

Audited Financial Statements
and Other Financial Information

Town of Houlton, Maine

December 31, 2018



Proven Expertise and Integrity

TOWN OF HOULTON, MAINE

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

Town Council
Town of Houlton
Houlton, 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 Town of Houlton, Maine as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 no such opinion. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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 Town of Houlton, Maine as of December 31, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity 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 and pension and OPEB information on pages 4 through 11 and 59 through 65 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 Town of Houlton's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2019, on our consideration of the Town of Houlton, 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 Town of Houlton, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
April 25, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

(UNAUDITED)

The following management's discussion and analysis of the Town of Houlton, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Houlton's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

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 financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net assets changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements include a column for the following activities:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, protection, public services, health and culture, parks and recreation, airport, education and unclassified.

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 Town of Houlton, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Houlton are governmental funds.

Governmental funds: All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental 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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Houlton presents five columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town has four major governmental funds: the general fund, the tax increment financing fund, the airport projects fund and the cemetery fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pension, a Schedule of Changes in Net OPEB Liability, a Schedule of Changes in Net OPEB Liability and Related Ratios, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position increased by \$923,703 from \$13,289,191 to \$14,212,894.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased to a balance of \$2,619,426 at the end of this year.

**Table 1
Town of Houlton, Maine
Net Position
December 31,**

	<u>2018</u>	<u>2017 (Restated)</u>
Assets:		
Current Assets	\$ 5,385,072	\$ 5,565,969
Capital Assets	13,327,235	12,375,691
Total Assets	<u>18,712,307</u>	<u>17,941,660</u>
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	326,538	713,113
Deferred Outflows Related to OPEB	32,472	-
Total Deferred Outflows of Resources	<u>359,010</u>	<u>713,113</u>
Liabilities:		
Current Liabilities	539,838	541,867
Long-term Debt Outstanding	3,976,624	4,153,389
Total Liabilities	<u>4,516,462</u>	<u>4,695,256</u>
Deferred Inflows of Resources:		
Prepaid Taxes	18,639	50,732
Advance Payment of LRAP Funding	51,524	51,524
Deferred Inflows Related to Pensions	231,788	568,070
Deferred Inflows Related to OPEB	40,010	-
Total Deferred Inflows of Resources	<u>341,961</u>	<u>670,326</u>
Net Position:		
Net Investment in Capital Assets	10,992,061	10,301,279
Restricted: General Fund	16,950	30,787
Special Revenue Funds	35,689	28,524
Permanent Funds	548,768	548,768
Unrestricted	2,619,426	2,379,833
Total Net Position	<u>\$ 14,212,894</u>	<u>\$ 13,289,191</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 5.59%, while total expenses increased by 0.14%. The increase in revenues was mainly the result of other revenues. The increase in expenses was primarily due to unclassified.

Table 2
Town of Houlton, Maine
Changes in Net Position
For the Years Ended December 31,

	2018	2017
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 1,817,835	\$ 1,961,945
Operating grants and contributions	101,824	101,788
<i>General revenues:</i>		
Taxes:		
Property taxes, levied for general purposes	6,231,314	6,226,281
Excise taxes	1,042,263	1,012,524
Grants and contributions not restricted to specific programs	1,169,268	981,205
Interest	102,735	80,175
Other revenues	1,195,875	680,163
Total Revenues	11,661,114	11,044,081
Expenses		
General government	647,259	649,837
Protection	2,385,033	2,699,776
Public services	1,737,159	1,271,357
Employee benefits	1,079,345	1,330,158
Health and culture	318,043	301,542
Parks and recreation	300,315	547,909
Airport	419,109	529,298
Education	2,418,530	2,545,349
County tax	369,902	344,065
Unclassified	1,113,273	445,972
Interest on long-term debt	30,738	57,415
Total Expenses	10,737,411	10,722,678
Change in Net Position	923,703	321,403
Net Position - January 1, Restated	13,289,191	12,967,788
Net Position - December 31	\$ 14,212,894	\$ 13,289,191

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Town of Houlton, Maine
Fund Balances - Governmental Funds
December 31,

	2018	2017
General Fund:		
Nonspendable	\$ 16,950	\$ 30,787
Unassigned	1,668,468	1,850,595
Total General Fund	\$ 1,685,418	\$ 1,881,382
Tax Increment Financing Fund:		
Committed	\$ 1,846,667	\$ 1,708,581
Total Tax Increment Financing Fund	\$ 1,846,667	\$ 1,708,581
Airport Projects Fund:		
Committed	\$ (59,862)	\$ 9,389
Total Airport Projects Fund	\$ (59,862)	\$ 9,389
Cemetery Fund:		
Restricted	\$ 548,768	\$ 548,768
Total Cemetery Fund	\$ 548,768	\$ 548,768
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 35,689	\$ 28,524
Assigned	2,651	2,189
Unassigned	(48,543)	-
Capital Projects Funds:		
Committed	277,802	241,810
Total Nonmajor Funds	\$ 267,599	\$ 272,523

The general fund total fund balance decreased by \$195,964 from the prior fiscal year as a result of transfers to other funds. The tax increment financing fund total fund balance increased by \$138,086 due to revenues and transfers in from other funds

exceeding expenditures and transfers to other funds. The airport projects fund total fund balance decreased by \$69,251 as a result of capital outlay expenditures exceeding revenues. The cemetery fund total fund balance remained unchanged. The nonmajor funds total fund balances decreased by \$4,924 over the prior fiscal year.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund except for the use of unassigned fund balance.

The general fund actual revenues were below budgeted amounts by \$130,823. This was mainly a result of charges for services, other revenues and transfers from other funds being received below budgeted amounts.

The general fund actual expenditures were under budget by \$100,059. All expenditure categories were under budget with the exception of public services, health and culture and airport.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2018, the net book value of capital assets recorded by the Town increased by \$951,544 over the prior year. This increase was the result of capital additions of \$1,538,633 less current year depreciation of \$587,089. Refer to Note 4 of Notes to Financial Statements for more detailed information.

**Table 4
Town of Houlton, Maine
Capital Assets (Net of Depreciation)
December 31,**

	2018	2017
Land and construction in progress	\$ 1,401,083	\$ 1,392,358
Buildings and improvements	7,389,910	7,373,437
Equipment and vehicles	1,796,033	794,276
Infrastructure	2,740,209	2,815,620
	\$ 13,327,235	\$ 12,375,691

Debt

At December 31, 2018, the Town had \$2,066,441 in bonds and notes payable outstanding versus \$2,032,766 last year. Other obligations include a capital lease payable, accrued compensated absences, net pension liability and net OPEB liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town is currently working toward maintaining a sufficient unassigned fund balance to sustain government operations for a period of approximately three months but maintains reserve accounts for future capital and program needs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at 21 Water Street, Houlton, Maine 04730.

