

Federal Compliance Audit

City of Presque Isle, Maine

December 31, 2018



Proven Expertise and Integrity

CITY OF PRESQUE ISLE, MAINE

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DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

City Council
City of Presque Isle
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, 2018, 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 principle 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 of 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 auditor's 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 not 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 through 16 on page 75 through 83 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 combining and individual nonmajor fund financial statements, budgetary, airport and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019, on our consideration of the City of Presque Isle Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
June 7, 2019

CITY OF PRESQUE ISLE
Management's Discussion and Analysis
December 31, 2018

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, 2018. 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 at the beginning of this report.

Financial Highlights

- The assets of the City of Presque Isle exceeded its liabilities at the close of 2018 by \$63,687,380 (*net position*).
- The City's total net position increased by \$1,300,960 from December 31, 2017.
- Net position was restated as of January 1, 2018 to account for the implementation of GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*" along with adjustments to capital and other assets. As a result, the beginning net position balance was increased by \$3,172,964.
- As of the close of the current fiscal year, the City of Presque Isle's governmental funds reported a combined ending fund balance of \$12,513,198 a decrease of \$49,916 from the previous year. 4.72% of this total amount or \$590,895 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current year, unassigned fund balance for the general fund was \$2,288,229 or 11.74% of total general fund expenditures.
- The City of Presque Isle's bonds and notes outstanding decreased by \$897,121 or 6.5%

Overview of the Financial Statements

This management's 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 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 nonfinancial 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 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). All of the City's basic services are reported in governmental activities, which includes general government, public safety, solid waste, public works, recreation and culture, airport, education and unclassified.

The government-wide financial statements can be found on pages 17 through 20 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 categorized as 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, airport, landfill operations, landfill closure, development fund, emergency reserve and the community center, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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 21 through 24 of this report.

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 25 through 73 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* consisting of: a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions - Pension, a Schedule of Investment Returns, a Schedule of Proportionate Share of the Net OPEB Liability - Group Life, a Schedule of Changes in Net OPEB Liability - Health Plan, a Schedule of Changes in Net OPEB Liability and Related Ratios - Health Plan, a Schedule of Contributions - OPEB Group Life and Health Plan.

Required supplementary information can be found on page 75 through 83 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information on pensions and OPEB. Combining and individual fund statements can be found on pages 90 through 114 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 \$63,687,380 at December 31, 2018.

Table 1
City of Presque Isle, Maine
Net Position
December 31,

	2018	2017 (Restated)
Assets		
Current Assets	\$ 14,452,280	\$ 14,496,718
Capital Assets	72,696,798	73,959,617
Total Assets	<u>87,149,078</u>	<u>88,456,335</u>
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	290,269	435,754
Total Deferred Outflows of Resources	<u>290,269</u>	<u>435,754</u>
Liabilities		
Current Liabilities	1,562,945	1,588,731
Long-term Debt Outstanding	21,356,919	23,501,182
Total Liabilities	<u>22,919,864</u>	<u>25,089,913</u>
Deferred Inflows of Resources		
Prepaid Taxes	46,270	179,663
Deferred Revenues	48,599	20,044
Deferred Inflows Related to OPEB	232,581	-
Deferred Inflows Related to Pensions	504,653	1,216,049
Total Deferred Inflows of Resources	<u>832,103</u>	<u>1,415,756</u>
Net Position		
Net Investment in Capital Assets	59,872,541	60,238,239
Restricted for: Special Revenue Funds	3,539,145	3,336,166
Capital Projects Funds	16,842	16,842
Permanent Funds	664,147	770,062
Unrestricted	(405,295)	(1,974,889)
Total Net Position	<u>\$ 63,687,380</u>	<u>\$ 62,386,420</u>

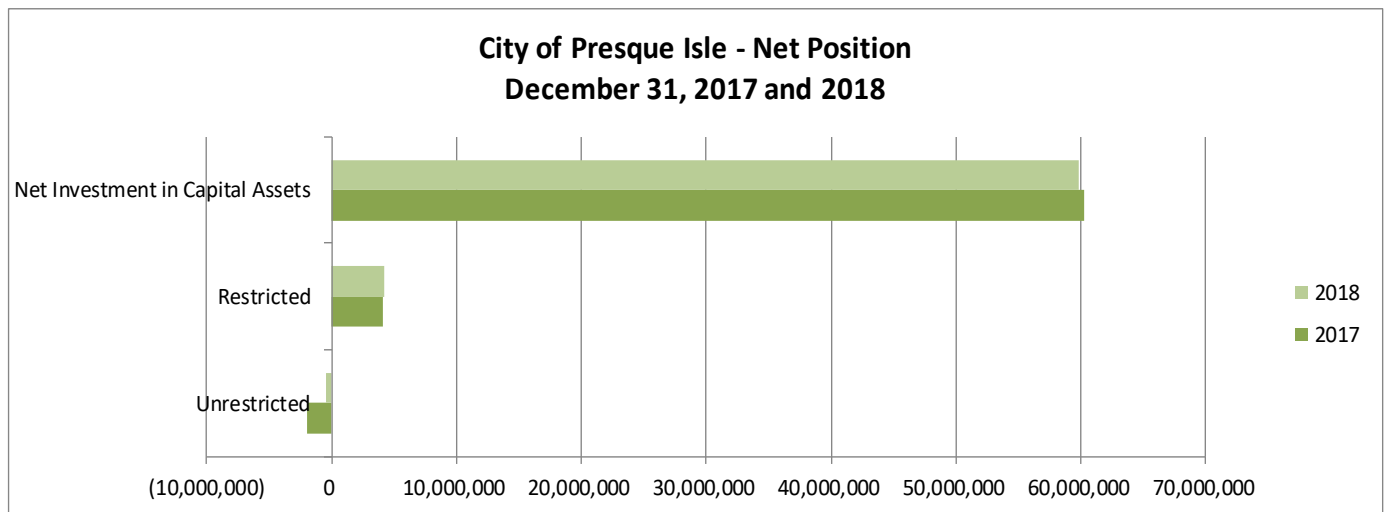
By far the largest portion of the City of Presque Isle's net position \$59,872,541 (94.01%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to 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 \$4,220,134 (6.63%) represents resources that are subject to external restrictions on how they may be spent. The remaining balance of (\$405,295) (6.36%) 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 only able to report a positive balance in the first two categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

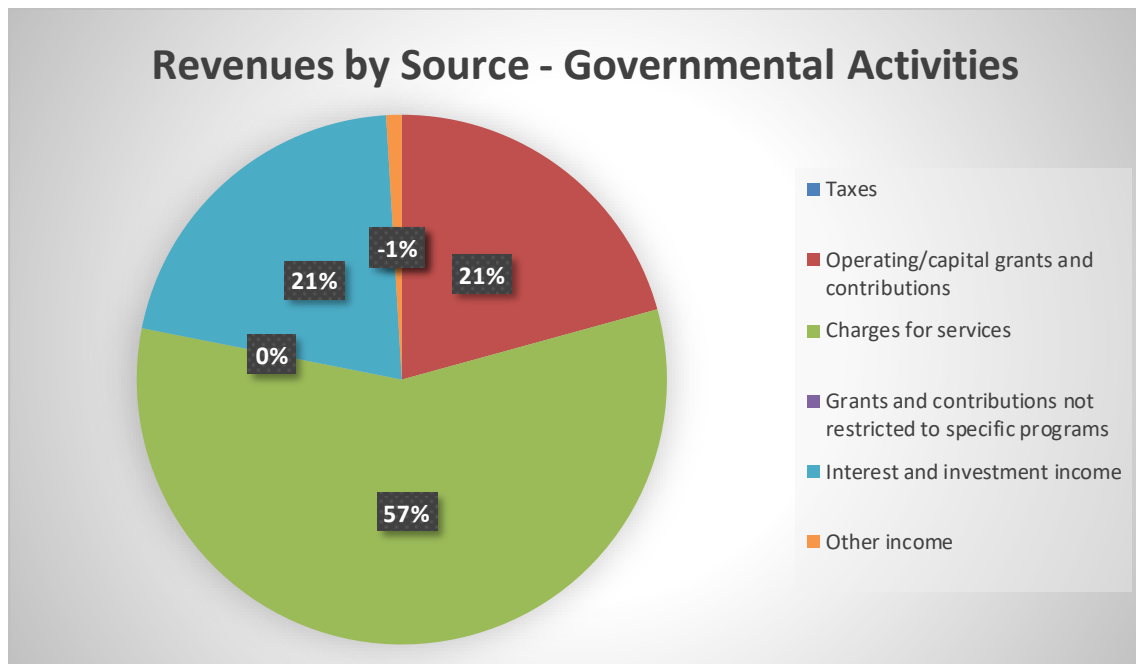
Table 2
City of Presque Isle, Maine
Change in Net Position
For the Years Ended December 31,

	<u>2018</u>	<u>2017</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 5,213,351	\$ 3,363,428
Operating grants and contributions	1,882,542	5,457,736
<i>General Revenues:</i>		
Taxes	15,274,009	15,302,118
Grants and contributions not restricted to specific programs	1,819,597	2,368,395
Interest income	82,343	150,104
Investment income, net of unrealized gains/(losses)	(86,060)	-
Miscellaneous	2,683,424	2,310,261
Total Revenues	<u>26,869,206</u>	<u>28,952,042</u>
Expenses		
<i>Current:</i>		
General government	3,343,472	2,937,715
Public safety	3,181,631	3,037,148
Solid waste	934,549	1,110,981
Public works	3,522,960	2,521,107
Recreation and culture	2,000,007	1,655,539
Airport	4,470,243	3,345,973
Education	6,236,004	6,210,945
County tax	730,680	665,733
Community service	504,678	453,817
Interest on debt service	14,322	320,228
Capital outlay	629,700	330,935
Total Expenses	<u>25,568,246</u>	<u>22,590,121</u>
Change in Net Position	1,300,960	6,361,921
Net Position - January 1, Restated	<u>62,386,420</u>	<u>56,024,499</u>
Net Position - December 31	<u><u>\$ 63,687,380</u></u>	<u><u>\$ 62,386,420</u></u>



Governmental Activities The City's net position was restated as of January 1, 2018 to correctly reflect the accumulated depreciation on infrastructure and correct certain beginning balances. As a result, the beginning balance has been increased by \$4,062,102. The net position has also been restated to account for implementation of GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*". This change reduced the beginning balance by \$889,138. The total of the adjustments increased the beginning balance to \$62,386,420.

The City's net position increased by \$1,300,960 during the current year. Factors that affected the increase in net position include: a decrease of \$1,262,819 in capital assets due to higher depreciation expense than capital additions; a net decrease in bonds and notes outstanding of \$897,121; a net decrease in pension and OPEB liabilities of \$951,106 and a decrease in the landfill closure liability of \$288,805.

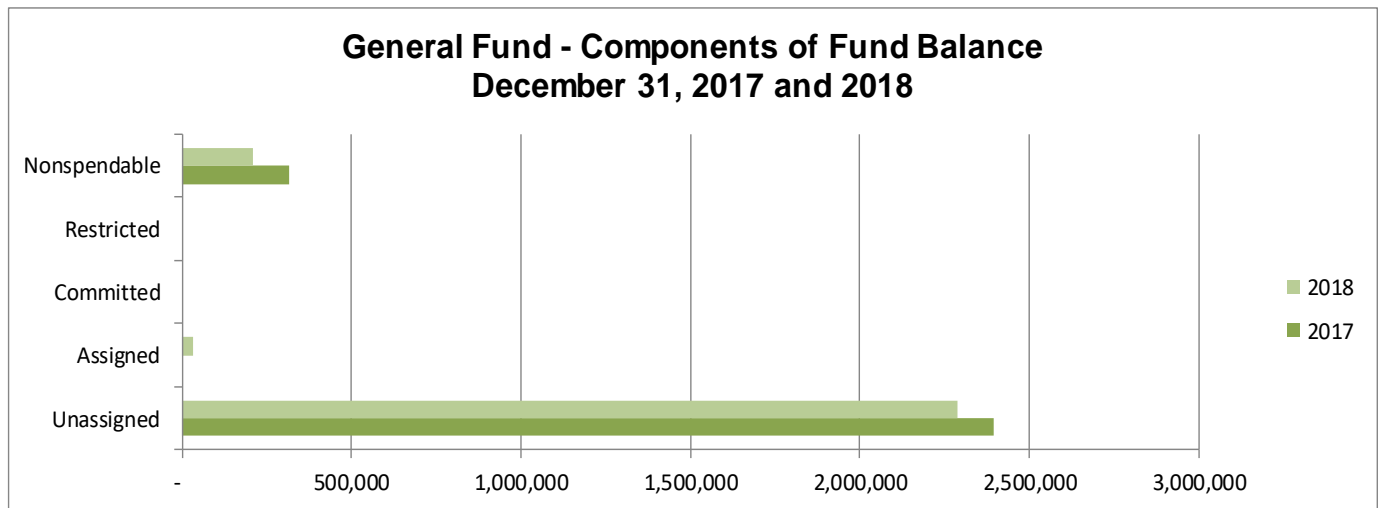


Financial Analysis of Governmental Funds

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

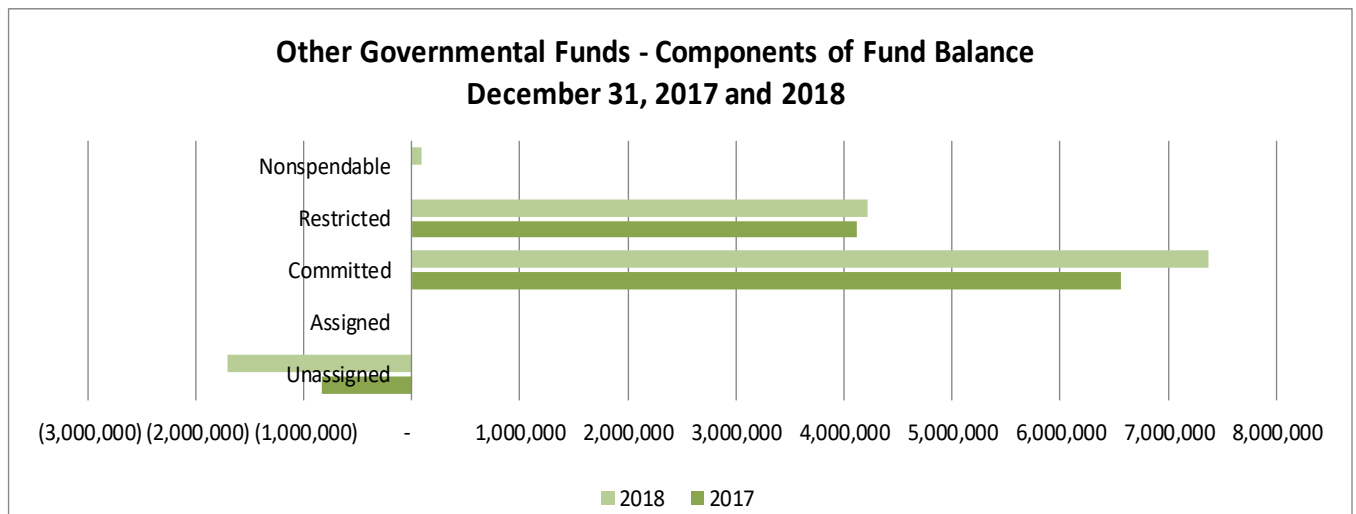
Governmental Funds. The focus of the City of Presque Isle's **governmental funds** is to provide information on near-term inflows, outflows and balance of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve 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.

As of December 31, 2018, the City of Presque Isle's governmental funds reported combined fund balance of \$12,513,198, a decrease of \$49,916 from 2017. Approximately 4.72% of the total amount (\$590,895) 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*, *committed* or *assigned* to indicate the it is 1) not in spendable form (\$301,015) 2) restricted for a particular purpose (\$4,220,134), 3) committed for particular purposes (\$7,370,202) or 4) is assigned for particular purposes (\$30,952).



The *general fund* is the central operating fund of the City of Presque Isle. At the end of the current fiscal year, unassigned fund balance of the general fund is \$2,288,229, a decrease of \$106,207 from 2017. The total fund balance decreased \$183,733 to \$2,528,542.

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 11.74% of total general fund expenditures, while total fund balance represents approximately 12.98% of that same amount.



The *Airport Fund* is used to monitor the activities of the City's airport. During 2018 the airport generated \$2,235,074 in revenue and expended \$2,303,766 for a net deficit of (\$68,692).

The *Landfill Operations Fund* is used to monitor the revenue and expenses of the secure landfill. The secure landfill is a joint project with six other surrounding communities. The City of Presque Isle funds approximately 82% of the operating costs. The fund balance at December 31, 2018 was \$122,480.

The *Secure Landfill Closure Reserve* is used to monitor funds for the costs of closure. In 2018, \$518,166 of revenue was received to bring the fund balance to \$2,091,970.

The *Development Fund* manages funds from the Federal Government and is used as a revolving fund for the purpose of lending money for economic development. Currently there are eight loans outstanding totaling \$870,860 and \$746,748 available for lending.

The *Emergency Reserve* was created by City Charter to meet 'unanticipated, extraordinary needs'. This account is funded by an appropriation of 1.5% of the City's net annual budget appropriation. Expenditures require a unanimous vote of all Councilors but only for 'unanticipated, extraordinary needs'. In 2018, the City contributed \$91,550 to this fund and \$8,450 constituted earnings on investments.

