENT
LEGAL LEVEL OF BUDGTARY CONTROL
DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	13,518,383	13,518,383	13,787,465	269,082
Excise taxes	1,623,500	1,623,500	1,714,653	91,153
Intergovernmental	1,715,961	1,715,961	1,662,319	(53,642)
Licenses & permits	12,400	12,400	13,951	1,551
Charges for services	4,330,195	4,330,195	3,362,497	(967,698)
Interest earned	77,000	77,000	116,958	39,958
Miscellaneous	953,603	953,603	1,548,392	594,789
TOTAL REVENUES	22,231,042	22,231,042	22,206,235	(24,807)
EXPENDITURES				
Current:				
Assessing	139,803	139,803	158,835	(19,032)
Planning & development	67,377	67,377	65,649	1,728
Finance department	320,536	320,536	316,200	4,336
Fire department	1,306,000	1,306,000	1,200,922	105,078
General government	296,525	296,525	291,377	5,148
Airport	2,136,142	2,136,142	1,771,313	364,829
Library	363,903	363,903	368,694	(4,791)
Police department	1,351,300	1,351,300	1,286,249	65,051
Public works	1,657,406	1,657,406	1,593,311	64,095
Recreation & parks	901,829	901,829	849,686	52,143
Resource management	71,704	71,704	71,680	24
Solid waste	929,717	929,717	939,940	(10,223)
Industrial council	363,079	363,079	403,410	(40,331)
Employee benefits	2,132,136	2,132,136	1,899,488	232,648
Public safety building	132,770	132,770	222,349	(89,579)
Insurances	137,881	137,881	135,257	2,624
Utilities	606,768	606,768	599,432	7,336
Echo lake	5,025	5,025	5,025	-
Unclassified	382,399	382,399	251,247	131,152
Outside requests	59,000	59,000	59,000	-
Information technology	59,318	59,318	55,628	3,690
City clerk	54,658	54,658	54,403	255
General assistance	52,000	52,000	23,161	28,839
County tax	665,733	665,733	665,733	-
Education	6,210,946	6,210,946	6,210,945	1
Capital reserve appropriations	635,932	635,932	858,326	(222,394)
Debt Service	1,191,155	1,191,155	1,260,924	(69,769)
Total Expenditures	22,231,042	22,231,042	21,618,184	612,858
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	-	-	588,051	588,051
OTHER FINANCING SOURCES (USES)				
Prior year fund balance utilization				
Long term debt issued	-	-	188,591	188,591
Transfers in	-	-	-	-
Transfers out	-	-	(114,130)	(114,130)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	74,461	74,461
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AFTER OTHER				
FINANCING SOURCES (USES)	-	-	662,512	662,512

Statistical Section

This part of the City of Presque Isle, Maine's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	42-46
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	47-50
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's ability to issue additional debt in the future.</i>	51-53
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	54-55
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	56-59

CITY OF PRESQUE ISLE, MAINE
FINANCIAL TRENDS
NET POSITION BY COMPONENT, LAST TEN FISCAL YEARS
DECEMBER 31,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of										
related debt	\$ 47,124,474	\$ 52,403,992	\$ 53,914,937	\$ 52,297,509	\$ 51,509,110	\$ 50,931,088	\$ 51,001,689	\$ 53,333,316	\$56,466,655	\$ 56,612,676
Restricted (a)	540,361	607,019	645,630	3,389,997	3,322,212	3,556,999	3,404,836	3,887,064	3,627,448	2,774,499
Unrestricted	7,874,580	6,707,081	5,149,664	3,444,455	3,242,563	4,194,578	5,497,287	863,725	1,410,914	(173,719)
Total governmental activities net position	\$ 55,539,415	\$ 59,718,092	\$ 59,710,231	\$ 59,131,961	\$ 58,073,885	\$ 58,682,665	\$ 59,903,812	\$ 58,084,105	\$61,505,017	\$ 59,213,456

(a) Beginning in the fiscal year ending December 31, 2011, the City changed the way it accounts for restricted net position.

(b) Beginning in 2015 due to the implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, the City's Unfunded Pension Liability of \$4,102,796 is listed on the financial statements, which results in a decrease to unrestricted fund balance.