STATEMENT A

TOWN OF HOULTON, MAINE

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,062,142
Investments	596,845
Accounts receivable (net of allowance for uncollectibles):	
Taxes	624,291
Liens	256,897
Other	827,947
Inventory	16,950
Total current assets	<u>5,385,072</u>
Noncurrent assets:	
Capital assets:	
Land, construction in progress, and other assets not being depreciated	1,401,083
Buildings, vehicles, equipment and other assets, net of accumulated depreciation	11,926,152
Total noncurrent assets	<u>13,327,235</u>
TOTAL ASSETS	<u>18,712,307</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	326,538
Deferred outflows related to OPEB	32,472
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>359,010</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 19,071,317</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 212,960
Accrued payroll	46,669
Due to other governments	9,834
Current portion of long-term obligations	270,375
Total current liabilities	<u>539,838</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	1,546,691
Notes payable	282,446
Capital lease payable	247,934
Accrued compensated absences	233,172
Net pension liability	916,206
Net OPEB liability	750,175
Total noncurrent liabilities	<u>3,976,624</u>
TOTAL LIABILITIES	<u>4,516,462</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	18,639
Advance payment of LRAP funding	51,524
Deferred inflows related to pensions	231,788
Deferred inflows related to OPEB	40,010
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>341,961</u>
NET POSITION	
Net investment in capital assets	10,992,061
Restricted:	
General fund - nonspendable	16,950
Special revenue funds	35,689
Permanent funds	548,768
Unrestricted	2,619,426
TOTAL NET POSITION	<u>14,212,894</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 19,071,317</u>

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

TOWN OF HOULTON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services/ Other</u>	<u>Operating Grants & Contributions</u>		<u>Capital Grants & Contributions</u>
Governmental activities:					
General government	\$ 647,259	\$ 48,791	\$ -	\$ -	\$ (598,468)
Protection	2,385,033	1,424,410	-	-	(960,623)
Public services	1,737,159	46,231	101,824	-	(1,589,104)
Employee benefits	1,079,345	-	-	-	(1,079,345)
Health and culture	318,043	20,587	-	-	(297,456)
Parks and recreation	300,315	123,423	-	-	(176,892)
Airport	419,109	154,393	-	-	(264,716)
Education	2,418,530	-	-	-	(2,418,530)
County tax	369,902	-	-	-	(369,902)
Unclassified	1,113,273	-	-	-	(1,113,273)
Interest on long-term debt	30,738	-	-	-	(30,738)
Total governmental activities	<u>\$ 10,737,411</u>	<u>\$ 1,817,835</u>	<u>\$ 101,824</u>	<u>\$ -</u>	<u>(8,817,752)</u>

STATEMENT B (CONTINUED)
TOWN OF HOULTON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(8,817,752)
General revenues:	
Taxes:	
Property taxes, levied for general purposes	6,231,314
Excise taxes	1,042,263
Grants and contributions not restricted to specific programs	1,169,268
Interest	102,735
Other revenues	1,195,875
Total general revenues	9,741,455
Change in net position	923,703
Net position - January 1, Restated	13,289,191
Net position - December 31	\$ 14,212,894

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

STATEMENT C

TOWN OF HOULTON, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Tax Increment Financing	Airport Projects	Cemetery Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,993,087	\$ -	\$ -	\$ 54,999	\$ 14,056	\$ 3,062,142
Investments	50,000	-	-	546,845	-	596,845
Accounts receivable (net of allowance for uncollectibles):						
Taxes	624,291	-	-	-	-	624,291
Liens	256,897	-	-	-	-	256,897
Other	827,947	-	-	-	-	827,947
Inventory	16,950	-	-	-	-	16,950
Due from other funds	161,481	1,847,291	-	-	302,086	2,310,858
TOTAL ASSETS	\$ 4,930,653	\$ 1,847,291	\$ -	\$ 601,844	\$ 316,142	\$ 7,695,930
LIABILITIES						
Accounts payable	\$ 212,336	\$ 624	\$ -	\$ -	\$ -	\$ 212,960
Accrued payroll	46,669	-	-	-	-	46,669
Due to other governments	9,834	-	-	-	-	9,834
Due to other funds	2,149,377	-	59,862	53,076	48,543	2,310,858
TOTAL LIABILITIES	2,418,216	624	59,862	53,076	48,543	2,580,321
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	18,639	-	-	-	-	18,639
Advance payment of LRAP funding	51,524	-	-	-	-	51,524
Deferred taxes	756,856	-	-	-	-	756,856
TOTAL DEFERRED INFLOWS OF RESOURCES	827,019	-	-	-	-	827,019
FUND BALANCES (DEFICITS)						
Nonspendable - inventory	16,950	-	-	-	-	16,950
Restricted	-	-	-	548,768	35,689	584,457
Committed	-	1,846,667	-	-	277,802	2,124,469
Assigned	-	-	-	-	2,651	2,651
Unassigned	1,668,468	-	(59,862)	-	(48,543)	1,560,063
TOTAL FUND BALANCES (DEFICITS)	1,685,418	1,846,667	(59,862)	548,768	267,599	4,288,590
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 4,930,653	\$ 1,847,291	\$ -	\$ 601,844	\$ 316,142	\$ 7,695,930

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

TOWN OF HOULTON, MAINE

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

	Total Governmental Funds
	Funds
Total Fund Balances	\$ 4,288,590
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	13,327,235
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	756,856
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds:	
Pensions	326,538
OPEB	32,472
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(1,663,924)
Notes payable	(402,517)
Capital leases payable	(268,733)
Accrued compensated absences	(245,444)
Net pension liability	(916,206)
Net OPEB liability	(750,175)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds:	
Pensions	(231,788)
OPEB	(40,010)
	\$ 14,212,894