The *Community Center Construction Reserve* was created to monitor the funding and construction costs of the new community center which is scheduled for completion in 2019.

Other governmental funds include the activities of all other nonmajor special revenue funds, nonmajor capital projects funds and nonmajor permanent funds.

General Fund Budgetary Highlights

The General Fund budget overall (on a budgetary basis of accounting), ended the year with revenue \$332,334 below estimates and expenses \$148,601 below estimates, for a decrease to unassigned fund balance of \$183,733 at year end.

Resources (inflows) for the General Fund (on the budgetary basis of accounting) totaled \$19,299,511 for the year ended December 31, 2018, a decrease of \$2,906,724 from 2017.

For both the current and prior years, taxes represent the largest revenue source - \$15,145,759 or 56.9% of all general fund revenues, an increase of \$1,358,294 or 9.9% from 2017.

Intergovernmental revenues of \$1,938,437 or 10.0% of total revenues increased \$276,118 from 2017.

Charges to Appropriations (outflows) from the General Fund (on the budgetary basis of accounting) totaled \$19,483,244 for the year ended December 31, 2018, a decrease of \$2,134,940 from 2017.

Education expenditures of \$6,236,004 (32.0% of total) increased \$25,059 over 2017.

General Government expenditures of \$3,574,497 (18.3% of the total) decreased \$500,022 from 2017.

Public Works expenditures of \$2,343,963 (12.0% of the total) increased \$750,650 from 2017.

The following schedule provides a summary of General Fund revenues and expenditures on the budgetary basis of accounting for the year 2018 and the change from 2017.

City of Presque Isle
General Fund Analysis of Revenues and Expenses
for the Year Ended December 31, 2018

Revenues	Amount	% of Total	Increase/ (Decrease) from 2017
Taxes			
Real Estate	\$ 13,352,358	69.4%	\$ (435,107)
Excise	1,720,146	8.9%	5,493
Intergovernmental	1,938,437	10.1%	276,118
Charges for services	1,919,836	10.0%	(1,456,612)
Investment Income	38,936	0.2%	(78,022)
Other revenue	<u>256,543</u>	<u>1.3%</u>	<u>(1,291,849)</u>
Total Revenues	19,226,256	100.0%	(2,979,979)
Expenditures			
General government	3,574,497	18.3%	173,764
Public safety	2,705,421	13.9%	493,756
Public works	2,343,963	12.0%	309,006
Solid waste	146,500	0.8%	145,653
Recreation and culture	1,337,847	6.9%	280,534
Education	6,236,004	32.0%	85,708
County tax	730,680	3.8%	127,078
Outside services	56,500	0.3%	(74,873)
Unclassified	433,178	2.2%	61,104
Debt Service	911,443	4.7%	631,554
Transfers Out	<u>1,007,211</u>	<u>5.2%</u>	<u>(728,631)</u>
Total Expenditures	19,483,244	100.0%	1,504,653

Capital Asset and Debt Administration

Capital Assets As of December 31, 2018, the City of Presque Isle's investment in capital assets was \$72,696,798 (net of depreciation), a decrease of \$1,262,819 or 1.7% from December 31, 2017. This decrease is a result of capital additions of \$2,844,277 less net current year disposals of \$5,391 and current year depreciation expense of \$4,101,705. This investment in capital assets includes land and building improvements, machinery, equipment, vehicles and roads.

Table 4
City of Presque Isle, Maine
Capital Assets (Net of Depreciation)
December 31,

	2018	2017 (Restated)
Land	\$ 5,500,788	\$ 5,500,788
Construction in progress	314,857	1,095,896
Works of art and historical treasures	698,990	698,990
Buildings, building improvements	23,631,575	24,650,952
Land improvements	2,260,305	1,782,075
Machinery, equipment and vehicles	7,073,594	5,587,664
Infrastructure	33,216,689	34,643,252
Total	<u>\$ 72,696,798</u>	<u>\$ 73,959,617</u>

Major capital asset events during the current fiscal year include:

- Equipment purchases:
 - Snow removal sweeper and blower for the airport, \$751,759
 - Boom runway de-icer, \$131,433
 - Spaulding hot box for public works, \$49,317
 - Plow truck for public works, \$192,342
- Road improvements \$600,842,
- Bishops Island ballfield and parking lot, \$421,312,
- Construction on a new community center \$1,347,754 and a new playground for \$89,602

Additional information about the City of Presque Isle's capital assets can be found in the notes to the financial statements on page 39 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 \$12,606,632, a decrease of \$815,610 from 2017 due to scheduled principal payments. Bank loans outstanding of \$217,625 decreased by \$81,511 from 2017 due to principal pay downs.

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 \$84,090,000 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 \$2,933,691, a decrease of \$699,557 from 2017 and OPEB related debt consists of \$1,763,653, a decrease of \$251,549 from 2017.

Table 4
City of Presque Isle, Maine
Outstanding Debt
December 31,

	2018	2017 (Restated)
Bonds payable	\$ 12,606,632	\$ 13,422,242
Notes payable	217,625	299,136
Landfill closure	4,375,070	4,663,875
Accrued compensated absences	384,443	399,526
Net OPEB liability	1,763,653	2,015,202
Net pension liability	2,933,691	3,633,248
	<u>\$ 22,281,114</u>	<u>\$ 24,433,229</u>

Economic Factors and Next Year's Budget

In preparing the City's 2018 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 2019 fiscal year, the City's management will continue to monitor and evaluate local economic conditions. Items of concern include:

Revenue Projections:

- A possible increase in the revenue sharing from the State could result in an increase in revenue but still will be lower than the full funding levels.

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 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.
- 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.

STATEMENT A

CITY OF PRESQUE ISLE, MAINE

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,529,402
Investments	3,429,965
Accounts receivable (net of allowance for uncollectibles):	
Taxes/liens	1,560,836
Other	1,631,062
Tax acquired property	39,537
Inventory	91,654
Prepaid items	169,824
Total current assets	<u>14,452,280</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	6,514,635
Depreciable assets, net of accumulated depreciation	<u>66,182,163</u>
Total noncurrent assets	<u>72,696,798</u>
TOTAL ASSETS	<u>87,149,078</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>290,269</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>290,269</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 87,439,347</u></u>

STATEMENT A (CONTINUED)

CITY OF PRESQUE ISLE, MAINE

STATEMENT OF NET POSITION
DECEMBER 31, 2018

LIABILITIES

Current liabilities:

Accounts payable	\$ 410,744
Accrued expenses	205,545
Due to other governments	22,461
Current portion of long-term obligations	924,195
Total current liabilities	<u>1,562,945</u>

Noncurrent liabilities:

Noncurrent portion of long-term obligations:

Bonds payable	11,785,110
Notes payable	134,174
Landfill closure	4,375,070
Net OPEB liability	1,763,653
Net pension liability	2,933,691
Total noncurrent liabilities	<u>21,356,919</u>
TOTAL LIABILITIES	<u>22,919,864</u>

DEFERRED INFLOWS OF RESOURCES

Prepaid taxes	46,270
Deferred revenues	48,599
Deferred inflows related to OPEB	232,581
Deferred inflows related to pensions	504,653
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>832,103</u>

NET POSITION

Net investment in capital assets	59,872,541
Restricted for: Grant funds	3,539,145
Capital projects funds	16,842
Cemetery and other permanent funds	664,147
Unrestricted	(405,295)
TOTAL NET POSITION	<u>63,687,380</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND
NET POSITION

\$ 87,439,347

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

CITY OF PRESQUE ISLE, MAINE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 3,343,472	\$ 796,478	\$ 144,826	\$ -	\$ (2,402,168)
Public safety	3,181,631	651,860	394,320	-	(2,135,451)
Solid waste	934,549	1,091,592	-	-	157,043
Public works	3,522,960	-	187,708	-	(3,335,252)
Recreation and culture	2,000,007	387,906	-	-	(1,612,101)
Airport	4,470,243	2,285,515	1,136,709	-	(1,048,019)
Education	6,236,004	-	-	-	(6,236,004)
County tax	730,680	-	-	-	(730,680)
Community service	504,678	-	18,979	-	(485,699)
Interest on debt service	14,322	-	-	-	(14,322)
Capital outlay	629,700	-	-	-	(629,700)
Total governmental activities	<u>\$ 25,568,246</u>	<u>\$ 5,213,351</u>	<u>\$ 1,882,542</u>	<u>\$ -</u>	<u>(18,472,353)</u>

STATEMENT B (CONTINUED)

CITY OF PRESQUE ISLE, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(18,472,353)</u>
General revenues:	
Tax revenue	15,274,009
Grants and contributions not restricted to specific programs	1,819,597
Interest income	82,343
Investment income, net of unrealized gains/(losses)	(86,060)
Miscellaneous	<u>2,683,424</u>
Total general revenues	<u>19,773,313</u>
Change in net position	1,300,960
NET POSITION - JANUARY 1, RESTATED	<u>62,386,420</u>
NET POSITION - DECEMBER 31	<u><u>\$ 63,687,380</u></u>

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

STATEMENT C

CITY OF PRESQUE ISLE, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Airport	Landfill Operations	Landfill Closure	Development Fund	Emergency Reserve	Community Center	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 7,474,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,828	\$ 7,529,402
Investments	2,820,646	-	-	-	-	-	-	609,319	3,429,965
Accounts receivable (net of allowance for uncollectibles):									
Taxes/liens	1,560,836	-	-	-	-	-	-	-	1,560,836
Other	884,314	-	-	-	746,748	-	-	-	1,631,062
Tax acquired property	39,537								39,537
Inventory	-	91,654	-	-	-	-	-	-	91,654
Prepaid items	169,824	-	-	-	-	-	-	-	169,824
Due from other funds	1,697,334	-	122,480	2,091,970	1,264,636	2,282,905	63,914	4,353,536	11,876,775
TOTAL ASSETS	\$ 14,647,065	\$ 91,654	\$ 122,480	\$ 2,091,970	\$ 2,011,384	\$ 2,282,905	\$ 63,914	\$ 5,017,683	\$ 26,329,055
LIABILITIES									
Accounts payable	\$ 410,744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,744
Accrued expenses	151,258	-	-	-	-	-	-	-	151,258
Due to other governments	22,461	-	-	-	-	-	-	-	22,461
Due to other funds	10,179,441	160,346	-	-	-	-	-	1,536,988	11,876,775
TOTAL LIABILITIES	10,763,904	160,346	-	-	-	-	-	1,536,988	12,461,238
DEFERRED INFLOWS OF RESOURCES									
Prepaid taxes	46,270	-	-	-	-	-	-	-	46,270
Deferred revenues	48,599	-	-	-	-	-	-	-	48,599
Deferred tax revenues	1,259,750	-	-	-	-	-	-	-	1,259,750
TOTAL DEFERRED INFLOWS OF RESOURCES	1,354,619	-	-	-	-	-	-	-	1,354,619
FUND BALANCES (DEFICITS)									
Nonspendable	209,361	91,654	-	-	-	-	-	-	301,015
Restricted	-	-	-	-	2,011,384	-	-	2,208,750	4,220,134
Committed	-	-	122,480	2,091,970	-	2,282,905	63,914	2,808,933	7,370,202
Assigned	30,952	-	-	-	-	-	-	-	30,952
Unassigned	2,288,229	(160,346)	-	-	-	-	-	(1,536,988)	590,895
TOTAL FUND BALANCES (DEFICITS)	2,528,542	(68,692)	122,480	2,091,970	2,011,384	2,282,905	63,914	3,480,695	12,513,198
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 14,647,065	\$ 91,654	\$ 122,480	\$ 2,091,970	\$ 2,011,384	\$ 2,282,905	\$ 63,914	\$ 5,017,683	\$ 26,329,055

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

CITY OF PRESQUE ISLE, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Total Governmental Funds
Total Fund Balances	\$ 12,513,198
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	72,696,798
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	1,259,750
Deferred outflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the funds	290,269
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest	(54,287)
Bonds payable	(12,606,632)
Notes payable	(217,625)
Landfill closure	(4,375,070)
Net OPEB liability	(1,763,653)
Accrued compensated absences	(384,443)
Net pension liability	(2,933,691)
Deferred inflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the funds	(737,234)
Net position of governmental activities	<u>\$ 63,687,380</u>

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

STATEMENT E

CITY OF PRESQUE ISLE, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Airport	Landfill Operations	Landfill Closure	Development Fund	Emergency Reserve	Community Center	Other Governmental Funds	Total Governmental Funds
REVENUES									
Tax revenue	\$ 15,145,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,145,759
Intergovernmental revenue	1,938,437	-	-	-	-	-	-	1,763,702	3,702,139
Charges for services	1,919,836	2,207,274	1,086,241	-	-	-	-	-	5,213,351
Interest income	38,936	-	-	8,500	8,500	-	-	26,407	82,343
Investment income, net of unrealized gains/(losses)	-	-	-	-	-	8,450	-	(94,510)	(86,060)
Other revenue	256,543	27,800	-	509,666	14,794	-	102,750	1,771,871	2,683,424
TOTAL REVENUES	19,299,511	2,235,074	1,086,241	518,166	23,294	8,450	102,750	3,467,470	26,740,956
EXPENDITURES									
Current:									
General government	3,574,497	-	-	-	-	-	-	586,377	4,160,874
Public safety	2,705,421	-	-	-	-	-	-	127,456	2,832,877
Solid waste	146,500	-	963,761	-	-	-	-	-	1,110,261
Public works	2,343,963	-	-	-	-	-	-	342,639	2,686,602
Recreation and culture	1,337,847	-	-	-	-	-	101,235	99,349	1,538,431
Airport	-	2,303,766	-	-	-	-	-	306,670	2,610,436
Education	6,236,004	-	-	-	-	-	-	-	6,236,004
County tax	730,680	-	-	-	-	-	-	-	730,680
Outside services	56,500	-	-	-	-	-	-	-	56,500
Unclassified	433,178	-	-	-	15,000	-	-	-	448,178
Debt service	911,443	-	-	-	-	-	-	-	911,443
Capital outlay	-	-	-	-	-	-	-	3,468,586	3,468,586
TOTAL EXPENDITURES	18,476,033	2,303,766	963,761	-	15,000	-	101,235	4,931,077	26,790,872
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	823,478	(68,692)	122,480	518,166	8,294	8,450	1,515	(1,463,607)	(49,916)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	91,550	-	915,661	1,007,211
Transfers (out)	(1,007,211)	-	-	-	-	-	-	-	(1,007,211)
TOTAL OTHER FINANCING SOURCES (USES)	(1,007,211)	-	-	-	-	91,550	-	915,661	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(183,733)	(68,692)	122,480	518,166	8,294	100,000	1,515	(547,946)	(49,916)
FUND BALANCES (DEFICITS) - JANUARY 1, RESTATED	2,712,275	-	-	1,573,804	2,003,090	2,182,905	62,399	4,028,641	12,563,114
FUND BALANCES (DEFICITS) - DECEMBER 31	\$ 2,528,542	\$ (68,692)	\$ 122,480	\$ 2,091,970	\$ 2,011,384	\$ 2,282,905	\$ 63,914	\$ 3,480,695	\$ 12,513,198

See accompanying independent auditors' report and 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
FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (49,916)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	2,844,277
Capital asset disposals	(5,391)
Depreciation expense	<u>(4,101,705)</u>
	<u>(1,262,819)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported:	
Taxes and liens receivable	<u>128,250</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	<u>(145,485)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>897,121</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
OPEB	(232,581)
Pension	<u>711,396</u>
	<u>478,815</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Landfill closure	288,805
Net OPEB liability	251,549
Accrued compensated absences	15,083
Net pension liability	<u>699,557</u>
	<u>1,254,994</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 1,300,960</u></u>

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

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Presque Isle was incorporated under the laws of the State of Maine. The City operates under the City Council-Manager form of government and provides the following services: general government, public safety, solid waste, public works, recreation and culture, airport and education and unclassified.

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 City's combined financial statements include all accounts and all operations of the City. We have determined that the City has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended December 31, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "*Omnibus 2017*." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 86, "*Certain Debt Extinguishment Issues*." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial 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 governmental. The City categorizes all activities as governmental.

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous 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. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The City does not allocate indirect costs. All costs are charged directly to the corresponding department.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The 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.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the City are reported in the 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 balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

Major funds:

- a. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Airport Fund is used to account for the operations of the City's airport.
- c. The Landfill Operations Fund accounts for the annual operating costs of the landfill.
- d. The Landfill Closure Fund is used to accumulate funds to cover the cost of closing the landfill.
- e. The Development Fund is used to account for the City's loan funds for business development.
- f. The Emergency Reserve Fund is used to accumulate funds to cover any unforeseen and unbudgeted emergency expenses.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- g. The Community Center Fund is being used to account for the construction of a new community center.

Nonmajor funds:

- h. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- i. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- j. Permanent Funds are used to account for assets held by the City that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the City or its citizenry. The City's policy for authorizing and spending investment income follows State statutes.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the 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.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund 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 soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The City's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Per City Charter, the City Manager must submit a budget to the City Council at least 90 days prior to the beginning of the next fiscal year.
2. The annual budget is prepared for the general fund and includes a net appropriation for the capital reserves, airport fund and the landfill operations fund.
3. The legal level of budgetary control is at the department level.
4. The City Council must hold at least two public hearings.
5. The City Council must adopt the budget before the beginning of the next fiscal year.