CITY OF PRESQUE ISLE, MAINE
FINANCIAL TRENDS
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
DECEMBER 31,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 4,394,842	\$ 4,318,921	\$ 4,941,896	\$ 4,674,607	\$ 4,899,842	\$ 4,716,128	\$ 4,067,679	\$ 4,180,348	\$ 6,327,967	\$ 2,937,715
Public safety	2,622,451	2,526,579	2,597,925	2,634,579	2,486,138	2,751,289	2,508,598	2,502,715	2,614,101	3,037,148
Solid waste	1,175,127	1,069,839	1,536,356	2,355,571	2,319,919	1,221,988	1,573,640	1,627,681	1,749,569	1,110,981
Public works	2,773,241	2,511,224	2,588,693	2,815,777	3,077,507	1,188,012	2,741,027	2,789,012	2,421,188	2,521,107
Recreation and culture	1,533,570	1,501,938	1,490,592	1,544,757	1,430,088	1,515,441	1,237,803	1,270,879	1,455,310	1,655,539
County Tax							603,602	619,295	645,031	665,733
Education	4,981,055	5,218,390	5,375,744	5,375,744	5,379,470	5,790,920	6,150,296	6,152,769	6,240,554	6,210,945
Airport	2,322,768	2,437,749	2,489,402	2,712,857	3,064,007	3,342,171	2,031,029	2,965,690	2,967,703	3,345,973
Outside requests							131,373	68,832	-	59,000
TIF							96,865	1,720,521	-	-
Program Expenditures									451,677	394,818
Miscellaneous									311,766	320,228
Interest on debt service	163,307	196,329	151,761	398,620	374,636	623,921	129,953	139,789	(76,705)	330,935
Capital Outlay										
Total governmental activities expenses	19,966,361	19,780,969	21,172,369	22,512,512	23,021,607	21,129,880	21,271,865	24,037,531	25,188,986	22,590,122
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 775,474	\$ 732,549	\$ 669,519	\$ 702,109	\$ 753,999	\$ 871,603	\$ 202,119	\$ 194,965	\$ 634,948	\$ 781,643
Public safety	98,440	152,242	100,483	92,737	44,691	59,349	89,871	84,037	153,832	471,439
Solid Waste	761,725	733,021	783,478	1,596,920	1,670,927	1,672,625	1,720,313	1,443,138	477,679	224,892
Public works	13,017	15,623	10,056	12,012	5,526	6,795	-	-	-	-
Recreation and culture	415,189	440,594	437,898	436,168	430,395	403,917	336,046	331,340	324,227	351,505
Airport	1,430,242	1,117,367	1,114,214	1,439,342	1,644,060	1,646,208	1,936,977	-	1,112,688	1,533,950
Program Revenues							614,048	2,325,076	-	-
Operating grants and contributions	233,590	327,278	872,228	545,679	663,864	474,687	1,042,892	2,974,744	-	1,973,617
Capital grants and contributions	7,268,068	4,920,508	1,782,404	1,776,696	1,488,310	757,936	-	-	-	5,852,514
Total governmental activities program revenues	10,995,745	8,439,182	5,770,280	6,601,663	6,701,772	5,893,120	5,942,266	7,353,300	2,703,374	11,189,560
Net (expense)/revenue	(8,970,616)	(11,341,787)	(15,402,089)	(15,910,849)	(16,319,835)	(15,236,760)	(15,329,599)	(16,684,231)	(22,465,612)	(11,400,562)
Governmental activities	\$ (8,970,616)	\$ (11,341,787)	\$ (15,402,089)	\$ (15,910,849)	\$ (16,319,835)	\$ (15,236,760)	\$ (15,329,599)	\$ (16,684,231)	\$ (22,465,612)	\$ (11,400,562)
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 10,693,926	\$ 11,603,254	\$ 12,021,452	\$ 12,050,893	\$ 11,955,543	\$ 12,534,949	\$ 13,076,652	\$ 13,171,030	\$ 13,696,050	\$ 13,587,465
Motor vehicle excise tax	1,452,219	1,433,630	1,419,911	1,421,656	1,454,296	1,536,329	1,526,280	1,565,436	1,629,208	1,714,653
Cable television franchise	56,916	60,017	62,669	64,744	64,438	61,755	59,636	56,541	-	-
Intergovernmental									5,902,477	-
Unrestricted grants and contributions	2,360,645	1,845,885	1,625,123	1,607,047	1,562,793	1,405,817	1,428,254	1,691,127	-	-
Licenses & permits									593,440	13,951
Miscellaneous Revenues	491,266	218,003	102,981	92,815	83,345	113,755	363,671	218,963	3,127,186	2,296,310
Interest and investment earnings	271,354	359,675	162,092	95,424	141,344	192,935	96,053	11,267	170,066	150,104
Total governmental activities	\$ 15,326,326	\$ 15,520,464	\$ 15,394,228	\$ 15,332,579	\$ 15,261,759	\$ 15,845,540	\$ 16,550,746	\$ 18,685,064	\$ 25,118,427	\$ 17,762,483
Change in Net Position										
Governmental activities	\$ 6,355,710	\$ 4,178,677	\$ (7,861)	\$ (578,270)	\$ 1,058,076	\$ 608,780	\$ 1,221,147	\$ 2,000,833	\$ 2,652,815	\$ 6,361,921
Total primary government	\$ 6,355,710	\$ 4,178,677	\$ (7,861)	\$ (578,270)	\$ 1,058,076	\$ 608,780	\$ 1,221,147	\$ 2,000,833	\$ 2,652,815	\$ 6,361,921