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

STATEMENT E

TOWN OF HOULTON, MAINE

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

	General Fund	Tax Increment Financing	Airport Projects	Cemetery Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property taxes	\$ 6,222,772	\$ -	\$ -	\$ -	\$ -	\$ 6,222,772
Excise taxes	1,042,263	-	-	-	-	1,042,263
Intergovernmental revenue	1,271,092	-	-	-	-	1,271,092
Interest	92,122	-	-	10,420	193	102,735
Charges for services	1,817,835	-	-	-	-	1,817,835
Other revenues	234,392	3,812	362,007	-	595,664	1,195,875
TOTAL REVENUES	10,680,476	3,812	362,007	10,420	595,857	11,652,572
EXPENDITURES						
Current:						
General government	641,266	-	-	-	-	641,266
Protection	2,761,855	-	-	-	-	2,761,855
Public services	1,328,800	-	-	-	-	1,328,800
Employee benefits	1,435,777	-	-	-	-	1,435,777
Health and culture	318,043	-	-	-	-	318,043
Parks and recreation	502,310	-	-	-	-	502,310
Airport	172,448	-	-	-	-	172,448
Education	2,418,530	-	-	-	-	2,418,530
County tax	369,902	-	-	-	-	369,902
Unclassified	149,821	158,508	-	2,091	775,873	1,086,293
Capital outlay	-	-	431,258	-	300,231	731,489
Debt service:						
Principal	159,687	66,638	-	-	20,849	247,174
Interest	12,979	17,759	-	-	-	30,738
TOTAL EXPENDITURES	10,271,418	242,905	431,258	2,091	1,096,953	12,044,625
EXCESS OF REVENUES OVER (UNDER)						
EXPENDITURES	409,058	(239,093)	(69,251)	8,329	(501,096)	(392,053)
OTHER FINANCING SOURCES (USES)						
Proceeds from debt issuance	-	-	-	-	260,000	260,000
Transfers in	8,762	399,072	-	-	236,605	644,439
Transfers (out)	(613,784)	(21,893)	-	(8,329)	(433)	(644,439)
TOTAL OTHER FINANCING SOURCES (USES)	(605,022)	377,179	-	(8,329)	496,172	260,000
NET CHANGE IN FUND BALANCES (DEFICITS)	(195,964)	138,086	(69,251)	-	(4,924)	(132,053)
FUND BALANCES (DEFICITS) - JANUARY 1	1,881,382	1,708,581	9,389	548,768	272,523	4,420,643
FUND BALANCES (DEFICITS) - DECEMBER 31	\$ 1,685,418	\$ 1,846,667	\$ (59,862)	\$ 548,768	\$ 267,599	\$ 4,288,590

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

TOWN OF HOULTON, 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>\$ (132,053)</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	1,538,633
Depreciation expense	<u>(587,089)</u>
	<u>951,544</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:	
Taxes and liens receivable	<u>8,542</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	
Pensions	(386,575)
OPEB	<u>32,472</u>
	<u>(354,103)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	
	<u>(507,936)</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>247,174</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	
Pensions	336,282
OPEB	<u>(40,010)</u>
	<u>296,272</u>
Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	39,828
Net pension liability	385,435
Net OPEB liability	<u>(11,000)</u>
	<u>414,263</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 923,703</u></u>

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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Houlton was incorporated under the laws of the State of Maine. The Town operates under the town council-manager form of government and provides the following services: general government services, protection, public services, health and culture, parks and recreation, airport and education.

The Town'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 Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town 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.

TOWN OF HOULTON, 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 Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All activities of the Town are categorized as governmental.

In the government-wide Statement of Net Position, the governmental type 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 Town's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Town 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 Town's functions (general government, protection, 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.).

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town 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 Town:

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 Town:

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Tax Increment Financing Fund is a special revenue used to account for the proceeds and expenditures from the tax increment financing districts.
- c. The Airport Projects Fund is a capital projects fund used to account for the financial resources used for the acquisition or construction of airport facilities and equipment.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- d. The Cemetery Fund is a permanent fund used to account for assets held by the Town 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 Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

Nonmajor Funds

- e. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- f. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

The emphasis in fund financial statements is on the major funds in the governmental activities category. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

TOWN OF HOULTON, 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 Town'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. Early in the second half of the year the Town prepares a budget for the fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Town Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the Town Council.

Deposits and Investments

The Town'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.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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

The Town of Houlton has a formal investment policy which follows the State of Maine Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. 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 \$882,946 for the year ended December 31, 2018. The allowance for uncollectible accounts is estimated to be \$469,245 as of December 31, 2018.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). In the general fund, inventory consists of diesel fuel.

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. 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 Governmental Funds.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are valued at their estimated fair market 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, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 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.

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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Town's policies regarding vacation and sick time 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. As of December 31, 2018, the Town's liability for compensated absences is \$245,444.

Pensions

For purposes of measuring the net pension liability, 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 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.

OPEB

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 Town'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 Town 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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balances

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 Town 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.

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 inhabitants of the Town. The Town Council is the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through Town Council vote or citizen referendum.

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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Town currently has two types of items, deferred outflows related to pensions and OPEB. These items are 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 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 Town has deferred taxes, 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 advance payment of LRAP funding 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 pensions and OPEB 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 Town's property tax for the current year was levied August 27, 2018 on the assessed value listed as of April 1, 2018, for all real and personal property located in the Town. Taxes were due October 16, 2018. Interest on unpaid taxes commenced on October 17, 2018 at 8.0% 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 Town 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 \$82,896 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 Town has the authority to foreclose on

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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 Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town'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

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, 2018, the Town's cash balances amounting to \$3,062,140 were comprised of bank deposits of \$3,207,415. All of these bank deposits were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 261,487
Sweep accounts	2,926,812
Money market accounts	19,116
	<u>\$ 3,207,415</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

At December 31, 2018 the Town has 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>
Capital stocks	\$ 50,000	\$ 50,000	\$ -	\$ -
Certificates of deposit	546,845	-	-	546,845
	<u>\$ 596,845</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 546,845</u>

At December 31, 2018, the Town's investments amounting to \$596,845 were comprised of capital stocks of \$50,000 that are held in the Town's name and were uninsured and uncollateralized. The remaining investments in certificates of deposit totaling \$546,845 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

Fair Value Heirarchy

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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	Total December 31, 2018	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)
<u>Investments by fair value level</u>				
Equity securities:				
Capital stock	\$ 50,000	\$ -	\$ -	\$ 50,000
Total investments by fair value level	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>

Equity securities classified in Level 3 of the fair value hierarchy were valued by the Issuer at the rate set for each non-assessable capital stock, in this case, \$25 per share. The fair value of the capital stock recorded by the Town is determined from the financial statements received by the Town from the Issuer. The financial statements of the Issuer are audited by independent accountants annually. The Town has no Level 1 or Level 2 investments.

