

Federal Compliance Audit

Town of Houlton, Maine

December 31, 2023



Proven Expertise & Integrity

TOWN OF HOULTON, MAINE

DECEMBER 31, 2023

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 12

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT A - STATEMENT OF NET POSITION	13 - 14
STATEMENT B - STATEMENT OF ACTIVITIES	15 - 16

FUND FINANCIAL STATEMENTS

STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	17
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	18
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	19
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
NOTES TO FINANCIAL STATEMENTS	21 - 65

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	66
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	67
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	68
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS - PENSION	69

SCHEDULE 4 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - GROUP LIFE	70
SCHEDULE 5 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY - HEALTH PLAN	71
SCHEDULE 6 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - HEALTH PLAN	72
SCHEDULE 7 - SCHEDULE OF CONTRIBUTIONS - OPEB - GROUP LIFE AND HEALTH PLAN	73
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	74
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	75
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND REVENUES	76
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	77 - 79
SCHEDULE C - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	80
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	81
SPECIAL REVENUE FUNDS DESCRIPTION	82
SCHEDULE E - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	83 - 84
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR SPECIAL REVENUE FUNDS	85 - 86
CAPITAL PROJECTS FUNDS DESCRIPTION	87
SCHEDULE G - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS	88

SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS	89
GENERAL CAPITAL ASSETS DESCRIPTION	90
SCHEDULE I - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	91
SCHEDULE J - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	92
<u>FEDERAL COMPLIANCE</u>	
FEDERAL COMPLIANCE DESCRIPTION	93
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	94
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	95
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	96 - 97
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	98 - 100
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	101



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INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Houlton
Houlton, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023 and the related notes to the financial statements, which collectively comprise the Town of Houlton, Maine's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Town of Houlton, Maine as of December 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Houlton, Maine's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise doubt about the Town of Houlton, Maine's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 5 through 12 and 67 through 74 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Houlton, Maine'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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2024, on our consideration of the Town of Houlton, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town of Houlton, Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Houlton, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
August 5, 2024

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

(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, 2023. 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, 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, employee benefits, 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, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pension, Schedule of Proportionate Share of the Net OPEB Liability - Group Life, Schedule of Changes in Net OPEB Liability - Health Plan, Schedule of Changes in Net OPEB Liability and Related Ratios - Health Plan, Schedule of Contributions - OPEB - Group Life, Schedule of Contributions - OPEB - Health Plan and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These 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 \$3,304,185 from \$19,366,399 to \$22,670,584.

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 \$2,369,059 at the end of this year.

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

	2023	2022 (Restated)
Assets:		
Current Assets	\$ 9,495,327	\$ 7,931,660
Noncurrent Assets - Capital Assets	17,659,910	17,379,646
Total Assets	27,155,237	25,311,306
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	474,730	561,291
Deferred Outflows Related to OPEB	72,673	105,591
Total Deferred Outflows of Resources	547,403	666,882
Liabilities:		
Current Liabilities	960,639	1,203,497
Noncurrent Liabilities	3,235,983	3,997,407
Total Liabilities	4,196,622	5,200,904
Deferred Inflows of Resources:		
Prepaid Taxes	39,803	19,441
LRAP Funding	65,552	58,642
Deferred Revenue	180,238	518,636
Deferred Inflows Related to Pensions	198,798	400,571
Deferred Inflows Related to OPEB	351,043	413,595
Total Deferred Inflows of Resources	835,434	1,410,885
Net Position:		
Net Investment in Capital Assets	15,605,637	14,691,255
Restricted	4,695,888	3,858,257
Unrestricted	2,369,059	816,887
Total Net Position	\$ 22,670,584	\$ 19,366,399