CITY OF PRESQUE ISLE, MAINE
FINANCIAL TRENDS
PROGRAM REVENUES BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS
DECEMBER 31,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
Governmental activities:										
General government	\$ 794,704	\$ 732,549	\$ 1,063,659	\$ 964,890	\$ 1,092,166	\$ 1,077,645	\$ 277,191	\$ 245,065	\$ 634,948	\$ 781,643
Public safety	160,295	346,498	334,585	378,506	369,451	292,402	177,607	207,189	153,832	471,439
Public works	1,773,055	203,931	223,774	215,189	208,976	311,125	184,284	-	-	-
Airport	6,938,272	5,849,567	2,522,082	1,670,575	2,648,069	2,003,861	1,936,977	-	1,112,688	1,533,949
Solid waste	893,196	861,674	925,702	1,705,536	1,906,276	1,748,859	1,720,313	1,443,138	477,679	224,892
Recreation and culture	436,223	444,963	700,478	1,666,967	476,834	459,228	336,046	331,340	324,227	351,505
Programs	-	-	-	-	-	-	1,309,848	5,126,568	-	-
Total governmental activities	10,995,745	8,439,182	5,770,280	6,601,663	6,701,772	5,893,120	5,942,266	7,353,300	2,703,374	3,363,428
Total primary government	\$ 10,995,745	\$ 8,439,182	\$ 5,770,280	\$ 6,601,663	\$ 6,701,772	\$ 5,893,120	\$ 5,942,266	\$ 7,353,300	\$ 2,703,374	\$ 3,363,428

CITY OF PRESQUE ISLE, MAINE
FINANCIAL TRENDS
FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
DECEMBER 31,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Nonspendable										
Committed				\$ 1,712,886	\$ 1,792,142	\$ 1,892,560	\$ 170,500	\$ 224,447	\$ 358,498	\$ 317,839
Assigned				51,165	51,431	177,247	-	-	3,137,983	4,088,973
Unassigned				2,146,195	2,089,444	1,824,405	107,232	32,200	-	-
Reserved							1,220,800	1,300,507	4,665,371	4,945,244
Unreserved	\$ 3,108,754	\$ 2,840,081	\$ 2,291,584							
Total general fund	\$ 3,108,754	\$ 2,840,081	\$ 2,291,584	\$ 3,910,246	\$ 3,933,017	\$ 3,894,212	\$ 1,498,532	\$ 1,557,154	\$ 8,161,852	\$ 9,352,056
All other governmental funds										
Nonspendable				\$ 1,651,696	\$ 1,499,348	\$ 1,499,348	\$ 1,052,194	\$ 69,398	\$ -	\$ -
Restricted				1,738,301	1,822,864	1,822,864	3,384,836	3,877,064	3,627,448	2,774,499
Committed				4,368,662	4,250,602	4,250,602	4,268,174	5,276,690	718,198	62,399
Unassigned				(337,403)	(310,744)	(310,744)	(344,579)	(837,310)	-	-
Reserved										
Unreserved, reported in:										
Special revenue funds	\$ 939,958	\$ 1,159,491	\$ 1,487,382							
Capital projects funds	4,102,489	3,727,446	3,338,726							
Permanent Funds	736,590	(578,180)	(3,046,391)							
	520,361	587,019	625,630							
Total all other governmental funds	\$ 6,299,398	\$ 4,895,776	\$ 2,405,347	\$ 7,421,256	\$ 7,262,070	\$ 7,262,070	\$ 8,360,625	\$ 8,385,842	\$ 4,345,646	\$ 2,836,898

(a) Beginning in the fiscal year ending December 31, 2011, the City adopted the provisions of GASB Statement No. 54.