Credit risk - Statutes for the State of Maine authorize the Town 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 Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in money market accounts and various certificates of deposit.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 - 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	\$ 161,481	\$ 2,149,377
Tax Increment Financing Fund	1,847,291	-
Airport Projects Fund	-	59,862
Cemetery Fund	-	53,076
Nonmajor Special Revenue Funds	38,340	48,543
Nonmajor Capital Projects Funds	263,746	-
	<u>\$ 2,310,858</u>	<u>\$ 2,310,858</u>

NOTE 4 - CAPITAL ASSETS

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

	Balance 1/1/18	Additions	Disposals	Balance 12/31/18
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 1,392,358	\$ -	\$ -	\$ 1,392,358
Construction in progress	-	8,725	-	8,725
	<u>1,392,358</u>	<u>8,725</u>	<u>-</u>	<u>1,401,083</u>
Depreciated assets:				
Land improvements	7,281,384	39,500	-	7,320,884
Buildings	4,162,143	180,096	-	4,342,239
Building improvements	477,777	144,801	-	622,578
Equipment/vehicles	6,138,374	1,165,511	-	7,303,885
Infrastructure	3,188,435	-	-	3,188,435
	<u>21,248,113</u>	<u>1,529,908</u>	<u>-</u>	<u>22,778,021</u>
Less: accumulated depreciation	<u>(10,264,780)</u>	<u>(587,089)</u>	<u>-</u>	<u>(10,851,869)</u>
	<u>10,983,333</u>	<u>942,819</u>	<u>-</u>	<u>11,926,152</u>
Net capital assets	<u>\$ 12,375,691</u>	<u>\$ 951,544</u>	<u>\$ -</u>	<u>\$ 13,327,235</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

General government	\$ 5,993
Police department	35,337
Fire department	22,845
Public works	160,423
Parks and recreation	88,850
Airport	246,661
Town-wide	26,980
Total depreciation expenses	<u>\$ 587,089</u>

NOTE 5 - SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2018, was as follows:

	Balance 1/1/18	Draws	Repayments	Balance 12/31/18
Tax anticipation note	<u>\$ -</u>	<u>\$ 525,000</u>	<u>\$ (525,000)</u>	<u>\$ -</u>

On April 3, 2018, the Town issued a tax anticipation note through Machias Savings Bank in anticipation of taxes to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$525,000 at 1.49% interest with a maturity date of October 31, 2018. On October 13, 2017, the note was paid in full. Interest expense for the note was \$4,476.

NOTE 6 - LONG-TERM DEBT

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

	Balance 1/1/18 (Restated)	Additions	Reductions	Balance, 12/31/18	Current Portion
Bonds payable	\$ 1,780,562	\$ -	\$ (116,638)	\$ 1,663,924	\$ 117,233
Notes payable	252,204	260,000	(109,687)	402,517	120,071
Capital leases payable	41,646	247,936	(20,849)	268,733	20,799
Accrued compensated absences	285,272	-	(39,828)	245,444	12,272
Net pension liability	1,301,641	336,282	(721,717)	916,206	-
Net OPEB liability	739,175	82,955	(71,955)	750,175	-
Total	<u>\$ 4,400,500</u>	<u>\$ 927,173</u>	<u>\$ (1,080,674)</u>	<u>\$ 4,246,999</u>	<u>\$ 270,375</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds and notes payable:

Bonds payable:

\$1,000,000 2009 road bond payable dated May 28, 2009, due in November of 2029, with annual principal payments of \$50,000. Interest is charged at an annual rate varying from 2.080% to 5.580%.	\$ 550,000
\$647,250 2012 bond payable dated October 25, 2012, due in November of 2032, with estimated annual principal payments varying from \$25,674 to \$41,972. Interest is charged at an annual rate varying from 2.086% to 3.706%.	484,372
\$780,000 2014 clean water state revolving fund bond dated August 18, 2014, due in November of 2034, with estimated annual principal and interest payments of \$40,869. Interest is charged at an annual rate of .450%.	<u>629,552</u>
Total bonds payable	<u>1,663,924</u>

Notes payable:

\$260,000 note payable dated June 27, 2018, maturity in June of 2023, with annual principal and interest payments of \$56,639. Interest is charged at an annual rate of 2.99%.	260,000
\$250,100 note payable dated September 8, 2015, due in June of 2020, with annual principal and interest payments of \$52,467. Interest is charged at an annual rate of 1.75%.	102,186
\$60,000 note payable dated August 23, 2017, due in August of 2020 with annual principal and interest payments of \$20,673. Interest is charged at an annual rate of 1.65%	<u>40,331</u>
Total notes payable	<u>402,517</u>
Total bonds and notes payable	<u><u>\$ 2,066,441</u></u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 237,304	\$ 48,864	\$ 286,168
2020	240,138	43,241	283,379
2021	170,523	36,924	207,447
2022	172,914	32,438	205,352
2023	175,417	28,882	204,299
2024-2028	619,090	83,717	702,807
2029-2033	410,368	19,120	429,488
2034-2038	40,687	183	40,870
	<u>\$ 2,066,441</u>	<u>\$ 293,369</u>	<u>\$ 2,359,810</u>

The following is a summary of outstanding capital leases payable:

The Town leases cardiac monitors under a non-cancelable lease agreement. The term of the lease is for a four-year period expiring in February of 2019. Annual principal and interest payments are \$20,823.

The Town leases a grader under a non-cancelable lease agreement. The term of the lease is for a five-year period expiring in January of 2024. Annual principal and interest payments are \$59,824.

Future minimum payments by year and in the aggregate under these leases are as follows:

2019	\$ 20,799
2020	59,824
2021	59,824
2022	59,824
2023	59,824
2024	59,824
Total payments	<u>319,919</u>
Less: amount representing interest	<u>(51,186)</u>
Present value of future minimum lease payments	<u>\$ 268,733</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

NOTE 7 - OPERATING LEASE

In March 2015 the Town entered into a 5-year operating lease agreement with Autotronics, LLC for the lease and maintenance of ambulance units, both those belonging to the Town and those units loaned to it for operating use by Autotronics, LLC during the term of the agreement. The monthly amount due is \$8,589.

The Town entered into an operating lease with Toyota Lease Trust for the lease of a 2017 Toyota Camry on July 21, 2017. The total amount due is \$7,706 to be paid in monthly installments over 36 months.