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the City's policy to value investments at fair value. None of the City's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The City Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

Receivables

Receivables include amounts due from governmental agencies, local businesses and sewer receivables. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$1,631,062 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost. Under the consumption method, the costs of inventory items are recognized as expenditures when used. The airport fund inventory consists of diesel fuel and gasoline on hand at the end of the year. The cost value is determined using the first-in, first-out (FIFO) method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

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. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets, donated works of art or similar items and capital assets received in a service concession arrangement are valued at acquisition value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, airport runways, etc. These infrastructure assets are likely to be the largest asset class of the City.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	5 - 50 years
Machinery and equipment	2 - 30 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists of bonds and notes payable, landfill closure, compensated absences and net OPEB and pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of December 31, 2018, the City's liability for compensated absences is \$384,443.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Participating Local District (PLD) Consolidated Plan, which includes the PLD Agent Plan, a combination of single employer plans that were open when the PLD Consolidated Plan began, and additions to/deductions from the PLD Consolidated Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the City's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System OPEB Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the City's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority of the City. Commitments may be established, modified, or rescinded only through a City Council meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the City Council.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes and deferred revenues also qualify for reporting in this category. These items are reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to OPEB and deferred inflows related to pensions qualify for reporting in this category as well. These items are reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The City's property tax for the current year was levied July 1, 2018 on the assessed value listed as of April 1, 2018, for all real and personal property located in the City. Taxes were due on October 15, 2018. Interest on unpaid taxes commenced on October 16, 2018, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$67,624 for the year ended December 31, 2018.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The City does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's policies, which follow state statutes, authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all City funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City will not be able to recover its deposits. The City does not have a policy covering custodial credit risk for deposits. However, the City maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. At December 31, 2018, the City's cash balance of \$7,529,402 was comprised of bank deposits and cash equivalents totaling \$8,081,538. Of these bank deposits, \$6,924,626 was insured by federal depository insurance and consequently was not exposed to custodial credit risk, \$54,828 was covered by the Securities Investor Protection Corporation (SIPC) and \$1,102,084 was collateralized with securities held by the financial institution in the City's name.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 1,789,116
ICS savings account	6,024,558
Money market accounts	213,036
Cash equivalents	54,828
	<u>\$ 8,081,538</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does not have a policy for custodial credit risk for investments; however, the City seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. At December 31, 2018, of the City's investments of \$3,429,965, \$2,827,230 was covered by federal depository insurance and consequently not exposed to custodial credit risk and \$445,173 was covered by the Securities Investor Protection Corporation (SIPC). The remaining investments of \$157,562 were uncollateralized and uninsured.

At December 31, 2018, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u><1 Year</u>	<u>1 - 5 Years</u>
Fixed income - mutual funds	\$ 183,917	\$ 183,917	\$ -	\$ -
Equities - stock	158,104	158,104	-	-
Equities - mutual funds	252,326	252,326	-	-
Real assets	8,388	8,388	-	-
Certificate of deposits	2,827,230	-	2,827,230	-
	<u>\$ 3,429,965</u>	<u>\$ 602,735</u>	<u>\$ 2,827,230</u>	<u>\$ -</u>

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as December 31, 2018:

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	December 31, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Investments by fair value level				
Equity securities:				
Mutual funds - fixed income	\$ 183,917	\$ 183,917	\$ -	\$ -
Mutual funds - equity	252,326	252,326	-	-
Common stock	158,104	158,104	-	-
REIT	8,388	8,388	-	-
Total equity securities	<u>602,735</u>	<u>602,735</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>602,735</u>	<u>\$ 602,735</u>	<u>\$ -</u>	<u>\$ -</u>
Cash equivalents measured at the net asset value (NAV)				
Money market mutual funds	<u>54,828</u>			
Total cash equivalents measured at the NAV	<u>54,828</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 657,563</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The City has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of December 31, 2018 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$2,827,230 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk - Statutes for the State of Maine authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The City does not have an investment policy on credit risk. Generally, the City invests excess funds in repurchase agreements, savings accounts and various insured certificates of deposit. Certain long-term trust funds are invested through a financial institution with trust powers in a mix of securities that comply with state and federal regulations to provide long-term growth and income.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - REVOLVING LOAN FUND

The revolving loan program is used for the purpose of lending money for economic development. The program has eight loans outstanding. Loans receivable at December 31, 2018 and 2017 were \$870,860 and \$746,748, respectively.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2018 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 1,697,334	\$ 10,179,441
Airport	-	160,346
Landfill operations	122,480	-
Landfill closure	2,091,970	-
Development fund	1,264,636	-
Emergency reserve	2,282,905	-
Community center	63,914	-
Nonmajor special revenue funds	1,779,441	124,961
Nonmajor capital projects funds	2,574,095	1,412,027
	<u>\$ 11,876,775</u>	<u>\$ 11,876,775</u>

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	Balance, 1/1/18	Additions	Deletions	Balance, 12/31/18
Non-depreciated assets:				
Land	\$ 5,500,788	\$ -	\$ -	\$ 5,500,788
Construction in progress	1,095,896	314,857	(1,095,896)	314,857
Works of art and historical treasures	698,990	-	-	698,990
	<u>7,295,674</u>	<u>314,857</u>	<u>(1,095,896)</u>	<u>6,514,635</u>
Depreciated assets:				
Land improvements	9,118,385	611,277	-	9,729,662
Buildings	32,560,018	-	-	32,560,018
Building improvements	13,493,879	127,353	-	13,621,232
Furniture and fixtures	421,670	-	-	421,670
Machinery and equipment	6,615,137	1,635,522	(16,175)	8,234,484
Vehicles	6,766,243	650,322	(18,913)	7,397,652
Infrastructure	52,047,849	600,842	-	52,648,691
	<u>121,023,181</u>	<u>3,625,316</u>	<u>(35,088)</u>	<u>124,613,409</u>
Less: accumulated depreciation				
Land improvements	(7,336,310)	(133,047)	-	(7,469,357)
Buildings	(15,455,242)	(648,311)	-	(16,103,553)
Building improvements	(5,947,703)	(498,419)	-	(6,446,122)
Furniture and fixtures	(131,186)	(18,860)	-	(150,046)
Machinery and equipment	(4,119,158)	(388,829)	10,784	(4,497,203)
Vehicles	(3,965,042)	(386,834)	18,913	(4,332,963)
Infrastructure	(17,404,597)	(2,027,405)	-	(19,432,002)
	<u>(54,359,238)</u>	<u>(4,101,705)</u>	<u>29,697</u>	<u>(58,431,246)</u>
Subtotal	<u>66,663,943</u>	<u>(476,389)</u>	<u>(5,391)</u>	<u>66,182,163</u>
Net capital assets	<u>\$ 73,959,617</u>	<u>\$ (161,532)</u>	<u>\$ (1,101,287)</u>	<u>\$ 72,696,798</u>
Current year depreciation				
General government				\$ 482,117
Public safety				348,754
Public works				836,358
Airport				1,859,807
Solid waste				113,093
Recreation				461,576
Total depreciation expense				<u>\$ 4,101,705</u>

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended December 31, 2018:

	Balance, 1/1/18 (Restated)	Additions	Deletions	Balance, 12/31/18	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable	\$ 13,422,242	\$ -	\$ (815,610)	\$ 12,606,632	\$ 821,522
Notes payable	299,136	-	(81,511)	217,625	83,451
Landfill closure	4,663,875	-	(288,805)	4,375,070	-
Accrued compensated absences	399,526	-	(15,083)	384,443	19,222
Net OPEB liability	2,015,202	-	(251,549)	1,763,653	-
Net pension liability	3,633,248	341,300	(1,040,857)	2,933,691	-
Total Governmental Activities	<u>\$ 24,433,229</u>	<u>\$ 341,300</u>	<u>\$ (2,493,415)</u>	<u>\$ 22,281,114</u>	<u>\$ 924,195</u>

The following is a summary of outstanding bonds payable:

\$2,600,000, 2001 General Obligation Bond due in annual installments and semiannual 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.	\$ 390,000
\$1,145,000, 2007 General Obligation Bond due in annual installments and semiannual 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.	554,691
\$6,225,000, 2013 General Obligation Bond due in annual installments and semiannual interest installments through April 2033. Interest is charged at a rate of 7.00% per annum. Annual principal installments vary from \$291,057 to \$332,306.	4,749,198
\$375,000, 2015 General Obligation Bond due in annual installments and semiannual interest installments through July 2030. Interest is charged at a rate of 2.99% per annum. Annual principal installments vary from \$20,091 to \$30,563.	312,743
\$7,500,000, 2016 General Obligation Bond due in annual installments and semiannual interest installments through July 2040. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$20,091 to \$30,563.	6,600,000
	<u>\$ 12,606,632</u>

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding notes payable:

\$500,000 Note payable to KeyBank National Association for a fire truck with interest at 1.99%. Note matures on October 1, 2020 with annual installments of \$38,725.	\$ 74,593
\$188,591.20 Note payable to Katahadin Trust for a JD Loaders with Plow with interest at 2.26%. Note matures on December 1, 2021 with annual principal payments of \$300,000 and semi-annual interest payments that vary from \$4,875 to \$93,375.	143,032
	<u>\$ 217,625</u>

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending December 31:

	Principal	Interest	Total Debt Service
2019	\$ 821,522	\$ 253,731	\$ 1,075,253
2020	827,680	234,221	1,061,901
2021	834,092	214,424	1,048,516
2022	710,696	197,141	907,837
2023	717,523	184,346	901,869
2024-2028	3,396,378	746,819	4,143,197
2029-2033	3,198,741	487,588	3,686,329
2034-2038	1,500,000	232,500	1,732,500
2039-2043	600,000	28,875	628,875
	<u>\$ 12,606,632</u>	<u>\$ 2,579,645</u>	<u>\$ 15,186,277</u>

The following is a summary of outstanding note principal and interest requirements for the following fiscal years ending December 31:

	Principal	Interest	Total Debt Service
2019	\$ 83,451	\$ 5,116	\$ 88,567
2020	85,415	3,135	88,550
2021	48,759	1,102	49,861
	<u>\$ 217,625</u>	<u>\$ 9,353</u>	<u>\$ 226,978</u>

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 - LONG TERM DEBT (CONTINUED)

All bonds and notes payable are direct obligations of the City, for which its full faith and credit are pledged. The City is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the City.

NOTE 7 - 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. Two sides of the original landfill (Phase I) received a final cover system during the landfill expansion project, which occurred from 2007-2010. A final cover system was installed in accordance with Maine Department of Environmental Protection (MDEP) regulations on the top and west side of Phase I in 2017. Phase I will not be accepting any more waste. The Construction/Demolition Debris (CDD) landfill was permanently closed in 2012 in accordance with MDEP regulations.

The new expansion, known as Phase II, began accepting waste in December of 2010. In the future, the City will also construct new expansions to the landfill known as Phase III and Phase IV.

The estimated closure cost for Phase II is \$3,110,202 and the estimated post-closure care cost is \$1,264,868 (\$103,263 per year) for a total estimated liability of \$4,375,070. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. A portion of the Phase I and CDD closure costs is being reimbursed by the State of Maine and is being credited to the closure reserve.

The Phase 2 landfill has an estimated remaining life of 11.4 years. An estimated 40.83% of the landfill capacity has been used as of December 31, 2018. The City has recognized a liability in the government-wide financial statements based on percentage used as of December 31, 2018, of \$626,154 for closure, and \$254,647 for post-closure costs for a total liability of \$880,801 for the Phase 2 landfill.

The City voluntarily funds a reserve account for landfill closure and post-closure care, which had a balance of \$2,091,970 on December 31, 2018. The City also maintains a reserve account for solid waste activities, which had a balance of \$122,480 at the end of 2018. The total amount available in the reserve accounts is \$2,214,450.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 - NONSPENDABLE FUND BALANCES

At December 31, 2018, the City had the following nonspendable fund balances:

General fund:	
Tax acquired property	\$ 39,537
Prepaid items	169,824
Airport fund:	
Inventory	91,654
	<u>\$ 301,015</u>

NOTE 9 - RESTRICTED FUND BALANCES

At December 31, 2018, the City had the following restricted fund balances:

Development fund	\$ 2,011,384
Nonmajor special revenue funds (Schedule E)	1,527,761
Nonmajor capital projects funds (Schedule G)	16,842
Nonmajor permanent funds (Schedule I)	664,147
	<u>\$ 4,220,134</u>

NOTE 10 - COMMITTED FUND BALANCES

At December 31, 2018, the City had the following committed fund balances:

Landfill operations	\$ 122,480
Landfill closure	2,091,970
Emergency reserve	2,282,905
Community center	63,914
Nonmajor special revenue funds (Schedule E)	251,680
Nonmajor capital projects funds (Schedule G)	2,557,253
	<u>\$ 7,370,202</u>

NOTE 11 - ASSIGNED FUND BALANCES

At December 31, 2018, the City had the following assigned fund balances:

General fund:	
Drug forfeiture	\$ 952
Vehicle repairs	30,000
	<u>\$ 30,952</u>

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12 - 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; and natural disasters for which the City either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently the City participates in several public-entity and self-insured risk pools sponsored by the Maine Municipal Association.

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 13 - OVERLAPPING DEBT

The City is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At December 31, 2018, the County of Aroostook had no outstanding debt. The City's share of school debt was approximately:

	<u>Outstanding Debt</u>	<u>City's Percentage</u>	<u>Total Share</u>
RSU #1	3,237,065	71.08%	<u>\$ 2,300,906</u>

NOTE 14 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

The City is a member of the Maine Public Employees Retirement System's (MainePERS) Participating Local District (PLD) Agent Plan, an agent multiple-employer defined benefit pension plan established by the Maine State Legislature. This plan is an aggregation of single employer plans that were open when the PLD Consolidated Plan began. Under the legislation that created the consolidated plan, single employers could either join the consolidated plan whereby the single employer plan would end, or they could opt to not join the plan and continue to maintain their single employer plan as a closed plan until there were no further liabilities for pension, at which time the single employer plan would be dissolved. The City chose the latter and as of June 30, 2018, the City's plan membership consisted of the following:

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Membership	Number of Active Employees	Annual Payroll	Number of Retirees	Annual Benefit	Number of Vested Inactive
Regular employees	8	\$ 447,298	54	\$ 914,157	12
Fire	2	137,811	26	502,031	-
Police	3	206,616	20	438,365	-
Total membership	<u>13</u>	<u>\$ 791,725</u>	<u>100</u>	<u>\$ 1,854,553</u>	<u>12</u>

Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.mainebers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45%. At June 30, 2018, the most recent period available, the retirement system consisted of 300 participating employers.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The City's status as a withdrawn PLD requires that the City continue to fund the plan on an actuarially sound basis for liabilities of any currently active, inactive vested, or retired participants. This plan is not available to any non-participating current employees or new hires. The City's participating employees are eligible for normal retirement upon attaining age 60 and early retirement after completing 25 or more years of service. Participants are fully vested after 10 years of service.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employee Retirement Systems advisory group. Plan members are required to contribute 6.5% (8.0% for fire and police department employees) of their annual covered salary and the City of Presque Isle is required to contribute an actuarially determined rate. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The City's contribution to the MainePERS PLD Consolidated Plan for the year ended December 31, 2018 was \$577,066.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the City reported a net pension liability of \$2,933,691. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2018, the City recognized net pension revenue of \$1,265,468. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 504,653
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Contributions subsequent to the measurement date	<u>290,269</u>	<u>-</u>
Total	<u>\$ 290,269</u>	<u>\$ 504,653</u>

\$290,269 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (126,163)
2020	(126,163)
2021	(126,163)
2022	(126,164)
2023	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

Investment Rate of Return - For the PLD Plan, 6.75% per annum, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Mortality Rates - For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases – 1.91% for participating local districts.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2018 are summarized in the following table.

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for the PLD Consolidated and Agent Plans.

	1% Decrease	Discount Rate	1% Increase
Discount rate	5.75%	6.75%	7.75%
City's net pension liability	\$ 310,160	\$ 2,933,691	\$ 5,819,575

Changes in Net Pension Liability

Changes in the net pension liability are recognized in pension expense for the year ended June 30, 2018 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2018, this was 4 years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2018 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (800) 451-9800.

NOTE 15 - DEFINED CONTRIBUTION PLAN

Plan Description

The City offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401. All eligible employees hired subsequent to July 1, 1996 may only enroll in the 401 plan. Employees who were enrolled in the MainePERS plan as of July 1, 1996, also have the option of changing to the 401 plan. The plan was established as a money purchase pension plan and trust to be known as the Money Purchase Pension Plan and Trust. The plan is administered by ICMA Retirement Corporation.

Funding Policy

Plan provisions and contribution requirements are established and may be amended by the City Council. Under the 401 plan, the City is required to contribute 6.0% of a participant's earnings for the plan year. Participating police and fire personnel

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 15 - DEFINED CONTRIBUTION PLAN (CONTINUED)

received contributions of 8.0% of their earnings for the plan year. The City Manager and Deputy City Manager received contributions of 8.0% of their earnings for the plan year. For the year ended December 31, 2018, the City recognized pension expense of \$260,818.

Employees become fully vested in City contributions and earnings on City contributions after completion of 48 months of creditable service with the City. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended December 31, 2018, forfeitures reduced the City's pension expense by \$17,308.

NOTE 16 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits the employee to defer a portion of salary until future years. There is an employer match by the City of 1%. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the City's management that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

City employees contribute to the Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan of the Maine Public Employees Retirement System (MainePERS)), a cost-sharing multiple-employer defined benefit plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District Consolidated Plan's advisory group, which

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount, or \$2,500.