CITY OF PRESQUE ISLE, MAINE
FINANCIAL TRENDS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
DECEMBER 31,

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 10,454,926	\$ 11,572,254	\$ 11,918,452	\$ 12,038,893	\$ 11,914,543	\$ 12,497,949	\$ 13,041,652	\$ 13,006,030	\$ 13,619,550	\$ 13,787,465
Excise taxes	1,452,219	1,433,630	1,419,911	1,421,656	1,454,296	1,536,329	1,526,280	1,555,436	1,629,208	1,714,653
Intergovernmental	8,332,303	7,093,671	3,932,546	2,667,110	3,602,143	2,625,900	2,471,146	4,665,871	5,902,477	7,826,131
Licenses, permits, and fees	342,446	293,894	280,373	202,278	177,665	234,170	-	-	593,440	13,951
Charges for services	2,983,408	2,682,627	2,767,521	4,021,333	4,266,264	4,275,953	4,899,374	4,378,556	2,703,375	3,363,427
Unclassified	716,415	492,895	745,613	1,475,548	366,276	338,424	-	-	-	-
Interest/Investment Income	271,354	359,675	162,092	95,424	141,344	192,935	69,980	11,267	170,065	150,105
Other Revenue							449,580	2,246,204	3,127,184	2,296,310
Total revenues	24,553,071	23,928,646	21,226,508	21,922,242	21,922,531	21,701,660	22,458,012	25,873,364	27,745,299	29,152,042
Expenditures										
General government	3,368,689	3,231,315	3,411,839	3,590,133	3,669,662	3,474,156	3,359,133	3,372,955	3,999,047	4,074,519
Public safety	2,369,920	2,360,922	2,446,174	2,415,255	2,379,866	2,478,214	2,216,973	2,243,880	2,320,443	2,709,520
Public works	2,102,537	2,005,386	2,132,829	2,062,078	2,076,095	2,080,725	2,034,957	2,035,532	1,561,102	1,593,313
Airport	7,272,965	6,181,632	2,667,398	1,727,426	1,854,421	2,035,279	2,031,029	1,583,008	1,573,843	1,771,313
Solid waste	1,283,177	856,831	991,795	1,699,742	1,799,471	1,361,812	3,820,663	1,202,454	1,326,777	944,965
Recreation and culture	1,962,418	1,554,563	1,398,408	1,367,469	1,270,469	1,331,972	1,057,313	1,053,791	1,124,606	1,218,379
Education	4,981,055	5,218,390	5,375,744	5,379,470	5,379,470	5,790,920	6,150,296	6,152,769	6,240,554	6,210,945
Outside requests	58,620	59,915	64,250	64,250	39,850	41,600	41,600	41,125	60,825	59,000
Intergovernmental	554,661	560,973	562,365	574,757	605,109	613,702	603,602	619,295	645,031	665,733
TIF							131,373	68,832	-	-
Unclassified	139,960	129,306	169,554	146,798	126,384	133,477	372,074	250,341	451,677	394,818
Program expenditures	2,309,536	1,871,414	4,577,327	2,020,841	2,192,123	1,191,220	1,682,733	5,783,345	12,292,224	8,752,320
Capital outlay										
Debt service										
Principal	279,319	1,319,138	314,910	394,423	324,672	417,238	382,069	480,776	926,773	945,483
Interest	192,047	251,156	152,841	158,755	379,551	268,350	248,114	258,716	315,572	315,441
Total expenditures	26,874,904	25,600,941	24,265,434	21,597,671	22,097,143	21,218,665	24,276,939	26,308,983	32,838,474	29,655,749
Excess (deficiency) of revenues over (under) expenditures	(2,321,833)	(1,672,295)	(3,038,926)	324,571	(174,612)	482,995	(1,818,927)	(435,619)	(5,093,175)	(503,707)
Other financing sources (uses)										
Issuance of debt	928,534	-	-	6,310,000	38,200	-	-	375,000	7,645,594	188,591
Transfers in	2,227,856	2,576,187	2,259,924	2,074,819	1,882,525	2,221,242	2,537,993	4,626,590	680,983	298,501
Transfers out	(2,227,856)	(2,576,187)	(2,259,924)	(2,074,819)	(1,882,525)	(2,221,242)	(2,537,993)	(4,626,590)	(680,983)	(298,501)
Total other financing sources (use)	928,534	-	-	6,310,000	38,200	-	-	375,000	7,645,594	188,591
Net change in fund balances	\$ (1,393,299)	\$ (1,672,295)	\$ (3,038,926)	\$ 6,634,571	\$ (136,412)	\$ 482,995	\$ (1,818,927)	\$ (60,619)	\$ 2,552,419	\$ (315,116)
Debt service as a percentage of noncapital expenditures	1.92%	6.62%	2.38%	2.83%	3.54%	3.42%	2.79%	3.60%	8.31%	7.27%

(a) The City paid off two outstanding notes payable during the year ended December 31, 2009.