The following is a schedule of future minimum payments under these leases:

2019	\$ 105,636
2020	<u>18,462</u>
Total lease payments	<u><u>\$ 124,098</u></u>

NOTE 8 - OVERLAPPING DEBT

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

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
RSU #29	\$ 1,971,684	73.21%	<u><u>\$ 1,443,470</u></u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 - NONSPENDABLE FUND BALANCE

The Town has the following nonspendable fund balance at December 31, 2018:

General fund:	
Inventory	<u>\$ 16,950</u>

NOTE 10 - RESTRICTED FUND BALANCES

The Town has the following restricted fund balances at December 31, 2018:

Nonmajor special revenue funds (Schedule E)	\$ 35,689
Cemetery fund	548,768
	<u>\$ 584,457</u>

NOTE 11 - COMMITTED FUND BALANCES

The Town has the following committed fund balances at December 31, 2018:

Tax increment financing fund	\$ 1,846,667
Nonmajor capital projects funds (Schedule G)	277,802
	<u>\$ 2,124,469</u>

NOTE 12 - ASSIGNED FUND BALANCE

The Town has the following assigned fund balance at December 31, 2018:

Nonmajor special revenue funds (Schedule E)	<u>\$ 2,651</u>
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NOTE 13 - OVERSPENT APPROPRIATIONS

The Town has the following overspent appropriations at December 31, 2018:

Public services	\$ 182,563
Health and culture	2,120
Airport	23,792
	<u>\$ 208,475</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 DEFICIT FUND BALANCES

At December 31, 2018, the Town had the following deficit fund balances:

Airport projects	\$ 59,862
Land and water	48,543
	<u>\$ 108,405</u>

NOTE 15 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town of Houlton's landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. Federal and state laws require that certain post closure care be met. The Town estimates that on an annual basis, some immaterial costs will be incurred for post closure care. The annual amount will be paid for within the Town's annual operating budget.

NOTE 16 - RISK MANAGEMENT

The Town 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 Town either carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

The Town is a member of the Maine Municipal Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker's compensation coverage. The Town's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies' reinsurance contracts, coverage for claims in excess of \$1,000,000.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension 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 Town (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 (207) 512-3100.

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. 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. As of June 30, 2018 there were 304 employers in the plan.

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 2.4%.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 Town's plan members are part of the PLD's plan "AC" and are required to contribute 8.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.6% of covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended December 31, 2018 was \$196,153.

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

At December 31, 2018, the Town reported a liability of \$916,206, for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2018, the Town's proportion was 0.334777%, which was an increase of 0.016867% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized net pension revenue of \$335,142. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,869	\$ 10,063
Changes of assumptions	146,233	-
Net difference between projected and actual earnings on pension plan investments	-	221,228
Changes in proportion and differences between contributions and proportionate share of contributions	78,566	497
Contributions subsequent to the measurement date	98,870	-
Total	<u>\$ 326,538</u>	<u>\$ 231,788</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$98,870 reported as deferred outflows of resources related to pensions resulting from Town 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:

	PLD Plan
Plan year ended June 30:	
2019	\$ 176,180
2020	27,379
2021	(150,500)
2022	(57,177)
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:

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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Mortality Rates - For participating local Towns, 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 – 2.20% for participating local Towns.

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:

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 collective 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, 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(asset) 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 Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
District's proportionate share of the net pension liability	\$ 2,159,376	\$ 916,206	\$ (245,817)

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in 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 three years for the PLD Consolidated Plan; prior to 2017, this was four years for the PLD Consolidated Plan.

Changes in Net Pension Liability

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.

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. The actuarial assumptions used for the year ended June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The Town and Town retirees contribute to the Town'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 Town and/or the Town 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 Town 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Employees Covered by Benefit Terms

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

Active members	45
Retirees and spouses	<u>6</u>
Total	<u><u>51</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 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>
POS 200	\$956.96	\$2,146.58
<u>Medicare</u>		
Medicare-Eligible Retirees	\$527.65	\$1,055.29

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

At June 30, 2018, the Town reported a liability of \$750,175 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 Town'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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

For the year ended June 30, 2018, the Town recognized OPEB expense of \$18,538. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 40,010
Changes of assumptions	32,472	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 32,472</u>	<u>\$ 40,010</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	\$ (1,508)
2020	(1,508)
2021	(1,508)
2022	(1,508)
2023	(1,506)
Thereafter	-

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:

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	2.44%	3.44%	4.44%
Total OPEB liability	\$ 867,644	\$ 750,175	\$ 655,099
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 867,644</u>	<u>\$ 750,175</u>	<u>\$ 655,099</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	\$ 702,547	\$ 750,175	\$ 809,207
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 702,547</u>	<u>\$ 750,175</u>	<u>\$ 809,207</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 January 1, 2017, using the following methods and assumptions applied to all periods included in the measurement:

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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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.

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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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:

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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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.

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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - 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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - 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 \$40,010.

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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 18 - 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 the Town office at 21 Water Street, Houlton, Maine 04730.

NOTE 19 - 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 Town's financial position.

In the normal course of operations, the Town receives grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 20 - RESTATEMENT

The net position of the governmental activities has been restated at July 1, 2017 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 \$739,175. The resulting restatement decreased net position from \$14,028,366 to \$13,289,191.

NOTE 21 - 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 Town'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.

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 Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of Changes in Net OPEB Liability
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

TOWN OF HOULTON, MAINE

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

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary Fund Balance, January 1	\$ 1,881,382	\$ 1,881,382	\$ 1,881,382	\$ -
Resources (Inflows):				
Property taxes	5,765,209	5,765,209	6,222,772	457,563
Excise taxes	940,500	940,500	1,042,263	101,763
Intergovernmental	1,251,987	1,251,987	1,271,092	19,105
Interest income	86,200	86,200	92,122	5,922
Charges for services	2,057,960	2,057,960	1,817,835	(240,125)
Other revenues	252,620	252,620	234,392	(18,228)
Transfers from other funds	465,585	465,585	8,762	(456,823)
Amounts Available for Appropriation	<u>12,701,443</u>	<u>12,701,443</u>	<u>12,570,620</u>	<u>(130,823)</u>
Charges to Appropriations (Outflows):				
General government	705,717	709,117	641,266	67,851
Protection	2,808,062	2,823,193	2,761,855	61,338
Public services	1,137,729	1,146,237	1,328,800	(182,563)
Employee benefits	1,508,000	1,497,805	1,435,777	62,028
Health and culture	315,923	315,923	318,043	(2,120)
Parks and recreation	522,000	523,156	502,310	20,846
Airport	148,656	148,656	172,448	(23,792)
Education	2,418,530	2,418,530	2,418,530	-
County tax	369,902	369,902	369,902	-
Unclassified	213,569	240,769	149,821	90,948
Debt service:				
Principal	165,210	165,210	159,687	5,523
Interest	12,979	12,979	12,979	-
Transfers to other funds	493,784	613,784	613,784	-
Total Charges to Appropriation	<u>10,820,061</u>	<u>10,985,261</u>	<u>10,885,202</u>	<u>100,059</u>
Budgetary Fund Balance - December 31	<u>\$ 1,881,382</u>	<u>\$ 1,716,182</u>	<u>\$ 1,685,418</u>	<u>\$ (30,764)</u>
Utilization of unassigned fund balance	<u>\$ -</u>	<u>\$ 165,200</u>	<u>\$ -</u>	<u>\$ (165,200)</u>