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period. The City's contribution to the Plan for the year ended December 31, 2018 was \$4,004.

Proportionate Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the City reported a liability of \$118,677 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2017, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liabilities were based on a projection of the City's long-term share of contributions to the Plan relative to the projected contributions of all

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

PLDs, actuarially determined. At June 30, 2017, the City's proportion was 0.709724%, which was a decrease of 0.03627% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized net OPEB revenue of \$4,436. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PLD Life Insurance	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	33,069
Net difference between projected and actual earnings on pension plan investments	-	5,682
Changes in proportion and differences between contributions and proportionate share of contributions	-	6,835
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 45,586</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	PLD Life Insurance
Plan year ended June 30:	
2018	\$ (9,401)
2019	(9,401)
2020	(9,401)
2021	(9,401)
2022	(7,981)
Thereafter	-

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

CITY OF PRESQUE ISLE, MAINE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Amortization

The net OPEB liability of the Plan is amortized on a level percentage of payroll over a thirty-year period on a closed basis. As of June 30, 2017, there were 13 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum, compounded annually.

Inflation Rate - 2.75%

Annual Salary Increases including Inflation - For the PLD Plan, 2.75% to 9.00% per year.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Mortality Rates - For active members and non-disabled retirees of the Plan, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used. These tables are adjusted by percentages ranging from 104% to 120% based on actuarially determined demographic differences.

Participation Rate for Future Retirees - 100% of those currently enrolled.

Conversion Charges - Apply to the cost of active group life insurance, not retiree group life insurance.

Form of Benefit Payment - Lump sum

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.00%	6.00%
Real estate	5.00%	5.20%
Traditional credit	15.00%	3.00%
US Government securities	10.00%	2.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the collective total OPEB liability was 5.41% for 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

The following table shows how the collective net OPEB liability/(asset) as of June 30, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 5.41% for the PLD Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Life Insurance: Discount rate	4.13%	5.13%	6.13%
City's proportionate share of the net OPEB benefits liability	\$ 159,272	\$ 118,677	\$ 86,629

Changes in Net OPEB Liability

Each employer's share of the collective net OPEB liability is equal to the collective net OPEB liability multiplied by the employer's proportionate share as of June 30, 2017 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2017 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no differences between expected and actual experience as of June 30, 2017.

Differences between Projected and Actual Investment Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period for the PLD Plan was six years for 2017. For the fiscal year ended June 30, 2017, there were no changes in assumptions with the exception of the use of a blended discount rate for the PLD Plan. Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions Plans*, requires the use of a blended discount rate for determining the total OPEB liability when it is projected that plan assets are not sufficient to meet benefit obligations in the future. In years where assets are projected to be sufficient to pay benefits, the Plan's assumed rate of return is used; in years where assets are not projected to be sufficient to pay benefits, the use of a municipal bond rate is required. The result is a single blended discount rate.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2017.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2018 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The City and City retirees contribute to the City's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the City and/or the City retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the City concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

Employees Covered by Benefit Terms

At January 1, 2018, the following employees were covered by the benefit terms:

Active members	85
Retirees and spouses	<u>20</u>
Total	<u><u>105</u></u>

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
PPO 1000	\$771.23	\$1,729.46
<u>Medicare</u>		
Medicare-Eligible Retirees	\$517.14	\$1,034.28

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported a liability of \$1,644,976 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2018 and was determined by an actuarial valuation as of that date. The City's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2018, the City recognized OPEB revenue of \$14,532. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 119,393
Changes of assumptions	-	67,602
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 186,995</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MMEHT
Plan year ended December 31:	
2019	\$ (31,166)
2020	(31,166)
2021	(31,166)
2022	(31,166)
2023	(31,166)
Thereafter	(31,165)

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of January 1, 2018. The discount rate determination is based on the high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.44% per annum for December 31, 2018 was based upon a measurement date of December 31, 2017. The sensitivity of net OPEB liability to changes in discount rate are as follows:

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	2.44%	3.44%	4.44%
Total OPEB liability	\$ 1,887,677	\$ 1,644,976	\$ 1,448,146
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 1,887,677</u>	<u>\$ 1,644,976</u>	<u>\$ 1,448,146</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 1,519,264	\$ 1,644,976	\$ 1,801,597
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 1,519,264</u>	<u>\$ 1,644,976</u>	<u>\$ 1,801,597</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2016, using the following methods and assumptions applied to all periods included in the measurement:

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2017. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Assumptions

The actuarial assumptions used in the January 1, 2018 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 3.44% per annum.

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

Administrative and claims expense - 3% per annum.

Medical and drug trends were blended to develop non-Medicare and Medicare trends based on experience weight as listed below.

FYE	Non-Medicare		Medicare		Non-Medicare	Medicare
	Medical	Drug	Medical	Drug	Blended	Blended
2018	8.20%	9.60%	4.93%	9.60%	8.46%	8.27%
2019	7.90%	9.20%	4.87%	9.20%	8.15%	8.00%
2020	7.60%	8.80%	4.80%	8.80%	7.83%	7.72%
2021	7.30%	8.40%	4.73%	8.40%	7.51%	7.44%
2022	7.00%	8.00%	4.67%	8.00%	7.20%	7.15%
2023	6.70%	7.60%	4.60%	7.60%	6.88%	6.85%
2024	6.40%	7.20%	4.53%	7.20%	6.56%	6.55%
2025	6.10%	6.80%	4.47%	6.80%	6.24%	6.24%
2026	5.80%	6.40%	4.40%	6.40%	5.92%	5.93%
2027	5.50%	6.00%	4.33%	6.00%	5.60%	5.61%
2028	5.20%	5.60%	4.27%	5.60%	5.28%	5.29%
2029	4.90%	5.20%	4.20%	5.20%	4.96%	4.97%
2030	4.60%	4.80%	4.13%	4.80%	4.64%	4.65%
2031	4.30%	4.40%	4.07%	4.40%	4.32%	4.33%
2032	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Age	Tier 1 (Those hired before 7/1/14)		Tier 2 (Those hired on or after 7/1/14)	
	No Additional Employer Payment	With Additional Employer Payment	No Additional Employer Payment	With Additional Employer Payment
55	5%	5%	5%	5.5%
56	5%	5%	5%	5.5%
57	5%	5%	5%	5.5%
58	5%	5%	5%	5.5%
59	20%	20%	5%	5.5%
60	20%	25%	5%	5.5%
61	20%	25%	5%	5.5%
62	20%	25%	5%	5.5%
63	20%	25%	5%	5.5%
64	20%	25%	20%	25%
65	25%	45%	20%	40%
66	25%	30%	20%	25%
67	25%	30%	20%	25%
68	25%	30%	20%	25%
69	25%	30%	20%	25%
70	100%	100%	100%	100%

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Rates of Turnover - Termination rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Years of Service	Revised
0	25.0%
1	20.0%
2	15.0%
3	12.0%
4	10.0%
5	9.0%
6	6.0%
7+	4.0%

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC _2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Participation Rates -

Age	No Additional Employer Payment	With Additional Employer Payment
55	5%	80%
56	8%	80%
57	11%	80%
58	14%	80%
59	17%	80%
60	20%	80%
61	22%	90%
62	24%	90%
63	26%	90%
64	29%	90%
65	32%	90%
66	34%	90%
67	36%	90%
68	38%	90%
69	40%	90%
70	50%	90%

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected.

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Significant actuarial assumptions employed by the actuary for Claim and Expense Assumptions as of January 1, 2018 are as follows

Monthly Per Capita Claims and Expense Cost - For all medical and prescription drug benefits for the year 2018 is expressed per adult covered beneficiary.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	POS A				POS 200			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$311	\$565	\$99	\$122	\$296	\$538	\$95	\$118
45	\$411	\$585	\$128	\$146	\$391	\$557	\$123	\$141
50	\$539	\$674	\$163	\$173	\$513	\$641	\$157	\$166
55	\$694	\$824	\$203	\$202	\$660	\$784	\$195	\$195
60	\$878	\$971	\$248	\$234	\$835	\$923	\$239	\$226
64	\$1,045	\$986	\$288	\$262	\$993	\$938	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	POS C				PPO 500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$306	\$556	\$99	\$122	\$289	\$524	\$95	\$118
45	\$404	\$575	\$128	\$146	\$381	\$542	\$123	\$141
50	\$530	\$662	\$163	\$173	\$499	\$624	\$157	\$166
55	\$683	\$811	\$203	\$202	\$643	\$764	\$195	\$195
60	\$863	\$955	\$248	\$234	\$813	\$899	\$239	\$226
64	\$1,027	\$969	\$288	\$262	\$968	\$913	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	PPO 1000				PPO 1500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$281	\$510	\$95	\$118	\$273	\$495	\$95	\$118
45	\$371	\$528	\$123	\$141	\$360	\$512	\$123	\$141
50	\$486	\$608	\$157	\$166	\$472	\$589	\$157	\$166
55	\$627	\$744	\$195	\$195	\$608	\$722	\$195	\$195
60	\$792	\$876	\$239	\$226	\$768	\$850	\$239	\$226
64	\$943	\$890	\$278	\$253	\$914	\$863	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	PPO 2500 Medical		Rx	
	Male	Female	Male	Female
40	\$261	\$474	\$95	\$118
45	\$345	\$491	\$123	\$141
50	\$452	\$565	\$157	\$166
55	\$583	\$692	\$195	\$195
60	\$737	\$815	\$239	\$226
64	\$877	\$828	\$278	\$253
65	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432

Claims reflect all medical and prescription plans offered based on completed incurred experience through June 30, 2017 and projected to 2018 and associate enrollment in the various programs options offered.

Annual administrative and claims adjudication expenses are assumed to be \$430 per period for the year 2018.

Claims below age 65 have been loaded 4.3% for medical and 2.8% for drugs for the cost of children enrolled as dependent of eligible retirees. This figure is based on the expected cost for children of the current retirees. This assumption implicitly assumes that future retirees will have the same child distribution as current retirees.

No covered persons under 65 are assumed to be on Medicare and participants age 65 or older are assumed to be enrolled in Medicare.

Affordable Care Act (ACA) and Healthcare Marketplace - A 2.5% load has been built in to reflect the potential impact of changes from the ACA and its impact on the marketplace and program costs. Some key items are PCORI fees, the extra government subsidies for Medicare Part D that can be enrolled in through an Employer Group Waiver Program, minimum loss ratio requirements that impacted some fully insured programs, federal premium taxes, taxes and requirements on providers in the healthcare system, dynamics of the marketplace with Exchanges, Accountable Care Organizations, etc. and the potential impact of the Excise Tax associated with high-costs employer sponsored health plans.

Medical Plan Election - employees will continue in their current medical plan for their entire career.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Second-to-Die Spousal Life Insurance - not explicitly valued and was estimated to impact roughly 0.2% of the Plan's total liability.

Dependent Children - no liability assumed for dependent children's benefits.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2018 was \$5,402.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at City Hall at 12 Second Street, Presque Isle, Maine 04769.

NOTE 18 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the City's financial position.

The City participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

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 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.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 20 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 21 - DEFICIT FUND BALANCES

At December 31, 2018, the City has the following funds with deficit fund balances:

Major funds:	
Airport	\$ 68,692
Subtotal major funds	<u>68,692</u>
Nonmajor funds:	
Planning and development grants	6,005
Retirement pay	12,294
Riverside playground	106,662
Airport T hanger	34,448
Airport project 48	58,260
Airport project 50	1,252,807
Airport project 43	66,512
Subtotal nonmajor funds	<u>1,536,988</u>
Total	<u>\$ 1,605,680</u>

NOTE 22 - RESTATEMENT

The net position of the governmental activities has been restated at January 1, 2018 to account for the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an amendment of GASB Statement No. 45, as amended (issued 06/04), and GASB Statement No. 57 (issued 12/09). The beginning net position was restated by (\$889,138).

The beginning net position was also restated to correct the beginning balance of accumulated depreciation for infrastructure. Accumulated depreciation was reduced by \$3,687,962 which increased net position by the same amount.

CITY OF PRESQUE ISLE, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 22 - RESTATEMENT (CONTINUED)

The general fund and several of the other major and nonmajor funds have been reclassified to move those funds from the general fund to separate funds. As a part of these reclassifications, the total beginning fund balances of the governmental funds were increased by \$374,140.

As a result of these restatements, beginning net position of the governmental activities was restated by \$3,172,964 from \$59,213,456 to \$62,386,420.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Contributions - Pension
- Schedule of Investment Returns
- Schedule of Funding Progress
- Schedule of Proportionate Share of the OPEB Liability - Group Life
- Schedule of Changes in Net OPEB Liability - Health Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - Health Plan
- Schedule of Contributions - OPEB - Group Life and Health
- Notes to Required Supplementary Information

CITY OF PRESQUE ISLE, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, January 1, Restated	\$ 2,712,275	\$ 2,712,275	\$ 2,712,275	\$ -
Resources (Inflows):				
General tax revenue - municipal and education	15,240,360	15,240,360	15,145,759	(94,601)
Intergovernmental revenue	1,926,003	1,926,003	1,938,437	12,434
Charges for services	2,159,547	2,159,547	1,919,836	(239,711)
Investment income	35,000	35,000	38,936	3,936
Other revenue	270,935	270,935	256,543	(14,392)
Amounts Available for Appropriation	<u>22,344,120</u>	<u>22,344,120</u>	<u>22,011,786</u>	<u>(332,334)</u>
Charges to Appropriations (Outflows):				
General government	3,611,611	3,611,611	3,574,497	37,114
Public safety	2,787,277	2,787,277	2,705,421	81,856
Solid waste	146,500	146,500	146,500	-
Public works	2,354,151	2,354,151	2,343,963	10,188
Recreation and culture	1,344,349	1,344,349	1,337,847	6,502
Debt service	938,633	938,633	911,443	27,190
Education	6,236,019	6,236,019	6,236,004	15
County Tax	730,680	730,680	730,680	-
Outside services	56,500	56,500	56,500	-
Unclassified	418,914	418,914	433,178	(14,264)
Transfers to other funds	1,007,211	1,007,211	1,007,211	-
Total Charges to Appropriations	<u>19,631,845</u>	<u>19,631,845</u>	<u>19,483,244</u>	<u>148,601</u>
Budgetary Fund Balance, December 31	<u>\$ 2,712,275</u>	<u>\$ 2,712,275</u>	<u>\$ 2,528,542</u>	<u>\$ (183,733)</u>

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

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 112,808	\$ 114,802	\$ 126,831	\$ 124,786	\$ 128,547
Interest	1,902,765	1,894,827	1,975,016	2,046,607	2,032,234
Difference between actual and expected experience	16,398	39,140	(158,217)	(1,240,226)	58,985
Changes of assumptions	249,097	-	(193,153)	416,189	-
Benefit payments	(1,939,768)	(1,923,149)	(1,939,722)	(1,943,291)	(1,889,865)
Net change in total pension liability	<u>341,300</u>	<u>125,620</u>	<u>(189,245)</u>	<u>(595,935)</u>	<u>329,901</u>
Total pension liability - beginning	<u>28,517,537</u>	<u>28,391,917</u>	<u>28,581,162</u>	<u>29,177,097</u>	<u>28,847,196</u>
Total pension liability - ending (a)	<u>\$ 28,858,837</u>	<u>\$ 28,517,537</u>	<u>\$ 28,391,917</u>	<u>\$ 28,581,162</u>	<u>\$ 29,177,097</u>
Plan fiduciary net position					
Contributions - employer	\$ 515,907	\$ 533,271	\$ 651,488	\$ 697,879	\$ 507,333
Contributions - employee	59,158	65,008	69,399	76,352	70,439
Net investment income	2,428,578	2,891,957	81,119	457,533	3,748,995
Benefit payments	(1,939,768)	(1,923,149)	(1,939,722)	(1,943,291)	(1,889,865)
Other	(23,018)	(2,775)	(20,671)	(22,206)	(18,343)
Net change in plan fiduciary net position	<u>1,040,858</u>	<u>1,564,312</u>	<u>(1,158,387)</u>	<u>(733,733)</u>	<u>2,418,559</u>
Plan fiduciary net position - beginning	<u>24,884,289</u>	<u>23,319,979</u>	<u>24,478,366</u>	<u>25,212,099</u>	<u>22,793,540</u>
Plan fiduciary net position - ending (b)	<u>\$ 25,925,147</u>	<u>\$ 24,884,291</u>	<u>\$ 23,319,979</u>	<u>\$ 24,478,366</u>	<u>\$ 25,212,099</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,933,691</u>	<u>\$ 3,633,246</u>	<u>\$ 5,071,938</u>	<u>\$ 4,102,796</u>	<u>\$ 3,964,998</u>
Plan fiduciary net position as a percentage of the total pension liability	89.83%	87.26%	82.14%	85.65%	86.41%
Covered-employee payroll	\$ 861,629	\$ 923,352	\$ 962,341	\$ 952,531	N/A
Net pension liability as a percentage of its covered-employee payroll	340.48%	393.48%	527.04%	430.73%	N/A

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

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

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 577,066	\$ 559,300	\$ 628,253	\$ 736,961	\$ 534,465
Contributions in relation to the actuarially determined contribution	(577,066)	(559,300)	(628,253)	(736,961)	(534,465)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 855,996	\$ 861,629	\$ 923,352	\$ 962,341	\$ 952,531
Contributions as a percentage of covered-employee payroll	67.41%	64.91%	68.04%	76.58%	56.11%

Notes to schedule:

Valuation date:	June 30, 2018
Actuarial cost method - retirement benefits:	Entry age normal.
Actuarial cost method - ancillary benefits:	Term cost method.
Asset-valuation method:	Market value of assets as of the measurement date.