TABLE 6

CITY OF PRESQUE ISLE, MAINE
REVENUE CAPACITY
ASSESSED VALUE OF TAXABLE PROPERTY, LAST TEN FISCAL YEARS
DECEMBER 31,

Tax Roll Year	Real Property	Taxable Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (a)	Assessed Value as a Percentage of Actual Value
2008	411,743,200	50,234,100	461,977,300	11.17	490,850,000	94.12%
2009	422,075,300	51,001,500	473,076,800	12.30	515,600,000	91.75%
2010	462,100,650	52,569,700	514,670,350	11.96	544,400,000	94.54%
2011	461,521,450	52,739,700	514,261,150	11.93	565,150,000	91.00%
2012	461,712,650	48,371,000	510,083,650	11.76	590,350,000	86.40%
2013	461,998,350	46,733,500	508,731,850	12.11	571,950,000	88.95%
2014	463,947,280	46,633,100	510,580,380	12.19	565,700,000	90.26%
2015	464,908,780	48,747,300	513,656,080	12.28	565,050,000	90.90%
2016	484,358,700	46,215,300	530,574,000	12.70	561,800,000	94.44%
2017	484,881,300	42,164,900	527,046,200	12.55	560,600,000	94.01%

(a) Source: State of Maine, Bureau of Property Taxation, Property Division

TABLE 7

CITY OF PRESQUE ISLE, MAINE
REVENUE CAPACITY
DIRECT AND OVERLAPPING PROPERTY TAX RATES (Per \$1,000 of Assessed Value)
DIRECT AND OVERLAPPING GOVERNMENTS, LAST TEN FISCAL YEARS
DECEMBER 31,

Tax Year	Direct Rates			Overlapping Rates		Total
	Basic Rate	Debt Service	Total Direct	Aroostook County	M.S.A.D. #1	Total Tax rate
2008	9.89	1.28	11.17	1.20	10.78	23.15
2009	11.08	1.22	12.30	1.19	11.03	24.52
2010	11.19	0.77	11.96	1.09	10.45	23.50
2011	11.08	0.85	11.93	1.12	10.45	23.50
2012	11.07	0.69	11.76	1.19	10.55	23.50
2013	11.43	0.68	12.11	1.21	11.38	24.70
2014	11.02	1.17	12.19	1.18	12.05	25.42
2015	10.84	1.44	12.28	1.21	11.98	25.46
2016	10.36	2.34	12.70	1.22	11.76	25.68
2017	10.16	2.39	12.55	1.26	11.78	25.60

Tax rates based on \$1,000 of assessed value.

Source: City Finance Department

TABLE 8

CITY OF PRESQUE ISLE, MAINE
REVENUE CAPACITY
PRINCIPAL PROPERTY TAXPAYERS, CURRENT YEAR AND NINE YEARS AGO
DECEMBER 31,

Taxpayer	2017			2008		
	Assessed Valuation	Rank	Percentage of Total Assessed Value	Assessed Valuation	Rank	Percentage of Total Assessed Value
EMERA MAINE	\$ 26,317,800	1	4.72%	\$ 14,498,900	2	3.14%
Aroostook Centre LLC	15,010,000	2	2.69%	16,625,000	1	3.60%
Wal-Mart	13,867,600	3	2.49%	11,714,600	3	2.54%
R & L Real Estate	11,553,600	4	2.07%	9,727,100	4	2.11%
Lowe's Home Centers, Inc	7,344,700	5	1.32%	8,616,300	5	1.87%
Leisure Gardens, Inc	6,277,000	6	1.13%	6,141,800	6	1.33%
Cavendish Farms LLC	4,853,300	7	0.87%			
BLD Hospitality, LLC	4,586,300	9	0.82%			
MMG Insurance Co	4,505,300	8	0.81%	5,670,800	7	1.23%
Northeast Packaging, Co	4,256,500	10	0.76%			
Columbia Forest Products, Inc				4,886,200	8	1.06%
Halvorson, Phillip H				4,332,020	9	0.94%
MPG				4,246,600	10	0.92%
	<u>98,572,100</u>		<u>17.67%</u>	<u>86,459,320</u>		<u>18.72%</u>
Total Assessed Valuation	\$ 557,861,100			\$ 461,977,300		