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

TOWN OF HOULTON, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan:</u>				
Proportion of the net pension liability (asset)	0.33%	0.32%	0.30%	0.29%
Proportionate share of the net pension liability (asset)	\$ 916,206	\$ 1,301,641	\$ 1,609,698	\$ 913,070
Covered-employee payroll	\$ 2,023,198	\$ 1,861,765	\$ 1,701,938	\$ 1,537,348
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.29%	69.91%	94.58%	59.39%
Plan fiduciary net position as a percentage of the total pension liability	91.14%	86.40%	81.61%	88.30%

* 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.

TOWN OF HOULTON, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan:</u>				
Contractually required contribution	\$ 196,153	\$ 165,198	\$ 156,124	\$ 116,196
Contributions in relation to the contractually required contribution	<u>(196,153)</u>	<u>(165,198)</u>	<u>(156,124)</u>	<u>(116,196)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,114,314	\$ 1,859,493	\$ 1,840,980	\$ 1,537,348
Contributions as a percentage of covered- employee payroll	9.28%	8.88%	8.48%	7.56%

* 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.

TOWN OF HOULTON, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 739,175	\$ -	\$ 739,175
Changes for the year:			
Service cost	15,896	-	15,896
Interest	28,093	-	28,093
Changes of benefits	-	-	-
Differences between expected and actual experience	(48,012)	-	(48,012)
Changes of assumptions	38,966	-	38,966
Contributions - employer	-	23,943	(23,943)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(23,943)	(23,943)	-
Administrative expense	-	-	-
Net changes	11,000	-	11,000
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 750,175</u>	<u>\$ -</u>	<u>\$ 750,175</u>

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

TOWN OF HOULTON, MAINE

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

	<u>2018</u>
<u>Total OPEB liability</u>	
Service cost (BOY)	15,896
Interest (includes interest on service cost)	28,093
Changes of benefit terms	-
Differences between expected and actual experience	(48,012)
Changes of assumptions	38,966
Benefit payments, including refunds of member contributions	<u>(23,943)</u>
Net change in total OPEB liability	\$ 11,000
Total OPEB liability - beginning	\$ 739,175
Total OPEB liability - ending	\$ 750,175
<u>Plan fiduciary net position</u>	
Contributions - employer	23,943
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(23,943)
Administrative expense	-
Net change in fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 750,175</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	\$ 1,894,674
Net OPEB liability as a percentage of covered payroll	39.6%

* 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.

TOWN OF HOULTON, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2018</u>
<u>MMEHT:</u>	
Employer contributions	\$ 23,943
Benefit payments	<u>(23,943)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 1,894,674
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.

TOWN OF HOULTON, MAINE

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

Changes of Assumptions

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM:

For the fiscal year ended June 30, 2018, the discount rate was reduced from 6.875% to 6.75%.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST:

The funding method for the MMEHT OPEB Plan 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF HOULTON, 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				
Property taxes	\$ 5,765,209	\$ 5,765,209	\$ 6,222,772	\$ 457,563
Excise taxes	940,500	940,500	1,042,263	101,763
Intergovernmental revenues:				
State revenue sharing	391,163	391,163	410,605	19,442
Homestead exemption	358,823	358,823	358,823	-
Local road assistance	103,048	103,048	101,824	(1,224)
Tree growth reimbursement	2,500	2,500	2,924	424
Veteran's reimbursement	5,800	5,800	5,849	49
BETE reimbursement	388,853	388,853	388,995	142
Snowmobile	1,800	1,800	2,072	272
Interest	86,200	86,200	92,122	5,922
Charges for services:				
Administration	40,200	40,200	39,805	(395)
Assessing	-	-	1	1
Police department	52,500	52,500	56,335	3,835
Fire department	147,430	147,430	146,949	(481)
Ambulance	1,470,180	1,470,180	1,221,126	(249,054)
Health and social services	7,000	7,000	12,712	5,712
Code enforcement office	22,000	22,000	8,985	(13,015)
Cemeteries	8,700	8,700	7,875	(825)
Public service	2,700	2,700	2,700	-
Parks and recreation	124,150	124,150	123,423	(727)
Rest area	43,000	43,000	42,539	(461)
Airport	139,500	139,500	154,393	14,893
Refuse	600	600	992	392
Other income:				
Parks and recreation building maintenance	10,000	10,000	12,262	2,262
Miscellaneous	242,620	242,620	222,130	(20,490)
Transfers from other funds	465,585	465,585	8,762	(456,823)
TOTAL REVENUES	\$ 10,820,061	\$ 10,820,061	\$ 10,689,238	\$ (130,823)

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

TOWN OF HOULTON, MAINE

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

	Original Budget	Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
GENERAL GOVERNMENT					
Administration	\$ 473,475	\$ 3,400	\$ 476,875	\$ 460,516	\$ 16,359
Assessing	123,455	-	123,455	76,197	47,258
Code enforcement	57,616	-	57,616	56,876	740
Community development	48,321	-	48,321	46,906	1,415
Planning board	2,850	-	2,850	771	2,079
Total	<u>705,717</u>	<u>3,400</u>	<u>709,117</u>	<u>641,266</u>	<u>67,851</u>
PROTECTION					
Protection	465,745	-	465,745	454,425	11,320
Police department	1,047,931	9,296	1,057,227	999,561	57,666
Fire department	506,798	4,588	511,386	517,076	(5,690)
Ambulance department	787,588	1,247	788,835	790,793	(1,958)
Total	<u>2,808,062</u>	<u>15,131</u>	<u>2,823,193</u>	<u>2,761,855</u>	<u>61,338</u>
PUBLIC SERVICES					
Public services	937,729	8,508	946,237	1,115,055	(168,818)
Road maintenance	200,000	-	200,000	213,745	(13,745)
Total	<u>1,137,729</u>	<u>8,508</u>	<u>1,146,237</u>	<u>1,328,800</u>	<u>(182,563)</u>
EMPLOYEE BENEFITS					
	<u>1,508,000</u>	<u>(10,195)</u>	<u>1,497,805</u>	<u>1,435,777</u>	<u>62,028</u>