Actuarial assumptions

Annual investment rate of return:	6.75%
Annual rate of salary increase:	2.75%
Annual cost of living increase (if adopted):	2.20%
Expense allowance:	None.

Retirement age:	Age 60 for employees in regular plans; earliest age eligible for unreduced benefits for employees in special plans.
Probabilities of employment termination due to:	

<u>Age</u>	<u>Death</u>	<u>Disability*</u>	<u>Quit</u>
25	0.0003	0.0006	0.07
30	0.0003	0.0008	0.06
35	0.0004	0.0011	0.05
40	0.0005	0.0016	0.04
45	0.0008	0.0029	0.03
50	0.0034	0.0053	0.02
55	0.0047	0.0085	0.01

* Disabilities are assumed to be 100% service-connected for Fire and Police and 100% non-service connected for regular groups.

Family composition:	100% married, spouses are same age, two children receive benefits for an average of five year apiece. 104% male and 120% female of the RP-2014 total dataset mortality. Projected generationally using RPEC_2015 model with ultimate rate of 0.85% at 2020
Post-retirement mortality:	

* The amounts presented for each fiscal year are for those years for which information is available.

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

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	6.750%	12.00%	0.35%	7.13%

* The amounts presented for each fiscal year were determined as of June 30, 2018, and are for those years for which information is available.

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

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE OPEB LIABILITY - GROUP LIFE
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>
<u>PLD Life Insurance:</u>		
Proportion of the net OPEB liability	0.71%	0.75%
City's proportionate share of the net OPEB liability	\$ 118,677	\$ 168,699
State's proportionate share of the net OPEB liability associated with the District	-	-
Total	<u>\$ 118,677</u>	<u>\$ 168,699</u>
Covered-employee payroll	\$ 861,629	\$ 923,352
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	13.77%	18.27%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - HEALTH PLAN
LAST 10 FISCAL YEARS*

	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 1,846,503	\$ -	\$ 1,846,503
Changes for the year:			
Service cost	40,921	-	40,921
Interest	69,587	-	69,587
Changes of benefits	-	-	-
Differences between expected and actual experience	(139,292)	-	(139,292)
Changes of assumptions	(78,869)	-	(78,869)
Contributions - employer	-	93,874	(93,874)
Contributions - member	-	-	-
Projected earnings on investments	-	-	-
Net investment (gain) / loss	-	-	-
Benefit payments	(93,874)	(93,874)	-
Administrative expense	-	-	-
Net changes	(201,527)	-	(201,527)
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 1,644,976</u>	<u>\$ -</u>	<u>\$ 1,644,976</u>

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

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS - HEALTH PLAN
LAST 10 FISCAL YEARS*

	<u>2018</u>
<u>Total OPEB liability</u>	
Service cost (BOY)	40,921
Interest (includes interest on service cost)	69,587
Changes of benefit terms	-
Differences between expected and actual experience	(139,292)
Changes of assumptions	(78,869)
Benefit payments, including refunds of member contributions	(93,874)
Net change in total OPEB liability	<u>\$ (201,527)</u>
Total OPEB liability - beginning	\$ 1,846,503
Total OPEB liability - ending	\$ 1,644,976
<u>Plan fiduciary net position</u>	
Contributions - employer	93,874
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(93,874)
Administrative expense	-
Net change in fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	<u><u>\$ -</u></u>
Net OPEB liability - ending	<u><u>\$ 1,644,976</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	\$ 3,702,398
Net OPEB liability as a percentage of covered payroll	44.4%

* The amounts presented for each fiscal year are for those years for which information is available.

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

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB - GROUP LIFE AND HEALTH
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>
<u>PLD Life Insurance:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 855,996	\$ 861,629
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

	<u>2018</u>
<u>MMEHT:</u>	
Employer contributions	\$ -
Benefit payments	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 3,702,398
Contributions as a percentage of covered-employee payroll	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

CITY OF PRESQUE ISLE, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

Changes of Assumptions

Maine Municipal Health Trust:

The funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

CITY OF PRESQUE ISLE, MAINE

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUDGET AND ACTUAL - GENERAL FUND REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues:				
Property taxes	\$ 13,482,860	\$ 13,482,860	\$ 13,352,358	\$ (130,502)
Excise tax	1,657,500	1,657,500	1,720,146	62,646
Interest and penalties	100,000	100,000	73,255	(26,745)
Intergovernmental revenues:				
General assistance	26,775	26,775	18,979	(7,796)
State parks reimbursement	3,500	3,500	6,497	2,997
Chapman fire reimbursment	25,190	25,190	25,191	1
Veterans reimbursement	9,750	9,750	9,850	100
Tree growth	1,850	1,850	4,539	2,689
State revenue sharing	780,000	780,000	791,773	11,773
Homestead reimbursement	626,666	626,666	626,666	-
BETE reimbursement	380,272	380,272	380,272	-
Police dept. grant	72,000	72,000	74,670	2,670
Charges for services:				
Administrative services	44,000	44,000	43,038	(962)
Code enforcement	170,000	170,000	160,524	(9,476)
ARFF	50,000	50,000	48,241	(1,759)
EMS Co-op with TAMC	807,150	807,150	490,742	(316,408)
Police dept.	2,000	2,000	594	(1,406)
Recreation and parks:				
Program income	50,000	50,000	42,035	(7,965)
Indoor pool income	48,500	48,500	54,466	5,966
Forum income	240,200	240,200	272,801	32,601
Rental income	20,000	20,000	18,604	(1,396)
PIIC rentals	493,571	493,571	535,500	41,929
Echo Lake sewer	5,544	5,544	5,351	(193)
Airport admin fee	30,000	30,000	30,000	-
City clerk	42,200	42,200	33,189	(9,011)
Cable franchise fee	55,000	55,000	56,956	1,956
Bon Aire housing parcel	46,000	46,000	46,994	994
PI Housing authority	41,000	41,000	66,296	25,296
P.I.L.O.T. income	14,382	14,382	14,505	123
Investment income	35,000	35,000	38,936	3,936
Other income				
Finance miscellaneous	6,000	6,000	4,287	(1,713)
Fire dept. miscellaneous	9,500	9,500	12,448	2,948
General government miscellaneous	37,000	37,000	36,775	(225)
Library miscellaneous	19,000	19,000	16,861	(2,139)
Police dept. miscellaneous	120,485	120,485	75,068	(45,417)
Public works miscellaneous	15,000	15,000	36,734	21,734
Recreation and parks miscellaneous	1,000	1,000	335	(665)
Employee benefits miscellaneous	24,800	24,800	39,364	14,564
Insurance	1,000	1,000	1,035	35
City clerk	2,000	2,000	991	(1,009)
Sales of tax acquired property	8,150	8,150	30,112	21,962
Other	27,000	27,000	2,533	(24,467)
Total revenues	\$ 19,631,845	\$ 19,631,845	\$ 19,299,511	\$ (332,334)

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

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General government					
General government	\$ 282,988	\$ -	\$ 282,988	\$ 281,168	\$ 1,820
Employee benefits	1,994,644	-	1,994,644	1,973,798	20,846
Finance	321,061	-	321,061	317,693	3,368
City clerk	61,103	-	61,103	59,142	1,961
Resource management	73,819	-	73,819	68,917	4,902
PIIC appropriation	380,695	-	380,695	380,695	-
Insurances	142,995	-	142,995	142,206	789
Assessing	140,731	-	140,731	139,521	1,210
Planning and development	147,937	-	147,937	145,032	2,905
Information technology	65,638	-	65,638	66,325	(687)
	<u>3,611,611</u>	<u>-</u>	<u>3,611,611</u>	<u>3,574,497</u>	<u>37,114</u>
Public safety					
Fire department	1,259,305	-	1,259,305	1,181,252	78,053
Public safety building	312,395	-	312,395	320,055	(7,660)
Police department	1,215,577	-	1,215,577	1,204,114	11,463
	<u>2,787,277</u>	<u>-</u>	<u>2,787,277</u>	<u>2,705,421</u>	<u>81,856</u>
Solid waste					
City	141,411	-	141,411	141,411	-
Echo Lake	5,089	-	5,089	5,089	-
	<u>146,500</u>	<u>-</u>	<u>146,500</u>	<u>146,500</u>	<u>-</u>
Public works					
Highway department	1,748,848	-	1,748,848	1,734,148	14,700
Street lights	172,246	-	172,246	176,758	(4,512)
Hydrant rental	433,057	-	433,057	433,057	-
	<u>2,354,151</u>	<u>-</u>	<u>2,354,151</u>	<u>2,343,963</u>	<u>10,188</u>

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Recreation and culture					
Parks and recreation	971,003	-	971,003	973,284	(2,281)
Library	373,346	-	373,346	364,563	8,783
	<u>1,344,349</u>	<u>-</u>	<u>1,344,349</u>	<u>1,337,847</u>	<u>6,502</u>
Debt service					
Interest on TAN	10,000	-	10,000	-	10,000
Debt payments	928,633	-	928,633	911,443	17,190
	<u>938,633</u>	<u>-</u>	<u>938,633</u>	<u>911,443</u>	<u>27,190</u>
Outside services					
Chamber of Commerce	22,500	-	22,500	22,500	-
Aroostook Area Agency - Aging	4,050	-	4,050	4,050	-
Central Aroostook Soil and Water	1,050	-	1,050	1,050	-
Quoggy Joe Ski Club	6,400	-	6,400	6,400	-
Presque Isle Snowmobile Club	2,300	-	2,300	2,300	-
Veterans cemetery	200	-	200	200	-
Wintergreen Arts	20,000	-	20,000	20,000	-
	<u>56,500</u>	<u>-</u>	<u>56,500</u>	<u>56,500</u>	<u>-</u>
Education	<u>6,236,019</u>	<u>-</u>	<u>6,236,019</u>	<u>6,236,004</u>	<u>15</u>
County Tax	<u>730,680</u>	<u>-</u>	<u>730,680</u>	<u>730,680</u>	<u>-</u>

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified					
Service center coalition	1,200	-	1,200	1,121	79
State Street dam utilities	180	-	180	181	(1)
Maine Municipal dues	11,000	-	11,000	10,545	455
Cemeteries	4,250	-	4,250	3,541	709
Annual reports	500	-	500	535	(35)
Legal services	16,000	-	16,000	49,352	(33,352)
Contingent	150,000	-	150,000	151,716	(1,716)
Northern ME Development Commission	17,808	-	17,808	17,808	-
Fair Association lease	3,000	-	3,000	3,000	-
C A Humane Society	16,170	-	16,170	16,170	-
Sister O'Donnell shelter	14,538	-	14,538	14,538	-
Retirement payout	28,794	-	28,794	28,794	-
Downtown revitalization committee	18,000	-	18,000	17,968	32
Cunningham taxes	15,000	-	15,000	14,451	549
Tax acquired property costs	-	-	-	8,000	(8,000)
General assistance	39,250	-	39,250	25,802	13,448
Miscellaneous	15,600	-	15,600	510	15,090
Overlay	67,624	-	67,624	69,146	(1,522)
	<u>418,914</u>	<u>-</u>	<u>418,914</u>	<u>433,178</u>	<u>(14,264)</u>

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Transfers					
Police department	65,000	-	65,000	65,000	-
Fire department	137,000	-	137,000	137,000	-
Recreation and parks	85,000	-	85,000	85,000	-
City Hall	26,000	-	26,000	26,000	-
Public works	348,050	-	348,050	348,050	-
Emergency reserve	91,550	-	91,550	91,550	-
Library	5,000	-	5,000	5,000	-
RLF Building	17,000	-	17,000	17,000	-
PIIC	110,000	-	110,000	110,000	-
BLD hospitality TIF	115,111	-	115,111	115,111	-
Echo Lake	7,500	-	7,500	7,500	-
	<u>1,007,211</u>	<u>-</u>	<u>1,007,211</u>	<u>1,007,211</u>	<u>-</u>
Total Departmental Operations	<u>\$ 19,631,845</u>	<u>\$ -</u>	<u>\$ 19,631,845</u>	<u>\$ 19,483,244</u>	<u>\$ 148,601</u>

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

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 54,828	\$ 54,828
Investments	-	-	609,319	609,319
Due from other funds	1,779,441	2,574,095	-	4,353,536
TOTAL ASSETS	<u>\$ 1,779,441</u>	<u>\$ 2,574,095</u>	<u>\$ 664,147</u>	<u>\$ 5,017,683</u>
LIABILITIES				
Due to other funds	\$ 124,961	\$ 1,412,027	\$ -	\$ 1,536,988
TOTAL LIABILITIES	<u>124,961</u>	<u>1,412,027</u>	<u>-</u>	<u>1,536,988</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	1,527,761	16,842	664,147	2,208,750
Committed	251,680	2,557,253	-	2,808,933
Assigned	-	-	-	-
Unassigned	(124,961)	(1,412,027)	-	(1,536,988)
TOTAL FUND BALANCES	<u>1,654,480</u>	<u>1,162,068</u>	<u>664,147</u>	<u>3,480,695</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,779,441</u>	<u>\$ 2,574,095</u>	<u>\$ 664,147</u>	<u>\$ 5,017,683</u>

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

SCHEDULE D

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 439,285	\$ 1,324,417	\$ -	\$ 1,763,702
Interest income	4,934	8,500	12,973	26,407
Investment income, net of unrealized gains/(losses)	-	-	(94,510)	(94,510)
Other income	999,974	729,525	42,372	1,771,871
TOTAL REVENUES	<u>1,444,193</u>	<u>2,062,442</u>	<u>(39,165)</u>	<u>3,467,470</u>
EXPENDITURES				
General government	110,123	409,504	66,750	586,377
Public safety	86,502	40,954	-	127,456
Public works	1,977	340,662	-	342,639
Recreation and culture	16,829	82,520	-	99,349
Airport	7,601	299,069	-	306,670
Capital outlay	1,285,244	2,183,342	-	3,468,586
TOTAL EXPENDITURES	<u>1,508,276</u>	<u>3,356,051</u>	<u>66,750</u>	<u>4,931,077</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(64,083)</u>	<u>(1,293,609)</u>	<u>(105,915)</u>	<u>(1,463,607)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	132,111	783,550	-	915,661
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>132,111</u>	<u>783,550</u>	<u>-</u>	<u>915,661</u>
NET CHANGE IN FUND BALANCES	68,028	(510,059)	(105,915)	(547,946)
FUND BALANCES, JANUARY 1, RESTATED	<u>1,586,452</u>	<u>1,672,127</u>	<u>770,062</u>	<u>4,028,641</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,654,480</u>	<u>\$ 1,162,068</u>	<u>\$ 664,147</u>	<u>\$ 3,480,695</u>

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

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE E

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Restricted Reserve Funds					
	RLF Building Fund	CDBG Program	REDLP Loan Funds	Industrial Council Land Sales	Intermodal Rail Yard	Police Grant Library Grants
ASSETS						
Due from other funds	\$ 605,162	\$ 7,869	\$ 104,535	\$ 172,389	\$ 19,846	\$ 4,886
TOTAL ASSETS	<u>\$ 605,162</u>	<u>\$ 7,869</u>	<u>\$ 104,535</u>	<u>\$ 172,389</u>	<u>\$ 19,846</u>	<u>\$ 4,886</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	605,162	7,869	104,535	-	-	4,886
Committed	-	-	-	172,389	19,846	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>605,162</u>	<u>7,869</u>	<u>104,535</u>	<u>172,389</u>	<u>19,846</u>	<u>4,886</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 605,162</u>	<u>\$ 7,869</u>	<u>\$ 104,535</u>	<u>\$ 172,389</u>	<u>\$ 19,846</u>	<u>\$ 4,886</u>

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Restricted Reserve Funds					
	Fire Department Grants	Airport PFC	Planning and Development Grants	Grant Matching Funds	Economic Development Fund	BLD Hospitality TIF Funds
ASSETS						
Due from other funds	\$ 7,594	\$ 9,092	\$ -	\$ 206,534	\$ 144,826	\$ 432,872
TOTAL ASSETS	<u>\$ 7,594</u>	<u>\$ 9,092</u>	<u>\$ -</u>	<u>\$ 206,534</u>	<u>\$ 144,826</u>	<u>\$ 432,872</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 6,005	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>6,005</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	7,594	9,092	-	206,534	144,826	432,872
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	(6,005)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>7,594</u>	<u>9,092</u>	<u>(6,005)</u>	<u>206,534</u>	<u>144,826</u>	<u>432,872</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 7,594</u>	<u>\$ 9,092</u>	<u>\$ -</u>	<u>\$ 206,534</u>	<u>\$ 144,826</u>	<u>\$ 432,872</u>