Source: City Assessment Records

TABLE 9

CITY OF PRESQUE ISLE, MAINE
REVENUE CAPACITY
PROPERTY TAX LEVIES AND COLLECTIONS, LAST TEN FISCAL YEARS
DECEMBER 31,

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Tax Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	10,694,774	9,945,691	93.00%	747,095	10,692,786	99.98%
2009	11,600,316	10,801,848	93.12%	792,143	11,593,991	99.95%
2010	12,094,753	11,174,937	92.39%	912,369	12,089,329	99.96%
2011	12,094,998	11,146,701	92.16%	947,288	12,085,885	99.92%
2012	11,986,966	11,098,299	92.59%	880,655	11,972,819	99.88%
2013	12,565,677	11,635,946	92.60%	620,825	12,512,043	99.57%
2014	12,996,655	12,097,575	93.08%	493,359	12,589,575	96.87%
2015	13,077,684	12,200,005	93.29%	374,568	12,574,573	96.15%
2016	13,625,140	12,612,980	92.57%	953,799	13,566,779	99.57%
2017	13,492,383	12,604,905	93.42%		12,604,905	93.42%

Source: City Assessment and Accounting Records

TABLE 10

CITY OF PRESQUE ISLE, MAINE
DEBT CAPACITY
RATIO OF OUTSTANDING DEBT BY TYPE, LAST TEN FISCAL YEARS
DECEMBER 31,

Fiscal Year	General Obligation Bonds	Capital Lease	Notes Payable	Total	Personal Income (a)	Debt as a Percentage of Personal Income	Population (b)	General Bonded Debt Per Capita	Ratio of Bonded Debt to Assessed Value (c)
2008	3,166,684	-	966,978	4,133,662	254,002,800	1.63%	9,200	449.31	0.65%
2009	2,833,434	-	158,747	2,992,181	250,078,650	1.20%	9,050	330.63	0.55%
2010	2,576,567	-	106,466	2,683,033	268,353,000	1.00%	9,000	298.11	0.47%
2011	8,569,700	-	28,910	8,598,610	279,488,204	3.08%	9,692	887.19	1.52%
2012	8,273,908	-	38,200	8,312,108	288,431,826	2.88%	9,658	860.64	1.40%
2013	8,120,093	-	364,291	8,484,384	291,575,732	2.91%	9,596	884.16	1.42%
2014	7,643,574	-	340,580	7,984,154	291,396,165	2.74%	9,402	849.20	1.35%
2015	7,537,799	-	221,650	7,759,449	273,221,025	2.84%	9,317	832.83	1.33%
2016	14,232,573	-	245,698	14,478,271	277,495,702	5.22%	9,228	1,542.32	2.53%
2017	13,422,242	-	299,136	13,721,378	203,409,828	6.75%	9,106	1,474.00	2.39%

(a) See Table 14

(b) See Table 14

(c) See Table 8. General Obligation Bond divided by the Estimated Actual Taxable Value.

CITY OF PRESQUE ISLE, MAINE
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2017

Jurisdiction	Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Direct:			
City of Presque Isle General Obligation	\$ 13,422,242	100.00%	\$ 13,422,242
City of Presque Isle Notes Payable	299,136	100.00%	299,136
Total direct debt	<u>13,721,378</u>		<u>13,721,378</u>
Overlapping:			
M.S.A.D. #1	3,504,181	71.76%	2,514,600
Aroostook County	-	0.00%	-
Total overlapping debt	<u>3,504,181</u>		<u>2,514,600</u>
Total direct and overlapping debt	<u>\$ 17,225,559</u>		<u>\$ 16,235,978</u>

Note: Annually, Aroostook County assesses each municipality its proportionate share of the County tax required to fund the County budget. Annually, M.S.A.D. #1 assesses each municipality its proportionate share of the School assessment required to fund the School budget. The County tax and School assessments applicable to the City of Presque Isle is included in the total property tax levy of the City of Presque Isle.

Sources: The outstanding debt for Aroostook County has been provided by the County. The percentage applicable to the City of Presque Isle is based on the ratio of the State equalized assessed valuation for the City of Presque Isle versus the equalized State valuation for Aroostook County.

The outstanding debt for M.S.A.D. #1 has been provided by the District. The percentage applicable to the City of Presque Isle is based on the ratio of the State equalized assessed valuation for the City of Presque Isle versus the equalized State valuation of all municipalities located within the District.

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CITY OF PRESQUE ISLE, MAINE
DEMOGRAPHIC AND ECONOMIC INFORMATION
PRINCIPAL EMPLOYERS, CURRENT YEAR AND NINE YEARS AGO
DECEMBER 31,

	2017		2008	
	Employees	Rank	Employees	Rank
Aroostook Medical Center	1000-4999	1	1000-4999	1
Wal-Mart Superstore	500-999	2	250-499	3
Burrelle's Press Clipping Service	250-499	3	500-999	2
Maine Mutual Insurance Group	250-499	4		
Columbia Forest Products	250-499	5	250-499	5
University of Maine at Presque Isle	100-249	6	250-499	4
Maine Public Service/EMERA	100-249	7		
MSAD #1			250-499	6
Northern Maine Community College	100-249	8	100-249	7
NE Publishing	100-249	9	100-249	
ACAP	100-249	10		
Presque Isle Nursing Home			100-249	8
Lowe's			100-249	9
K-Mart			100-249	10