TOWN OF HOULTON, MAINE

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

	Original Budget	Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
HEALTH AND CULTURE					
Health and social services	20,390	-	20,390	27,721	(7,331)
Outside agencies	194,488	-	194,488	194,760	(272)
Cemeteries	58,520	-	58,520	54,526	3,994
Rest area	42,525	-	42,525	41,036	1,489
Total	<u>315,923</u>	<u>-</u>	<u>315,923</u>	<u>318,043</u>	<u>(2,120)</u>
PARKS AND RECREATION					
Administration	207,999	1,156	209,155	190,986	18,169
Maintenance	118,897	-	118,897	118,897	-
Arena	195,104	-	195,104	192,427	2,677
Total	<u>522,000</u>	<u>1,156</u>	<u>523,156</u>	<u>502,310</u>	<u>20,846</u>
AIRPORT					
Administration	148,656	-	148,656	172,448	(23,792)
Total	<u>148,656</u>	<u>-</u>	<u>148,656</u>	<u>172,448</u>	<u>(23,792)</u>
EDUCATION					
	<u>2,418,530</u>	<u>-</u>	<u>2,418,530</u>	<u>2,418,530</u>	<u>-</u>
COUNTY TAX					
	<u>369,902</u>	<u>-</u>	<u>369,902</u>	<u>369,902</u>	<u>-</u>
DEBT SERVICE					
Principal	165,210	-	165,210	159,687	5,523
Interest	12,979	-	12,979	12,979	-
Total	<u>178,189</u>	<u>-</u>	<u>178,189</u>	<u>172,666</u>	<u>-</u>

TOWN OF HOULTON, MAINE

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

	Original Budget	Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
UNCLASSIFIED					
Public buildings	34,460	-	34,460	29,592	4,868
White building	5,700	-	5,700	5,186	514
Capital plan projects	4,000	-	4,000	3,654	346
Tax increment financing	66,513	-	66,513	66,513	-
Abatements	20,000	27,200	47,200	44,876	2,324
Overlay	82,896	-	82,896	-	82,896
Total	<u>213,569</u>	<u>27,200</u>	<u>240,769</u>	<u>149,821</u>	<u>90,948</u>
TRANSFERS					
Capital projects funds	94,712	120,000	214,712	214,712	-
Tax increment financing	399,072	-	399,072	399,072	-
Total	<u>493,784</u>	<u>120,000</u>	<u>613,784</u>	<u>613,784</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 10,820,061</u>	<u>\$ 165,200</u>	<u>\$ 10,985,261</u>	<u>\$ 10,885,202</u>	<u>\$ 94,536</u>

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

TOWN OF HOULTON, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 14,056	\$ 14,056
Due from other funds	38,340	263,746	302,086
TOTAL ASSETS	<u>\$ 38,340</u>	<u>\$ 277,802</u>	<u>\$ 316,142</u>
LIABILITIES			
Due to other funds	\$ 48,543	\$ -	\$ 48,543
TOTAL LIABILITIES	<u>48,543</u>	<u>-</u>	<u>48,543</u>
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted	35,689	-	35,689
Committed	-	277,802	277,802
Assigned	2,651	-	2,651
Unassigned	(48,543)	-	(48,543)
TOTAL FUND BALANCES (DEFICITS)	<u>(10,203)</u>	<u>277,802</u>	<u>267,599</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 38,340</u>	<u>\$ 277,802</u>	<u>\$ 316,142</u>

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

TOWN OF HOULTON, 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	Total Nonmajor Governmental Funds
REVENUES			
Interest income	\$ -	\$ 193	\$ 193
Other	447,968	147,696	595,664
TOTAL REVENUES	<u>447,968</u>	<u>147,889</u>	<u>595,857</u>
EXPENDITURES			
Capital outlay	-	300,231	300,231
Debt principal	-	20,849	20,849
Other	515,344	260,529	775,873
TOTAL EXPENDITURES	<u>515,344</u>	<u>581,609</u>	<u>1,096,953</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(67,376)</u>	<u>(433,720)</u>	<u>(501,096)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	260,000	260,000
Transfers in	26,893	209,712	236,605
Transfers (out)	(433)	-	(433)
TOTAL OTHER FINANCING SOURCES (USES)	<u>26,460</u>	<u>469,712</u>	<u>496,172</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(40,916)	35,992	(4,924)
FUND BALANCES (DEFICITS) - JANUARY 1	<u>30,713</u>	<u>241,810</u>	<u>272,523</u>
FUND BALANCES (DEFICITS) - DECEMBER 31	<u>\$ (10,203)</u>	<u>\$ 277,802</u>	<u>\$ 267,599</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.

TOWN OF HOULTON, MAINE

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

	Community Development Reserve	Emergency Management	Animal Control	Fire Truck	Land and Water	White Building	Wellness Grant	McGillicuddy	Easement Pay	Underage Grant	Total
ASSETS											
Due from other funds	\$ 12,016	\$ 4,409	\$ 6,592	\$ -	\$ -	\$ 10,000	\$ 2,164	\$ 651	\$ 2,000	\$ 508	\$ 38,340
TOTAL ASSETS	<u>\$ 12,016</u>	<u>\$ 4,409</u>	<u>\$ 6,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 2,164</u>	<u>\$ 651</u>	<u>\$ 2,000</u>	<u>\$ 508</u>	<u>\$ 38,340</u>
LIABILITIES											
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 48,543	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,543
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,543</u>
FUND BALANCES (DEFICITS)											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	12,016	4,409	6,592	-	-	10,000	2,164	-	-	508	35,689
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	651	2,000	-	2,651
Unassigned	-	-	-	-	(48,543)	-	-	-	-	-	(48,543)
TOTAL FUND BALANCES (DEFICITS)	<u>12,016</u>	<u>4,409</u>	<u>6,592</u>	<u>-</u>	<u>(48,543)</u>	<u>10,000</u>	<u>2,164</u>	<u>651</u>	<u>2,000</u>	<u>508</u>	<u>(10,203)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)											
	<u>\$ 12,016</u>	<u>\$ 4,409</u>	<u>\$ 6,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 2,164</u>	<u>\$ 651</u>	<u>\$ 2,000</u>	<u>\$ 508</u>	<u>\$ 38,340</u>