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Other Special Revenues						
	Recreation Programs	Cost Recovery	Softball	Downing Park	Bloodhound	Police Unclaimed	Outside Grants
ASSETS							
Due from other funds	\$ 22,469	\$ 855	\$ 1,851	\$ 1,940	\$ 441	\$ 1,641	\$ 977
TOTAL ASSETS	<u>\$ 22,469</u>	<u>\$ 855</u>	<u>\$ 1,851</u>	<u>\$ 1,940</u>	<u>\$ 441</u>	<u>\$ 1,641</u>	<u>\$ 977</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	977
Committed	22,469	855	1,851	1,940	441	1,641	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>22,469</u>	<u>855</u>	<u>1,851</u>	<u>1,940</u>	<u>441</u>	<u>1,641</u>	<u>977</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 22,469</u>	<u>\$ 855</u>	<u>\$ 1,851</u>	<u>\$ 1,940</u>	<u>\$ 441</u>	<u>\$ 1,641</u>	<u>\$ 977</u>

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Other Special Revenues						
	Wellness Grant	Retirement Pay	Book Memorials	Revitalization	Recreation Facility	BBQ Cook Off	Donated Fuel
ASSETS							
Due from other funds	\$ 209	\$ -	\$ 4,509	\$ 5,686	\$ -	\$ 2,410	\$ 3,570
TOTAL ASSETS	<u>\$ 209</u>	<u>\$ -</u>	<u>\$ 4,509</u>	<u>\$ 5,686</u>	<u>\$ -</u>	<u>\$ 2,410</u>	<u>\$ 3,570</u>
LIABILITIES							
Due to other funds	\$ -	\$ 12,294	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>12,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	209	-	-	-	-	-	-
Committed	-	-	4,509	5,686	-	2,410	3,570
Assigned	-	-	-	-	-	-	-
Unassigned	-	(12,294)	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>209</u>	<u>(12,294)</u>	<u>4,509</u>	<u>5,686</u>	<u>-</u>	<u>2,410</u>	<u>3,570</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 209</u>	<u>\$ -</u>	<u>\$ 4,509</u>	<u>\$ 5,686</u>	<u>\$ -</u>	<u>\$ 2,410</u>	<u>\$ 3,570</u>

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Other Special Revenues						Total
	Appraisals	Music in the Park	Movie Night	Military Surplus	Riverside Playground	Downtown Market	
ASSETS							
Due from other funds	\$ 11,450	\$ -	\$ 416	\$ 1,887	\$ -	\$ 320	\$ 1,779,441
TOTAL ASSETS	<u>\$ 11,450</u>	<u>\$ -</u>	<u>\$ 416</u>	<u>\$ 1,887</u>	<u>\$ -</u>	<u>\$ 320</u>	<u>\$ 1,779,441</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 106,662	\$ -	\$ 124,961
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,662</u>	<u>-</u>	<u>124,961</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	1,527,761
Committed	11,450	-	416	1,887	-	320	251,680
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(106,662)	-	(124,961)
TOTAL FUND BALANCES (DEFICITS)	<u>11,450</u>	<u>-</u>	<u>416</u>	<u>1,887</u>	<u>(106,662)</u>	<u>320</u>	<u>1,654,480</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 11,450</u>	<u>\$ -</u>	<u>\$ 416</u>	<u>\$ 1,887</u>	<u>\$ -</u>	<u>\$ 320</u>	<u>\$ 1,779,441</u>

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

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Restricted Reserve Funds					
	RLF Building Fund	CDBG Program	REDLP Loan Funds	Industrial Council Land Sales	Intermodal Rail Yard	Police Grant Library Grants
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,197
Interest income	4,250	-	-	684	-	-
Other income	416,430	-	-	60,000	14,945	2,000
TOTAL REVENUES	420,680	-	-	60,684	14,945	87,197
EXPENDITURES						
General government	1,419	-	611	-	-	-
Public safety	-	-	-	-	-	75,426
Public works	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	5,559
Airport	-	-	-	-	-	-
Capital outlay	358,749	-	-	106,103	-	-
TOTAL EXPENDITURES	360,168	-	611	106,103	-	75,426
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,512	-	(611)	(45,419)	14,945	11,771
OTHER FINANCING SOURCES (USES)						
Transfers in	17,000	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	17,000	-	-	-	-	-
NET CHANGE IN FUND BALANCES	77,512	-	(611)	(45,419)	14,945	11,771
FUND BALANCES (DEFICITS), JANUARY 1	527,650	7,869	105,146	217,808	4,901	(6,885)
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 605,162	\$ 7,869	\$ 104,535	\$ 172,389	\$ 19,846	\$ 4,886

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Restricted Reserve Funds					
	Fire Department Grants	Airport PFC	Planning & Development Grants	Grant Matching Funds	Economic Development Fund	BLD Hospitality TIF Funds
REVENUES						
Intergovernmental revenue	\$ 209,262	\$ -	\$ -	\$ -	\$ 144,826	\$ -
Interest income	-	-	-	-	-	-
Other income	-	27,632	12,204	31,761	-	-
TOTAL REVENUES	<u>209,262</u>	<u>27,632</u>	<u>12,204</u>	<u>31,761</u>	<u>144,826</u>	<u>-</u>
EXPENDITURES						
General government	-	-	2,103	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Airport	-	7,601	-	-	-	-
Capital outlay	209,262	177,230	-	12,204	-	-
TOTAL EXPENDITURES	<u>209,262</u>	<u>184,831</u>	<u>2,103</u>	<u>12,204</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(157,199)</u>	<u>10,101</u>	<u>19,557</u>	<u>144,826</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	115,111
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,111</u>
NET CHANGE IN FUND BALANCES	-	(157,199)	10,101	19,557	144,826	115,111
FUND BALANCES (DEFICITS), JANUARY 1	<u>7,594</u>	<u>166,291</u>	<u>(16,106)</u>	<u>186,977</u>	<u>-</u>	<u>317,761</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 7,594</u>	<u>\$ 9,092</u>	<u>\$ (6,005)</u>	<u>\$ 206,534</u>	<u>\$ 144,826</u>	<u>\$ 432,872</u>

SCHEDULE F (CONTINUED)

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Other Special Revenues						
	Recreation Programs	Cost Recovery	Softball	Downing Park	Bloodhound	Police Unclaimed	Outside Grants
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-	-	-
Other income	5,361	1,475	3,350	218	-	12,590	63,325
TOTAL REVENUES	5,361	1,475	3,350	218	-	12,590	63,325
EXPENDITURES							
General government	-	1,241	-	-	-	-	60,285
Public safety	-	-	-	-	127	10,949	-
Public works	-	-	-	-	-	-	-
Recreation and culture	3,143	-	2,614	-	-	-	-
Airport	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,143	1,241	2,614	-	127	10,949	60,285
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,218	234	736	218	(127)	1,641	3,040
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	2,218	234	736	218	(127)	1,641	3,040
FUND BALANCES (DEFICITS), JANUARY 1	20,251	621	1,115	1,722	568	-	(2,063)
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 22,469	\$ 855	\$ 1,851	\$ 1,940	\$ 441	\$ 1,641	\$ 977

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Other Special Revenues						
	Wellness Grant	Retirement Pay	Book Memorials	Revitalization	Recreation Facility	BBQ Cook Off	Donated Fuel
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-	-	-
Other income	639	28,794	3,541	6,060	-	2,540	-
TOTAL REVENUES	639	28,794	3,541	6,060	-	2,540	-
EXPENDITURES							
General government	1,160	37,294	-	4,172	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	2,262	130	-
Airport	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,160	37,294	-	4,172	2,262	130	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(521)	(8,500)	3,541	1,888	(2,262)	2,410	-
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(521)	(8,500)	3,541	1,888	(2,262)	2,410	-
FUND BALANCES (DEFICITS), JANUARY 1	730	(3,794)	968	3,798	2,262	-	3,570
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 209	\$ (12,294)	\$ 4,509	\$ 5,686	\$ -	\$ 2,410	\$ 3,570

SCHEDULE F (CONTINUED)

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Other Special Revenues						Total
	Appraisals	Music in the Park	Movie Night	Military Surplus	Riverside Playground	Downtown Market	
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,285
Interest income	-	-	-	-	-	-	4,934
Other income	-	-	-	-	302,759	350	999,974
TOTAL REVENUES	-	-	-	-	302,759	350	1,444,193
EXPENDITURES							
General government	-	-	-	-	-	1,838	110,123
Public safety	-	-	-	-	-	-	86,502
Public works	-	-	-	1,977	-	-	1,977
Recreation and culture	-	637	2,484	-	-	-	16,829
Airport	-	-	-	-	-	-	7,601
Capital outlay	-	-	-	-	421,696	-	1,285,244
TOTAL EXPENDITURES	-	637	2,484	1,977	421,696	1,838	1,508,276
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(637)	(2,484)	(1,977)	(118,937)	(1,488)	(64,083)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	132,111
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	132,111
NET CHANGE IN FUND BALANCES	-	(637)	(2,484)	(1,977)	(118,937)	(1,488)	68,028
FUND BALANCES (DEFICITS), JANUARY 1	11,450	637	2,900	3,864	12,275	1,808	1,586,452
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 11,450	\$ -	\$ 416	\$ 1,887	\$ (106,662)	\$ 320	\$ 1,654,480

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

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust fund.

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2018

	Reserve Funds					
	Police Department	Fire Department	Recreation & Parks	Library	City Hall	Public Works Airport
ASSETS						
Due from other funds	\$ 5,535	\$ 250,579	\$ 133,355	\$ 5,051	\$ 148,313	\$ 40,383 \$ 1,433
TOTAL ASSETS	<u>\$ 5,535</u>	<u>\$ 250,579</u>	<u>\$ 133,355</u>	<u>\$ 5,051</u>	<u>\$ 148,313</u>	<u>\$ 40,383</u> <u>\$ 1,433</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - \$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u> <u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	- -
Restricted	-	-	-	-	-	- -
Committed	5,535	250,579	133,355	5,051	148,313	40,383 1,433
Assigned	-	-	-	-	-	- -
Unassigned	-	-	-	-	-	- -
TOTAL FUND BALANCES (DEFICITS)	<u>5,535</u>	<u>250,579</u>	<u>133,355</u>	<u>5,051</u>	<u>148,313</u>	<u>40,383</u> <u>1,433</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 5,535</u>	<u>\$ 250,579</u>	<u>\$ 133,355</u>	<u>\$ 5,051</u>	<u>\$ 148,313</u>	<u>\$ 40,383</u> <u>\$ 1,433</u>

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2018

	Reserve Funds				Restricted Reserve Funds		
	PIIC	Echo Lake	FAA	Downtown Infrastructure	Septic Systems	Airport T Hanger	Airport Hanger
ASSETS							
Due from other funds	\$ 461,532	\$ 48,899	\$ 10,130	\$ 76,428	\$ 1,058	\$ -	\$ 16,476
TOTAL ASSETS	<u>\$ 461,532</u>	<u>\$ 48,899</u>	<u>\$ 10,130</u>	<u>\$ 76,428</u>	<u>\$ 1,058</u>	<u>\$ -</u>	<u>\$ 16,476</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,448	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,448</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	16,476
Committed	461,532	48,899	10,130	76,428	1,058	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(34,448)	-
TOTAL FUND BALANCES (DEFICITS)	<u>461,532</u>	<u>48,899</u>	<u>10,130</u>	<u>76,428</u>	<u>1,058</u>	<u>(34,448)</u>	<u>16,476</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 461,532</u>	<u>\$ 48,899</u>	<u>\$ 10,130</u>	<u>\$ 76,428</u>	<u>\$ 1,058</u>	<u>\$ -</u>	<u>\$ 16,476</u>

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2018

	Restricted Reserve Funds					
	Airport Project 43	Airport Project 45	Airport Project 46	Airport Project 47	Airport Project 48	Brownfields Grant Webber - Prop. Downtown Facades
ASSETS						
Due from other funds	\$ 366	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL ASSETS	<u>\$ 366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 58,260	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,260</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	366	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	(58,260)	-
TOTAL FUND BALANCES (DEFICITS)	<u>366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,260)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2018

	Restricted Reserve Funds						
	Airport Project 50	Airport Project 43	Community Center	Solid Waste Reserve	Street Overlay	Cunningham School	Total
ASSETS							
Due from other funds	\$ -	\$ -	\$ -	\$ 1,310,990	\$ 63,567	\$ -	\$ 2,574,095
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,310,990</u>	<u>\$ 63,567</u>	<u>\$ -</u>	<u>\$ 2,574,095</u>
LIABILITIES							
Due to other funds	\$ 1,252,807	\$ 66,512	\$ -	\$ -	\$ -	\$ -	\$ 1,412,027
TOTAL LIABILITIES	<u>1,252,807</u>	<u>66,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,412,027</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	16,842
Committed	-	-	-	1,310,990	63,567	-	2,557,253
Assigned	-	-	-	-	-	-	-
Unassigned	(1,252,807)	(66,512)	-	-	-	-	(1,412,027)
TOTAL FUND BALANCES (DEFICITS)	<u>(1,252,807)</u>	<u>(66,512)</u>	<u>-</u>	<u>1,310,990</u>	<u>63,567</u>	<u>-</u>	<u>1,162,068</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,310,990</u>	<u>\$ 63,567</u>	<u>\$ -</u>	<u>\$ 2,574,095</u>

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

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Reserve Funds					
	Police Department	Fire Department	Recreation & Parks	Library	City Hall	Public Works Airport
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,346
Interest income	-	-	-	-	-	-
Other income	-	1,160	26,032	-	-	-
TOTAL REVENUES	-	1,160	26,032	-	-	17,346
EXPENDITURES						
General government	-	-	-	-	1,285	-
Public safety	-	40,954	-	-	-	-
Public works	-	-	-	-	-	340,662
Recreation and culture	-	-	74,923	5,500	-	-
Airport	-	-	-	-	-	2,671
Capital outlay	63,388	-	-	-	37,637	159,043
TOTAL EXPENDITURES	63,388	40,954	74,923	5,500	38,922	161,714
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(63,388)	(39,794)	(48,891)	(5,500)	(38,922)	(144,368)
OTHER FINANCING SOURCES (USES)						
Transfers in	65,000	137,000	85,000	5,000	26,000	348,050
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	65,000	137,000	85,000	5,000	26,000	348,050
NET CHANGE IN FUND BALANCES	1,612	97,206	36,109	(500)	(12,922)	7,388
FUND BALANCES (DEFICITS), JANUARY 1, RESTATED	3,923	153,373	97,246	5,551	161,235	32,995
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 5,535	\$ 250,579	\$ 133,355	\$ 5,051	\$ 148,313	\$ 40,383
	\$ 1,433					

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Reserve Funds				Restricted Reserve Funds		
	PIIC	Echo Lake	FAA	Downtown Infrastructure	Septic Systems	Airport T Hanger	Airport Hanger
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,919	\$ -
Interest income	-	-	-	-	-	-	-
Other income	241,139	-	182,230	-	-	-	-
TOTAL REVENUES	<u>241,139</u>	<u>-</u>	<u>182,230</u>	<u>-</u>	<u>-</u>	<u>7,919</u>	<u>-</u>
EXPENDITURES							
General government	408,219	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Recreation and culture	-	2,097	-	-	-	-	-
Airport	-	-	177,230	-	-	17,229	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>408,219</u>	<u>2,097</u>	<u>177,230</u>	<u>-</u>	<u>-</u>	<u>17,229</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(167,080)</u>	<u>(2,097)</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(9,310)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	110,000	7,500	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>110,000</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(57,080)	5,403	5,000	-	-	(9,310)	-
FUND BALANCES (DEFICITS), JANUARY 1, RESTATED	<u>518,612</u>	<u>43,496</u>	<u>5,130</u>	<u>76,428</u>	<u>1,058</u>	<u>(25,138)</u>	<u>16,476</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 461,532</u>	<u>\$ 48,899</u>	<u>\$ 10,130</u>	<u>\$ 76,428</u>	<u>\$ 1,058</u>	<u>\$ (34,448)</u>	<u>\$ 16,476</u>

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Restricted Reserve Funds					
	Airport Project 43	Airport Project 45	Airport Project 46	Airport Project 47	Airport Project 48	Brownfields Grant Webber - Prop. Downtown Facades
REVENUES						
Intergovernmental revenue	\$ -	\$ 658,919	\$ 89,651	\$ 15,744	\$ 347,130	\$ -
Interest income	-	-	-	-	-	-
Other income	-	-	-	8,807	-	-
TOTAL REVENUES	-	658,919	89,651	24,551	347,130	-
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Program expenses	-	-	-	-	35,427	-
Capital outlay	-	-	-	-	369,963	-
TOTAL EXPENDITURES	-	-	-	-	405,390	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	658,919	89,651	24,551	(58,260)	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	658,919	89,651	24,551	(58,260)	-
FUND BALANCES (DEFICITS), JANUARY 1, RESTATED	366	(658,919)	(89,651)	(24,551)	-	-
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 366	\$ -	\$ -	\$ -	\$ (58,260)	\$ -

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Restricted Reserve Funds					
	Airport Project 50	Airport Project 49	Community Center	Solid Waste Reserve	Street Overlay	Cunningham School
						Total
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 187,708	\$ -
Interest income	-	-	-	8,500	-	-
Other income	-	-	-	120,586	149,571	-
TOTAL REVENUES	-	-	-	129,086	337,279	-
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Airport	-	66,512	-	-	-	-
Capital outlay	1,252,807	-	-	-	300,504	-
TOTAL EXPENDITURES	1,252,807	66,512	-	-	300,504	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,252,807)	(66,512)	-	129,086	36,775	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,252,807)	(66,512)	-	129,086	36,775	-
FUND BALANCES (DEFICITS), JANUARY 1, RESTATED	-	-	-	1,181,904	26,792	-
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ (1,252,807)</u>	<u>\$ (66,512)</u>	<u>\$ -</u>	<u>\$ 1,310,990</u>	<u>\$ 63,567</u>	<u>\$ -</u>

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

Permanent Funds

Permanent funds are used to account for assets held by the City of Presque Isle, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds have been established for the provision and/or maintenance of the cemeteries and various community organizations.