Source: Aroostook Partnership for Progress

CITY OF PRESQUE ISLE, MAINE
DEMOGRAPHIC AND ECONOMIC INFORMATION
DEMOGRAPHIC AND ECONOMIC STATISTICS, LAST TEN FISCAL YEARS
DECEMBER 31,

Fiscal Year	Population (a)	Per Capita			School Enrollment (d)	Unemployment Rate (c)
		Personal Income (b)	Personal Income (a)	Personal Income (a)		
2008	9,200	254,002,800	27,609	27,609	1,863	5.80%
2009	9,050	250,078,650	27,633	27,633	1,797	7.90%
2010	9,000	268,353,000	29,817	29,817	1,692	8.60%
2011	9,692	279,488,204	28,837	28,837	1,620	8.70%
2012	9,658	288,431,826	29,865	29,865	1,594	7.70%
2013	9,596	291,575,732	30,385	30,385	1,578	7.50%
2014	9,402	291,396,165	30,993	30,993	1,548	6.60%
2015	9,317	273,221,025	29,325	29,325	1,727	6.70%
2016	9,228	277,495,702	30,071	30,071	1,739	4.20%
2017	9,106	203,409,828	22,338	22,338	1,800	3.50%

(a) Source: City of Presque Isle/State Planning Office/Economic Forecasting Commission

(b) Source: Bureau of Economic Analysis/Economic Forecasting Commission

(c) Source: State of Maine Center for Workforce Research

(d) Source: State of Maine, Department of Education

CITY OF PRESQUE ISLE, MAINE
OPERATING INFORMATION
FULL – TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS
DECEMBER 31,

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration:										
General Government	4.00	3.50	4.50	5.50	6.50	6.00	5.50	4.50	4.50	4.50
Human Resources	1.00	1.00	1.00	1.00	1.00	0.00	0.00	1.00	1.00	1.00
Planning	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	6.75	6.75	6.50	6.50	5.50	5.50	6.00	6.00	6.00	6.00
Assessing	3.00	3.00	3.00	3.00	3.00	3.00	2.50	2.50	2.00	2.00
Public Safety:										
Police:										
Chief	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Officers/Dispatch	21.00	20.00	20.00	19.00	19.00	19.00	19.00	19.00	19.00	22.00
Support Staff	2.50	2.50	2.50	2.50	2.75	2.75	2.75	2.88	2.88	2.88
Fire:										
Chief	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Firefighters	15.00	15.00	15.00	12.00	11.00	11.00	11.00	12.00	12.00	12.00
Paramedics	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Airport:	8.00	8.00	7.50	7.50	7.50	8.00	8.00	8.00	8.00	9.00
Solid Waste	7.00	7.00	10.00	8.00	8.00	7.35	7.50	7.00	7.00	7.00
Public Works	15.00	15.00	15.00	14.00	14.50	14.50	14.50	14.50	14.50	14.50
Library	7.00	7.00	8.50	8.50	7.50	7.50	7.50	8.00	8.00	8.50
Recreation	18.50	18.50	18.00	16.50	16.5	15.50	14.20	14.00	15.68	17.25
Total	114.75	113.25	117.50	109.00	107.75	105.10	103.45	104.38	105.56	117.63
In addition there are:										
On-Call Fire Fighters	33.00	34.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00
Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00

CITY OF PRESQUE ISLE, MAINE
OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS
DECEMBER 31,

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government:										
Code Enforcement:										
Residential construction value	\$ 2,745,577	\$ 2,117,074	\$ 1,531,791	\$ 607,185	\$ 1,360,521	\$ 1,953,974	\$ 1,181,655	\$ 3,046,886	\$ 908,639	\$ 1,445,893
Number of permits	123	99	99	59	64	76	71	75	54	70
Commercial construction value	\$ 13,184,277	\$ 4,716,826	\$ 2,512,070	\$ 3,778,926	\$ 2,008,102	\$ 8,517,064	\$ 7,471,636	\$ 13,000,944	\$ 3,878,896	\$ 1,482,993
Number of permits	66	79	51	55	50	72	68	68	62	48
Public Safety:										
Fire Department:										
Fire Calls	305	275	293	241	319	354	329	305	287	253
First Response Calls	59	78	63	53	52	49	-	-	-	-
EMS							569	1,288	868	881
Inspections	552	375	410	423	418	414	375	360	370	375
Police Department:										
Calls for Service	6,184	5,685	5,461	10,366	12,201	15,318	14,377	13,594	18,821	24,072
Criminal Arrests	648	668	404	687	680	673	655	689	645	680
Vehicle Stops	5,173	5,449	3,689	2,993	1,743	1,892	1,681	3,609	2,804	4,351
Accidents	327	251	253	385	253	347	601	531	536	585
Public Works:										
Street Paving (miles)	6.34	3.01	4.67	1.86	3.50	3.62	3.76	4.03	4.08	3.83
Solid Waste:										
Refuse Collected (tons)	13,873	14,993	13,047	12,081	10,564	9,417	11,873	13,720	10,884	10,884
Recyclable Collected (tons)	7,958	7,566	7,262	8,125	6,559	6,907	7,259	6,674	4,774	1,251
Municipal Recycling Rate (a)	53.3%	51.3%	52.7%	47.2%	45.4%	49.3%	49.3%	47.1%	38.8%	38.8%