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

TOWN OF HOULTON, MAINE

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

	Community Development Reserve	Emergency Management	Animal Control	Fire Truck	Land and Water	White Building	Wellness Grant	McGillicuddy	Easement Pay	Underage Grant	Total
REVENUES											
Other income	\$ -	\$ -	\$ 5,495	\$ 374,159	\$ 62,852	\$ 5,000	\$ -	\$ 462	\$ -	\$ -	\$ 447,968
TOTAL REVENUES	-	-	5,495	374,159	62,852	5,000	-	462	-	-	447,968
EXPENDITURES											
Other	-	1,484	6,699	396,052	110,962	-	147	-	-	-	515,344
TOTAL EXPENDITURES	-	1,484	6,699	396,052	110,962	-	147	-	-	-	515,344
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,484)	(1,204)	(21,893)	(48,110)	5,000	(147)	462	-	-	(67,376)
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	21,893	-	5,000	-	-	-	-	26,893
Transfers (out)	-	-	-	-	(433)	-	-	-	-	-	(433)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	21,893	(433)	5,000	-	-	-	-	26,460
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(1,484)	(1,204)	-	(48,543)	10,000	(147)	462	-	-	(40,916)
FUND BALANCES (DEFICITS) - JANUARY 1	12,016	5,893	7,796	-	-	-	2,311	189	2,000	508	30,713
FUND BALANCES (DEFICITS) - DECEMBER 31	\$ 12,016	\$ 4,409	\$ 6,592	\$ -	\$ (48,543)	\$ 10,000	\$ 2,164	\$ 651	\$ 2,000	\$ 508	\$ (10,203)

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 funds.

TOWN OF HOULTON, MAINE

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

	Admin. Projects	Protection Projects	Public Service Projects	Parks and Recreation Projects	Shiretown Project	Amphi- theater	Capital Reserve	Boy and Boat	Total
ASSETS									
Cash and cash equivalents	\$ -	\$ 4,744	\$ -	\$ -	\$ 7,916	\$ 1,396	\$ -	\$ -	\$ 14,056
Due from other funds	3,326	13,835	34,564	29,145	26,270	32	155,886	688	263,746
TOTAL ASSETS	\$ 3,326	\$ 18,579	\$ 34,564	\$ 29,145	\$ 34,186	\$ 1,428	\$ 155,886	\$ 688	\$ 277,802
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	3,326	18,579	34,564	29,145	34,186	1,428	155,886	688	277,802
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	3,326	18,579	34,564	29,145	34,186	1,428	155,886	688	277,802
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,326	\$ 18,579	\$ 34,564	\$ 29,145	\$ 34,186	\$ 1,428	\$ 155,886	\$ 688	\$ 277,802

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

TOWN OF HOULTON, MAINE

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

	Admin. Projects	Protection Projects	Public Service Projects	Parks and Recreation Projects	Shiretown Project	Amphi- theater	Capital Reserve	Boy and Boot	Total
REVENUES									
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 164	\$ 29	\$ -	\$ -	\$ 193
Other income	-	55,253	-	92,443	-	-	-	-	147,696
TOTAL REVENUES	-	55,253	-	92,443	164	29	-	-	147,889
EXPENDITURES									
Capital outlay	-	-	-	178,050	-	-	122,181	-	300,231
Debt principal	-	-	-	-	-	-	20,849	-	20,849
Other	-	83,735	83,822	91,118	1,785	69	-	-	260,529
TOTAL EXPENDITURES	-	83,735	83,822	269,168	1,785	69	143,030	-	581,609
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES									
	-	(28,482)	(83,822)	(176,725)	(1,621)	(40)	(143,030)	-	(433,720)
OTHER FINANCING SOURCES (USES)									
Proceeds from debt issuance	-	-	81,950	178,050	-	-	-	-	260,000
Transfers in	-	-	-	-	-	-	209,712	-	209,712
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	81,950	178,050	-	-	209,712	-	469,712
NET CHANGE IN FUND BALANCES									
	-	(28,482)	(1,872)	1,325	(1,621)	(40)	66,682	-	35,992
FUND BALANCES - JANUARY 1									
	3,326	47,061	36,436	27,820	35,807	1,468	89,204	688	241,810
FUND BALANCES - DECEMBER 31									
	<u>\$ 3,326</u>	<u>\$ 18,579</u>	<u>\$ 34,564</u>	<u>\$ 29,145</u>	<u>\$ 34,186</u>	<u>\$ 1,428</u>	<u>\$ 155,886</u>	<u>\$ 688</u>	<u>\$ 277,802</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.

TOWN OF HOULTON, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
DECEMBER 31, 2018

	Land, Construction in Progress and Non-Depreciable Assets	Buildings, Building and Land Improvements	Furniture Fixtures Equipment & Vehicles	Infrastructure	Total
General government	\$ 33,000	\$ 418,443	\$ 185,616	\$ -	\$ 637,059
Police department	-	42,789	566,866	-	609,655
Fire department	-	-	2,860,127	-	2,860,127
Public works	69,300	372,486	2,798,159	3,188,435	6,428,380
Parks and recreation	49,725	2,610,527	564,005	-	3,224,257
Airport	554,158	7,876,299	266,912	-	8,697,369
Town-wide	694,900	965,157	62,200	-	1,722,257
Total General Capital Assets	1,401,083	12,285,701	7,303,885	3,188,435	24,179,104
Less: Accumulated Depreciation	-	(4,895,791)	(5,507,852)	(448,226)	(10,851,869)
Net General Capital Assets	\$ 1,401,083	\$ 7,389,910	\$ 1,796,033	\$ 2,740,209	\$ 13,327,235

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

TOWN OF HOULTON, MAINE

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

	General Capital Assets 1/1/18	Additions	Deletions	General Capital Assets 12/31/18
General government	\$ 637,059	\$ -	\$ -	\$ 637,059
Police department	573,395	36,260	-	609,655
Fire department	2,461,383	398,744	-	2,860,127
Public works	5,877,902	550,478	-	6,428,380
Parks and recreation	2,932,430	291,827	-	3,224,257
Airport	8,436,045	261,324	-	8,697,369
Town-wide	<u>1,722,257</u>	<u>-</u>	<u>-</u>	<u>1,722,257</u>
Total General Capital Assets	22,640,471	1,538,633	-	24,179,104
Less: Accumulated Depreciation	<u>(10,264,780)</u>	<u>(587,089)</u>	<u>-</u>	<u>(10,851,869)</u>
Net General Capital Assets	<u><u>\$ 12,375,691</u></u>	<u><u>\$ 951,544</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,327,235</u></u>

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



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

Town Council
Town of Houlton
Houlton, 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 Town Houlton, Maine as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Houlton, Maine's basic financial statements, and have issued our report thereon dated April 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Houlton, 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 of Houlton, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Houlton 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 Town of Houlton, Maine'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.

RHR Smith & Company

Buxton, Maine
April 25, 2019