CITY OF PRESQUE ISLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
DECEMBER 31, 2018

	Cemetery Perpetual Care	School Lunch	Volunteer Fire Department	Bike and Walk Path Fund	Burlock Lavway Scholarship Fund	Total
ASSETS						
Cash and cash equivalents	\$ 48,944	\$ 537	\$ 2,927	\$ 2,420	\$ -	\$ 54,828
Investments	538,048	5,900	32,175	26,612	6,584	609,319
TOTAL ASSETS	<u>\$ 586,992</u>	<u>\$ 6,437</u>	<u>\$ 35,102</u>	<u>\$ 29,032</u>	<u>\$ 6,584</u>	<u>\$ 664,147</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable - principal	-	-	-	-	-	-
Restricted	586,992	6,437	35,102	29,032	6,584	664,147
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>586,992</u>	<u>6,437</u>	<u>35,102</u>	<u>29,032</u>	<u>6,584</u>	<u>664,147</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 586,992</u>	<u>\$ 6,437</u>	<u>\$ 35,102</u>	<u>\$ 29,032</u>	<u>\$ 6,584</u>	<u>\$ 664,147</u>

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

CITY OF PRESQUE ISLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Cemetery Perpetual Care	School Lunch	Volunteer Fire Department	Bike and Walk Path Fund	Burlock Lavway Scholarship Fund	Total
REVENUES						
Interest income	\$ 11,666	\$ 119	\$ 649	\$ 539	\$ -	\$ 12,973
Investment income, net of unrealized gains/(losses)	(84,702)	(895)	(4,878)	(4,035)	-	(94,510)
Other	38,061	393	2,142	1,776	-	42,372
TOTAL REVENUES	<u>(34,975)</u>	<u>(383)</u>	<u>(2,087)</u>	<u>(1,720)</u>	<u>-</u>	<u>(39,165)</u>
EXPENDITURES						
Fees	4,649	47	257	214	-	5,167
Other	60,869	-	-	218	496	61,583
TOTAL EXPENDITURES	<u>65,518</u>	<u>47</u>	<u>257</u>	<u>432</u>	<u>496</u>	<u>66,750</u>
NET CHANGE IN FUND BALANCES	(100,493)	(430)	(2,344)	(2,152)	(496)	(105,915)
FUND BALANCES, JANUARY 1	<u>687,485</u>	<u>6,867</u>	<u>37,446</u>	<u>31,184</u>	<u>7,080</u>	<u>770,062</u>
FUND BALANCES, DECEMBER 31	<u>\$ 586,992</u>	<u>\$ 6,437</u>	<u>\$ 35,102</u>	<u>\$ 29,032</u>	<u>\$ 6,584</u>	<u>\$ 664,147</u>

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

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position.

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
DECEMBER 31, 2018

	Land, Non- Depreciable Infrastructure and Construction in Progress	Buildings, Land and Building Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General Government	\$ 4,267,871	\$ 24,315,944	\$ 856,952	\$ -	\$ 29,440,767
Public Safety	375,000	3,648,060	3,841,972	-	7,865,032
Public Works	41,000	1,872,835	3,621,827	17,241,846	22,777,508
Airport	570,735	14,817,136	4,840,960	31,699,110	51,927,941
Solid Waste	622,700	1,464,573	1,707,410	3,707,735	7,502,418
Recreation	637,329	9,792,364	1,184,685	-	11,614,378
Total General Capital Assets	6,514,635	55,910,912	16,053,806	52,648,691	131,128,044
Less: Accumulated Depreciation	-	(30,019,032)	(8,980,212)	(19,432,002)	(58,431,246)
Net General Capital Assets	<u>\$ 6,514,635</u>	<u>\$ 25,891,880</u>	<u>\$ 7,073,594</u>	<u>\$ 33,216,689</u>	<u>\$ 72,696,798</u>

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

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Capital Assets 1/1/18 (Restated)	Additions	Deletions	General Capital Assets 12/31/18
General Government	\$ 28,907,189	\$ 533,578	\$ -	\$ 29,440,767
Public Safety	7,773,348	91,684	-	7,865,032
Public Works	21,986,270	826,326	(35,088)	22,777,508
Airport	50,595,312	1,332,629	-	51,927,941
Solid Waste	7,502,418	-	-	7,502,418
Recreation	11,554,318	1,155,956	(1,095,896)	11,614,378
Total General Capital Assets	128,318,855	3,940,173	(1,130,984)	131,128,044
Less: Accumulated Depreciation	(58,047,200)	(4,101,705)	3,717,659	(58,431,246)
Net General Capital Assets	<u>\$ 70,271,655</u>	<u>\$ (161,532)</u>	<u>\$ 2,586,675</u>	<u>\$ 72,696,798</u>

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

STATISTICAL SECTION

This part of the City of Presque Isle'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>Tables</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>	1 - 5
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	6 - 9
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>	10 - 12
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>	13 - 14
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>	15 - 17

Table 1

CITY OF PRESQUE ISLE, MAINE
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<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>	<u>2018</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 52,403,992	\$ 53,914,937	\$ 52,297,509	\$ 51,509,110	\$ 50,931,088	\$ 51,001,689	\$ 53,333,316	\$ 56,466,655	\$ 60,238,239	\$ 59,872,541
Restricted (a)	607,019	645,630	3,389,997	3,322,212	3,556,999	3,404,836	3,887,064	3,627,448	4,123,070	4,220,134
Unrestricted	6,707,081	5,149,664	3,444,455	3,242,563	4,194,578	5,497,287	863,725	1,410,914	(1,974,889)	(405,295)
Total governmental activities net position	<u>\$ 59,718,092</u>	<u>\$ 59,710,231</u>	<u>\$ 59,131,961</u>	<u>\$ 58,073,885</u>	<u>\$ 58,682,665</u>	<u>\$ 59,903,812</u>	<u>\$ 58,084,105</u>	<u>\$ 61,505,017</u>	<u>\$ 62,386,420</u>	<u>\$ 63,687,380</u>

(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.

Table 2

CITY OF PRESQUE ISLE, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	2009	2010	2011	2013	2014	2015	2016	2017	2018
Governmental activities:									
General government	\$ 4,318,921	\$ 4,941,896	\$ 4,674,607	\$ 4,716,128	\$ 4,067,679	\$ 4,180,348	\$ 6,327,967	\$ 2,937,715	\$ 3,343,472
Public safety	2,526,579	2,597,925	2,634,579	2,751,289	2,508,598	2,502,715	2,614,101	3,037,148	3,181,631
Solid waste	1,069,839	1,536,356	2,355,571	1,221,998	1,573,640	1,627,681	1,749,569	1,110,981	934,549
Public works	2,511,224	2,588,693	2,815,777	1,168,012	2,741,027	2,789,012	2,421,188	2,521,107	3,522,960
Recreation and culture	1,501,938	1,490,592	1,544,757	1,515,441	1,237,803	1,270,879	1,455,310	1,655,539	2,000,007
County Tax	-	-	-	-	603,602	619,295	645,031	665,733	730,680
Education	5,218,390	5,375,744	5,375,744	5,790,920	6,150,296	6,152,769	6,240,554	6,210,945	6,236,004
Airport	2,437,749	2,489,402	2,712,857	3,342,171	2,031,029	2,965,690	2,967,703	3,345,973	4,470,243
Outside requests	-	-	-	-	-	-	60,825	-	-
TIF	-	-	-	-	131,373	68,832	-	-	-
Program Expenditures	-	-	-	-	96,865	1,720,521	-	-	-
Community Service	-	-	-	-	-	-	-	453,817	504,678
Miscellaneous	-	-	-	-	-	-	451,677	-	-
Interest on debt service	196,329	151,761	398,620	623,921	129,953	139,789	311,766	320,228	14,322
Capital Outlay	-	-	-	-	-	-	(76,705)	330,935	629,700
Total governmental activities expenses	19,780,969	21,172,369	22,512,512	21,129,880	21,271,865	24,037,531	25,168,986	22,590,121	25,568,246
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 732,549	\$ 669,519	\$ 702,109	\$ 871,603	\$ 202,119	\$ 194,965	\$ 634,948	\$ 781,643	\$ 796,478
Public safety	152,242	100,483	92,737	59,349	89,871	84,037	153,832	471,439	651,860
Solid Waste	733,021	783,478	1,596,920	1,672,625	1,720,313	1,443,138	477,679	224,892	1,091,592
Public works	15,623	10,056	12,012	6,795	-	-	-	-	-
Recreation and culture	440,594	437,898	436,168	403,917	336,046	331,340	324,227	351,505	387,906
Airport	1,117,367	1,114,214	1,439,342	1,646,208	1,936,977	-	1,112,688	1,533,950	2,285,515
Program Revenues	-	-	-	-	614,048	2,325,076	-	-	-
Operating grants and contributions	327,278	872,228	545,679	474,687	1,042,892	2,974,744	-	1,973,617	1,882,542
Capital grants and contributions	4,920,508	1,782,404	1,776,696	757,936	-	-	-	5,852,514	-
Total governmental activities program revenues	8,439,182	5,770,280	6,601,663	5,893,120	5,942,266	7,353,300	2,703,374	11,189,560	7,095,893
Net (expense)/revenue									
Governmental activities	(11,341,787)	(15,402,089)	(15,910,849)	(15,236,760)	(15,329,599)	(16,684,231)	(22,465,612)	(11,400,561)	(18,472,353)
Total primary government net (expense)/revenue	\$ (11,341,787)	\$ (15,402,089)	\$ (15,910,849)	\$ (15,236,760)	\$ (15,329,599)	\$ (16,684,231)	\$ (22,465,612)	\$ (11,400,561)	\$ (18,472,353)
General Revenues and other Changes in Net Position									
Governmental activities:									
Taxes:									
Tax Revenue	\$ 11,603,254	\$ 12,021,452	\$ 12,050,893	\$ 14,071,278	\$ 14,602,932	\$ 14,736,466	\$ 15,325,258	\$ 15,302,118	\$ 15,274,009
Cable television franchise	60,017	62,669	64,744	61,755	59,836	56,541	-	-	-
Unrestricted grants and contributions	1,845,885	1,625,123	1,607,047	1,405,817	1,428,254	1,691,127	5,902,477	-	1,819,597
Licenses & permits	-	-	-	-	-	-	593,440	13,951	-
Miscellaneous Revenues	218,003	102,981	92,815	113,755	363,671	2,189,663	3,127,186	2,296,310	2,683,424
Interest and investment earnings	359,675	162,092	95,424	192,935	96,053	11,267	170,066	150,104	(3,717)
Total governmental activities	\$ 14,086,834	\$ 13,974,317	\$ 13,910,923	\$ 15,845,540	\$ 16,550,746	\$ 18,685,064	\$ 25,118,427	\$ 17,762,483	\$ 19,773,313
Change in Net Position									
Governmental activities	\$ 2,745,047	\$ (1,427,772)	\$ (1,999,926)	\$ 608,780	\$ 1,221,147	\$ 2,000,833	\$ 2,652,815	\$ 6,361,922	\$ 1,300,960
Total primary government	\$ 2,745,047	\$ (1,427,772)	\$ (1,999,926)	\$ 608,780	\$ 1,221,147	\$ 2,000,833	\$ 2,652,815	\$ 6,361,922	\$ 1,300,960

Table 3

CITY OF PRESQUE ISLE, MAINE
Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
Governmental activities:										
General government	\$ 732,549	\$ 1,063,659	\$ 964,890	\$ 1,092,166	\$ 1,077,645	\$ 277,191	\$ 245,065	\$ 634,948	\$ 781,643	\$ 796,478
Public safety	346,498	334,585	378,506	369,451	292,402	177,607	207,189	153,832	471,439	651,860
Public works	203,931	223,774	215,189	208,976	311,125	184,284	-	-	-	-
Airport	5,849,567	2,522,082	1,670,575	2,648,069	2,003,861	1,936,977	-	1,112,688	1,533,949	2,285,515
Solid waste	861,674	925,702	1,705,536	1,906,276	1,748,859	1,720,313	1,443,138	477,679	224,892	1,091,592
Recreation and culture	444,963	700,478	1,666,967	476,834	459,228	336,046	331,340	324,227	-	387,906
Programs	-	-	-	-	-	1,309,848	5,126,568	-	-	-
Total governmental activities	8,439,182	5,770,280	6,601,663	6,701,772	5,893,120	5,942,266	7,353,300	2,703,374	3,011,923	5,213,351
Total primary government	\$ 8,439,182	\$ 5,770,280	\$ 6,601,663	\$ 6,701,772	\$ 5,893,120	\$ 5,942,266	\$ 7,353,300	\$ 2,703,374	\$ 3,011,923	\$ 5,213,351

Table 4

CITY OF PRESQUE ISLE, MAINE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,500	\$ 224,447	\$ 358,498	\$ 317,839	\$ 209,361
Committed	-	-	1,712,886	1,792,142	1,892,560	-	-	3,137,983	4,088,973	-
Assigned	-	-	51,165	51,431	177,247	107,232	32,200	-	-	30,952
Unassigned	-	-	2,146,195	2,089,444	1,824,405	1,220,800	1,300,507	4,665,371	4,945,244	2,288,229
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	2,840,081	2,291,584	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 2,840,081</u>	<u>\$ 2,291,584</u>	<u>\$ 3,910,246</u>	<u>\$ 3,933,017</u>	<u>\$ 3,894,212</u>	<u>\$ 1,498,532</u>	<u>\$ 1,557,154</u>	<u>\$ 8,161,852</u>	<u>\$ 9,352,056</u>	<u>\$ 2,528,542</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ 1,651,696	\$ 1,499,348	\$ 1,499,348	\$ 1,052,194	\$ 69,398	\$ -	\$ -	\$ 91,654
Restricted	-	-	1,738,301	1,822,864	1,822,864	3,384,836	3,877,064	3,627,448	2,774,499	4,220,134
Committed	-	-	4,368,662	4,250,602	4,250,602	4,268,174	5,276,690	718,198	62,399	7,370,202
Unassigned	-	-	(337,403)	(310,744)	(310,744)	(344,579)	(837,310)	-	-	(1,697,334)
Reserved	1,159,491	1,487,382	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	3,727,446	3,338,726	-	-	-	-	-	-	-	-
Capital projects funds	(578,180)	(3,046,391)	-	-	-	-	-	-	-	-
Permanent Funds	587,019	625,630	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 4,895,776</u>	<u>\$ 2,405,347</u>	<u>\$ 7,421,256</u>	<u>\$ 7,262,070</u>	<u>\$ 7,262,070</u>	<u>\$ 8,360,625</u>	<u>\$ 8,385,842</u>	<u>\$ 4,345,646</u>	<u>\$ 2,836,898</u>	<u>\$ 9,984,656</u>

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

Table 5

CITY OF PRESQUE ISLE, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$11,572,254	\$ 13,338,363	\$ 13,460,549	\$ 13,368,839	\$ 14,034,278	\$ 14,567,932	\$ 14,571,466	\$ 15,248,758	\$ 15,502,118	\$ 15,145,759
Intergovernmental	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	3,702,139
Licenses, permits, and fees	293,894	280,373	202,278	177,665	234,170	-	-	593,440	13,951	-
Charges for services	2,682,627	2,767,521	4,021,333	4,266,264	4,275,953	4,899,374	4,378,556	2,703,375	3,363,426	5,213,351
Unclassified	492,895	745,613	1,475,548	366,276	338,424	-	-	-	-	-
Interest/investment Income	359,675	162,092	95,424	141,344	192,935	69,980	11,267	170,065	150,105	(3,717)
Other Revenue	-	-	-	-	-	449,580	2,246,204	3,127,184	2,296,310	2,683,424
Total revenues	22,495,016	21,226,508	21,922,242	21,922,531	21,701,660	22,458,012	25,873,364	27,745,299	29,152,041	26,740,956
Expenditures										
General government	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	4,160,874
Public safety	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	2,832,877
Public works	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	2,686,602
Airport	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	2,610,436
Solid waste	856,831	991,795	1,699,742	1,799,471	1,361,812	3,820,663	1,202,454	1,326,777	944,965	1,110,261
Recreation and culture	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	1,538,431
Education	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	6,236,004
Outside requests	59,915	64,250	64,250	39,850	41,600	41,600	41,125	60,825	59,000	56,500
Intergovernmental	560,973	562,365	574,757	605,109	613,702	603,602	619,295	645,031	665,733	730,680
TIF	-	-	-	-	-	131,373	68,832	-	-	-
Unclassified	129,306	169,554	146,798	126,384	133,477	372,074	250,341	451,677	394,818	448,178
Program expenditures	-	-	-	-	-	145,010	1,162,164	-	-	-
Capital outlay	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	3,468,586
Debt service										
Principal	1,319,138	314,910	394,423	324,672	417,238	382,069	480,776	926,773	945,483	897,121
Interest	251,156	152,841	158,755	379,551	268,350	248,114	258,716	315,572	315,441	14,322
Total expenditures	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	26,790,872
Excess (deficiency) of revenues over (under) expenditures	(3,105,925)	(3,038,926)	324,571	(174,612)	482,995	(1,818,927)	(435,619)	(5,093,175)	(503,708)	(49,916)
Other financing sources (uses)										
Issuance of debt	-	-	6,310,000	38,200	-	-	375,000	7,645,594	188,591	-
Transfers in	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	1,007,211
Transfers out	(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)	(1,007,211)
Total other financing sources (uses)	-	-	6,310,000	38,200	-	-	375,000	7,645,594	188,591	-
Net change in fund balances	\$ (3,105,925)	\$ (3,038,926)	\$ 6,634,571	\$ (136,412)	\$ 482,995	\$ (1,818,927)	\$ (60,619)	\$ 2,552,419	\$ (315,117)	\$ (49,916)
Debt service as a percentage of noncapital expenditures	6.62%	2.38%	2.83%	3.54%	3.42%	2.79%	3.60%	6.05%	6.01%	3.81%