Note: Beginning in July 2014, the Fire Department entered into a co-op with the local ambulance service whereby an ambulance will be housed at the fire station and firefighters (all EMS trained and certified) will go out on ambulance calls.

Beginning on April 1, 2017, the co-op ended and Fire Department began its own EMS Ambulance Service

CITY OF PRESQUE ISLE, MAINE
OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS (CONTINUED)
DECEMBER 31,

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Airport:										
Enplanements	13,496	13,238	15,204	14,453	12,379	11,555	12,122	12,878	12,398	12,780
Deplanements	13,768	13,151	15,250	14,353	12,048	11,422	12,183	12,918	12,094	12,613
Landing Fees	\$ 46,103	\$ 57,489	\$ 55,355	\$ 55,618	\$ 50,292	\$ 65,199	\$ 154,747	\$ 298,324	\$ 285,370	\$ 326,838
Recreation:										
Library:										
Total materials circulated	130,498	153,969	160,946	96,332	81,899	85,240	75,350	72,777	89,033	129,669
Total materials borrowed	62,608	78,970	85,917	50,220	63,345	64,540	55,005	63,290	81,033	83,474
Total print items in collection	63,560	56,212	55,601	57,366	61,265	52,794	50,500	50,251	61,085	61,085
Total program participants	4,736	5,504	5,197	4,085	5,423	5,226	4,390	6,022	7,835	8,490
Visits to Library									45,835	46,195
Forum:										
Major Events	15	15	15	15	14	14	12	11	13	14
Support for Events	15	12	12	12	11	11	12	12	12	12
Weeks of Ice	23	23	23	23	23	23	22	22	22	22
Parks and Recreation:										
Non-Aquatic Programs:										
Youth Participants	3,878	3,946	5,159	4,443	4,430	4,377	4,531	5,196	7,447	9,952
Adult Participants	1,345	1,389	1,606	1,103	1,147	1,084	1,101	1,196	1,265	2,673
Aquatic Programs:										
Indoor Pool Participants	32,033	25,634	27,278	23,483	21,475	19,630	1,230	1,345	1,124	1,059
Outdoor Pool Participants	5,641	6,570	8,032	5,607	7,460	-	-	-	-	-
Mantle Lake Park Attendance	14,093	12,440	13,025	12,286	12,687	12,441	13,240	13,122	12,680	-
Community Center Visits										37,564

Sources: Various City Departments

n/a ---- information not available

(a) Percentages provided by the State Planning Office

Outdoor pool was closed in 2013;

Indoor pool was closed in 2014; swimming lessons continue at the local college pool.

Mantle Lake Attendance is no longer tracked

The City began tracking Library visits in 2016

The City began tracking Community Center visits in 2017.

TABLE 17

CITY OF PRESQUE ISLE, MAINE
OPERATING INFORMATION
CAPITAL ASSETS BY FUNCTION
DECEMBER 31,

Function	2017
Police	
Number of Stations	1
Number of Patrol Units	15
Fire	
Number of Stations	1
Number of Fire/Ambulance/Support Vehicles	12
Recreation	
Events Building	1
Community Center	1
Number of Parks	10
Park Acreage	80
Library	
Buildings	1
Items in Collection	60,033
Public Works	
Miles of Roads	109
Number of Street Lights	742
Major Equipment - Number	25
Industrial Council	
Number of Buildings	27
Acreage	450
Airport	
Terminals	2
Miles of Runway	2.55
Administration	
Buildings	1
Vehicles	1
Solid Waste	
Buildings	4
Landfill	
Acres of Land	634
Acres Capped	19
Cubic yards remaining	1,382,000

Sources: Various City Departments

Data for fiscal years prior to 2017 is not available.