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

Table 6

CITY OF PRESQUE ISLE, MAINE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

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
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%
2018	480,129,300	41,766,600	521,895,900	12.47	560,600,000	93.10%

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

Table 7

CITY OF PRESQUE ISLE, MAINE
Direct and Overlapping Property Tax Rates (Per \$1,000 of Assessed Value)
Direct and Overlapping Governments
Last Ten Fiscal Years

Tax Year	Direct Rates			Overlapping Rates		Total
	Basic Rate	Debt Service	Total Direct	Aroostook County	M.S.A.D. #1	Total Tax rate
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
2018	10.39	2.08	12.47	1.40	11.95	25.82

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

Source: City Finance Department

Table 8

CITY OF PRESQUE ISLE, MAINE
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Assessed Valuation	Rank	Percentage of Total Assessed Value	Assessed Valuation	Rank	Percentage of Total Assessed Value
EMERA MAINE	\$ 26,642,000	1	4.75%	\$ 16,019,000	2	3.39%
Aroostook Centre LLC	8,725,600	4	1.56%	16,696,400	1	3.53%
Wal-Mart	13,713,300	2	2.44%	14,042,900	3	2.97%
R & L Real Estate	11,553,000	3	2.06%	10,644,500	4	2.25%
Lowe's Home Centers, Inc	7,484,100	5	1.33%	8,466,300	5	1.79%
Leisure Gardens, Inc	6,337,000	6	1.13%	6,205,000	6	1.31%
Cavendish Farms LLC	3,758,900	10	0.67%			
BLD Hospitality, LLC	4,958,800	7	0.88%			
MMG Insurance Co	4,508,400	8	0.80%	5,670,800	7	1.20%
McCrum Land, LLC	4,018,500	9	0.72%			
Columbia Forest Products, Inc				4,886,200	8	1.03%
Halvorson, Phillip H				4,332,050	9	0.94%
MPG				4,246,600	10	0.90%
	<u>\$ 91,699,600</u>		<u>16.35%</u>	<u>\$ 91,209,750</u>		<u>19.30%</u>
Total Assessed Valuation	\$ 560,894,556			\$ 473,076,800		

Source: City Assessment Records

Table 9

CITY OF PRESQUE ISLE, MAINE
Total Property Tax Levies and Collections
Last Ten Fiscal Years

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
2009	\$	11,600,316	\$ 10,801,848	93.12%	\$ 796,106	\$ 11,597,954	99.98%
2010		12,094,753	11,174,937	92.39%	917,153	12,089,329	99.96%
2011		12,094,998	11,146,701	92.16%	943,061	12,085,885	99.92%
2012		11,986,966	11,098,299	92.59%	885,083	11,972,819	99.88%
2013		12,565,677	11,635,946	92.60%	919,857	12,512,043	99.57%
2014		12,996,655	12,097,575	93.08%	885,968	12,589,575	96.87%
2015		13,077,684	12,200,005	93.29%	861,260	13,061,265	99.87%
2016		13,625,140	12,612,980	92.57%	890,055	13,503,035	99.10%
2017		13,492,383	12,604,905	93.42%	572,063	13,176,968	97.66%
2018		13,475,360	12,391,350	91.96%		12,391,350	91.96%

Source: City Assessment and Accounting Records

Table 10

CITY OF PRESQUE ISLE, MAINE
Ratios of Net General Debt Outstanding
Last Ten Fiscal Years

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)
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%
2018	12,606,632	-	217,625	12,824,257	219,110,298	5.85%	8,998	1,401.05	2.25%

(a) See Table 14

(b) See Table 14

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

Table 11

CITY OF PRESQUE ISLE, MAINE
Direct and Overlapping Governmental Activities Debt
December 31, 2018

Jurisdiction	Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Direct:			
City of Presque Isle General Obligation	\$ 12,606,632	100.00%	\$ 12,606,632
City of Presque Isle Notes Payable	217,625	100.00%	217,625
Total direct debt	<u>12,824,257</u>		<u>12,824,257</u>
Overlapping:			
M.S.A.D. #1	3,237,065	71.08%	2,300,906
Aroostook County	-	0.00%	-
Total overlapping debt	<u>3,237,065</u>		<u>2,300,906</u>
Total direct and overlapping debt	<u>\$ 16,061,322</u>		<u>\$ 15,125,163</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.

Table 12

CITY OF PRESQUE ISLE, MAINE
Legal Debt Margin Information
December 31, 2018

The amount of debt a Maine municipality may have is governed by title 30-A.M.R.S.A. section 5702. The law limits total debt and debt for specific categories. Total debt cannot exceed 7.5% of the City's last full State Valuation. Debt for specific categories is limited to a percentage of State Valuation. As the following table indicates, based on a 2018 State Valuation of \$560,600,000 the City is in compliance with the total and categorical debt limits:

Debt Limit by Category

<u>Type of Debt</u>	<u>Maximum Percent Allowable</u>	<u>Maximum Amount Allowable</u>	<u>Principal Amount Outstanding</u>	<u>Legal Debt Margin</u>
Municipal	7.50%	\$ 42,045,000	\$ 12,824,257	\$ 29,220,743
Total Maximum Debt	7.50%	\$ 42,045,000	\$ 12,824,257	\$ 29,220,743

Legal Debt Margin Calculation for Fiscal Year 2018

State Valuation	\$ 560,600,000
Debt Limit - 7.5% of State Valuation	42,045,000
Less outstanding debt applicable to debt limit	<u>(12,824,257)</u>
Legal Debt Margin	<u>\$ 29,220,743</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>	<u>2018</u>
Debt limit	\$ 38,670,000	\$ 40,830,000	\$ 42,386,250	\$ 44,276,250	\$ 42,896,250	\$ 42,427,500	\$ 42,378,750	\$ 42,135,000	\$ 42,045,000	\$ 42,045,000
Total debt applicable to limit	<u>2,833,434</u>	<u>2,576,567</u>	<u>8,569,700</u>	<u>8,273,908</u>	<u>8,120,093</u>	<u>7,984,154</u>	<u>7,759,449</u>	<u>14,478,271</u>	<u>13,721,378</u>	<u>12,824,257</u>
Legal debt margin	\$ 35,836,566	\$ 38,253,433	\$ 33,816,550	\$ 36,002,342	\$ 34,776,157	\$ 34,443,346	\$ 34,619,301	\$ 27,656,729	\$ 28,323,622	\$ 29,220,743
Total debt applicable to the limit as a percentage of debt limit	7.33%	6.31%	20.22%	18.69%	18.93%	18.82%	18.31%	34.36%	32.63%	30.50%

Table 13

CITY OF PRESQUE ISLE, MAINE
Principal Employers
Current Year and Nine Years Ago

Employer	2018		2009	
	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	100-249	3	500-999	2
Maine Mutual Insurance Group	100-249	4		
Columbia Forest Products	100-249	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
ACAP	100-249	9	100-249	
NE Publishing	50-99	10		
Presque Isle Nursing Home			100-249	8
Lowe's			100-249	9
K-Mart			100-249	10

Source: Aroostook Partnership for Progress

Source: www.appme.org/region/major.asp

Table 14

CITY OF PRESQUE ISLE, MAINE
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (a)	School Enrollment (d)	Unemployment Rate (c)
2008	9,050	\$ 250,078,650	\$ 27,633	1,797	7.90%
2009	9,000	268,353,000	29,817	1,692	8.60%
2010	9,692	279,488,204	28,837	1,620	8.70%
2011	9,658	288,431,826	29,865	1,594	7.70%
2012	9,596	291,575,732	30,385	1,578	7.50%
2014	9,402	291,396,165	30,993	1,548	6.60%
2015	9,317	273,221,025	29,325	1,727	6.70%
2016	9,228	277,495,702	30,071	1,739	4.20%
2017	9,106	203,409,828	22,338	1,800	3.50%
2018	8,998	219,110,298	24,351	1,900	3.90%

(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

Table 15

CITY OF PRESQUE ISLE, MAINE
Full-time Employees by Function/Program
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration:										
General Government	3.50	4.50	5.50	6.50	6.00	5.50	4.50	4.50	4.50	4.00
Human Resources	1.00	1.00	1.00	1.00	0.00	0.00	1.00	1.00	1.00	1.00
Planning	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	6.75	6.50	6.50	5.50	5.50	6.00	6.00	6.00	6.00	6.00
Assessing	3.00	3.00	3.00	3.00	3.00	2.50	2.50	2.00	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	20.00	20.00	19.00	19.00	19.00	19.00	19.00	19.00	22.00	18.00
Support Staff	2.50	2.50	2.50	2.75	2.75	2.75	2.88	2.88	2.88	4.50
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	12.00	11.00	11.00	11.00	12.00	12.00	12.00	12.00
Paramedics	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00	6.00
Airport:	8.00	7.50	7.50	7.50	8.00	8.00	8.00	8.00	9.00	9.50
Solid Waste	7.00	10.00	8.00	8.00	7.35	7.50	7.00	7.00	7.00	5.75
Public Works	15.00	15.00	14.00	14.50	14.50	14.50	14.50	14.50	14.50	14.50
Library	7.00	8.50	8.50	7.50	7.50	7.50	8.00	8.00	8.50	8.25
Recreation	18.50	18.00	16.50	16.5	15.50	14.20	14.00	15.68	17.25	17.15
Total	113.25	117.50	109.00	107.75	105.10	103.45	104.38	105.56	117.63	113.65
In addition there are:										
On-Call Fire Fighters	34.00	33.00	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

Table 16

CITY OF PRESQUE ISLE, MAINE
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</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>	<u>2018</u>
General Government:										
Code enforcement:										
Residential construction value	\$ 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	\$ 2,084,050
Number of permits	99	99	59	64	76	71	75	54	70	72
Commercial construction value	\$ 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	\$ 16,837,676
Number of permits	79	51	55	50	72	68	68	62	48	72
Public Safety:										
Fire Department:										
Fire Calls	275	293	241	319	354	329	305	287	253	304
First Response Calls	78	63	53	52	49	-	-	-	-	-
EMS						569	1,288	868	881	1,267
Inspections	375	410	423	418	414	375	360	370	375	197
Police Department:										
Calls for Service	5,685	5,461	10,366	12,201	15,318	14,377	13,594	18,821	24,072	18,219
Criminal Arrests	668	404	687	680	673	655	689	645	680	849
Vehicle Stops	5,449	3,689	2,993	1,743	1,892	1,681	3,609	2,804	4,351	879
Accidents	251	253	385	253	347	601	531	536	585	351
Public Works:										
Street Paving (miles)	3.01	4.67	1.86	3.50	3.62	3.76	4.03	4.08	3.83	3.97
Solid Waste:										
Refuse Collected (tons)	14,993	13,047	12,081	10,564	9,417	11,873	13,720	10,884	10,884	\$ 11,183
Recyclable Collected (tons)	7,566	7,262	8,125	6,559	6,907	7,259	6,674	4,774	1,251	\$ 1,356
Municipal Recycling Rate (a)	51.3%	52.7%	47.2%	45.4%	49.3%	49.3%	47.1%	38.8%	38.8%	13.9%

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

(a) Maine DEP started using a new reporting format for their 2018 Solid Waste and Recycling report which changed how the recycling rate was calculated

Table 16, continued

CITY OF PRESQUE ISLE, MAINE
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function	Fiscal Year									
	<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>	<u>2018</u>
Airport:										
Enplanements	13,238	15,204	14,453	12,379	11,555	12,122	12,878	12,398	12,780	10,911
Deplanements	13,151	15,250	14,353	12,048	11,422	12,183	12,918	12,094	12,613	10,569
Landing Fees	\$ 57,489	\$ 55,355	\$ 55,618	\$ 50,292	\$ 65,199	\$ 154,747	\$ 298,324	\$ 285,370	\$ 326,838	501,696
Recreation:										
Library:										
Total materials circulated	153,969	160,946	96,332	81,899	85,240	75,350	72,777	89,033	129,669	113,612
Total materials borrowed	78,970	85,917	50,220	63,345	64,540	55,005	63,290	81,033	83,474	84,892
Total print items in collection	56,212	55,601	57,366	61,265	52,794	50,500	50,251	61,085	61,085	77,561
Total program participants	5,504	5,197	4,085	5,423	5,226	4,390	6,022	7,835	8,490	8,767
Visits ot Library								45,835	46,195	46,165
Forum:										
Major Events	15	15	15	14	14	12	11	13	14	13
Support for Events	12	12	12	11	11	12	12	12	12	12
Weeks of Ice	23	23	23	23	23	22	22	22	22	22
Parks and Recreation:										
Non-Aquatic Programs:										
Youth Participants	3,946	5,159	4,443	4,430	4,377	4,531	5,196	7,447	9,952	10,551
Adult Participants	1,389	1,606	1,103	1,147	1,084	1,101	1,196	1,265	2,673	4,654
Aquatic Programs:										
Indoor Pool Participants	25,634	27,278	23,483	21,475	19,630	1,230	1,345	1,124	1,059	1,098
Outdoor Pool Participants	6,570	8,032	5,607	7,460	-	-	-	-	-	-
Mantle Lake Park Attendance	12,440	13,025	12,286	12,687	12,441	13,240	13,122	12,680	-	-
Community Center Visits	-	-	-	-	-	-	-	-	37,564	78,618

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
Capital Assets and Infrastructure by Function
Last Ten Fiscal Years

Function	2018	2017
Police		
Number of Stations	1	1
Number of Patrol Units	14	15
Fire		
Number of Stations	1	1
Number of Fire/Ambulance/Support Vehicles	13	12
Recreation		
Events Building	1	1
Community Center	1	1
Number of Parks	10	10
Park Acreage	100	80
Library		
Buildings	1	1
Items in Collection	77,309	60,033
Public Works		
Miles of Roads	109	109
Number of Street Lights	742	742
Major Equipment - Number	26	25
Industrial Council		
Number of Buildings	27	27
Acreage	425	450
Airport		
Terminals	2	2
Miles of Runway	2.55	2.55
Administration		
Buildings	1	1
Vehicles	1	1
Solid Waste		
Buildings	4	4
Landfill		
Acres of Land	634	634
Acres Capped	19	19
Cubic yards remaining	1,367,500	1,382,000

Sources: Various City Departments

Data for fiscal years prior to 2017 is not available.

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Total Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Transportation				
Federal Aviation Administration				
Airport Improvement Program	20.106	N/A	\$ 449,566	\$ -
Passed through Maine Department of Transportation				
Highway Safety:				
Speed Enforcement	20.600	PT17-45	3,008	-
OUI Enforcement Grant	20.601	N/A	4,473	-
Seatbelt Enforcement	20.609	N/A	4,872	-
Total Highway Safety Cluster			<u>461,919</u>	<u>-</u>
Ind. Rail Access Prog. Track Rehab	23.879	N/A	148,776	-
Total Department of Transportation			<u>610,695</u>	<u>-</u>
U.S. Department of Justice				
Passed through Maine Department of Public Safety				
Bureau of Highway Safety:				
Distracted Driving Grant	18.042	N/A	10,565	-
Passed through Town of Houlton:				
Edward Byrne Memorial Justice Grant Program	16.738	N/A	9,770	-
Passed through City of Caribou:				
Enforcing Underage Drinking Program	16.727	N/A	7,545	-
Total Department of Justice			<u>27,880</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed through Federal Emergency Management Agency:				
Assistance to Firefighters Grant	97.044	1660-0054	209,262	-
Total Department of Homeland Security			<u>209,262</u>	<u>-</u>
U.S. Department of Environmental Protection Agency				
Passed through Maine Department of Environmental Protection:				
Water Quality Management Planning	66.454	N/A	1,103	-
Total Department of Environmental Protection Agency			<u>1,103</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 848,940</u>	<u>\$ -</u>

CITY OF PRESQUE ISLE, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Presque Isle, Maine under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Presque Isle, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Presque Isle, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The City of Presque Isle, Maine has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



Proven Expertise and Integrity

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

City Council
City of Presque Isle
Presque Isle, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Presque Isle, Maine as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Presque Isle, Maine's basic financial statements, and have issued our report thereon dated June 7, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in dark ink that reads "RHR Smith & Company". The signature is written in a cursive, flowing style.

Buxton, Maine
June 7, 2019



Proven Expertise and Integrity

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

City Council
City of Presque Isle
Presque Isle, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Presque Isle, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Presque Isle, Maine's major federal programs for the year ended December 31, 2018. The City of Presque Isle, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Presque Isle, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Presque Isle, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Presque Isle, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
June 7, 2019

CITY OF PRESQUE ISLE, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ no
- Noncompliance material to financial statements noted? ☐ yes ☒ no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with §200.516 of Uniform Guidance? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

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

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None