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

	<u>2023</u>	<u>2022</u>
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 1,552,174	\$ 1,386,989
Operating grants and contributions	124,194	246,700
Capital grants and contributions	-	576,623
<i>General revenues:</i>		
Taxes:		
Property taxes, levied for general purposes	7,947,562	6,083,918
Excise taxes	1,129,697	1,089,830
Grants and contributions not restricted to specific programs	2,683,722	2,302,071
Interest	132,199	117,173
Other revenues	2,325,278	755,066
Total Revenues	<u>15,894,826</u>	<u>12,558,370</u>
Expenses		
General government	841,220	860,041
Protection	3,358,230	3,176,827
Public services	1,229,718	1,421,811
Employee benefits	1,246,507	1,883,245
Health and culture	332,585	312,828
Parks and recreation	781,915	677,960
Airport	432,187	432,616
Education	2,275,752	2,161,466
County tax	517,910	473,334
Unclassified	951,935	282,676
Capital outlay	588,860	1,020,336
Interest on long-term debt	33,822	53,936
Total Expenses	<u>12,590,641</u>	<u>12,757,076</u>
Change in Net Position	3,304,185	(198,706)
Net Position - January 1, Restated	<u>19,366,399</u>	<u>19,565,105</u>
Net Position - December 31	<u>\$ 22,670,584</u>	<u>\$ 19,366,399</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 26.57%, while total expenses decreased by 1.30%. The increases in revenues were mainly the result of property taxes and other revenues. The decrease in expenses were primarily due to a decrease in employee benefits and capital outlay.

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,

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease)</u>
General Fund:			
Nonspendable	\$ 62,629	\$ 52,916	\$ 9,713
Unassigned	2,412,362	2,035,895	376,467
Total General Fund	<u>\$ 2,874,991</u>	<u>\$ 2,088,811</u>	<u>\$ 786,180</u>
Tax Increment Financing Fund:			
Restricted	\$ 3,723,876	\$ 3,167,289	\$ 556,587
Total Tax Increment Financing Fund	<u>\$ 3,723,876</u>	<u>\$ 3,167,289</u>	<u>\$ 556,587</u>
Airport Projects Fund:			
Restricted	\$ 292,191	\$ 73,074	\$ 219,117
Total Airport Projects Fund	<u>\$ 292,191</u>	<u>\$ 73,074</u>	<u>\$ 219,117</u>
Cemetery Fund:			
Restricted	\$ 542,497	\$ 542,817	\$ (320)
Total Cemetery Fund	<u>\$ 542,497</u>	<u>\$ 542,817</u>	<u>\$ (320)</u>
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 137,324	\$ 75,077	\$ 62,247
Assigned	8,701	17,317	(8,616)
Unassigned	(55,401)	(55,401)	-
Capital Projects Funds:			
Committed	598,361	514,545	83,816
Total Nonmajor Funds	<u>\$ 688,985</u>	<u>\$ 551,538</u>	<u>\$ 137,447</u>

The changes to total fund balances for the general fund, tax increment financing fund, airport projects fund, cemetery fund and the aggregate nonmajor funds occurred due to the regular activity of operations.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues were over budgeted amounts by \$305,560. All revenue categories were in excess of budgeted amounts with the exception of property taxes and other revenues.

The general fund actual expenditures were under budgeted amounts by \$552,037. All expenditure categories were within or under budgeted amounts with the exception of airport and transfers to other funds.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2023, the net book value of capital assets recorded by the Town increased by \$280,264 over the prior year. This increase was the result of net capital additions of \$1,129,090 less current year depreciation of \$848,826. Refer to Note 5 of Notes to Financial Statements for more detailed information.

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

	2023	2022 (Restated)
Land and construction in progress	\$ 1,403,043	\$ 5,849,448
Buildings and improvements	10,675,991	6,146,931
Equipment and vehicles	2,965,740	2,684,153
Infrastructure	2,446,567	2,530,545
Right of use lease assets	168,569	168,569
	\$ 17,659,910	\$ 17,379,646

Debt

At December 31, 2023, the Town had \$2,054,273 in bonds, notes from direct borrowings payable and lease liabilities outstanding versus \$2,688,391 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

The Town has also noted a subsequent event as a currently known fact. Refer to Note 24 of Notes to Financial Statements for more detailed information.

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 two 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.

TOWN OF HOULTON, MAINE
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,808,481
Investments	605,441
Accounts receivable (net of allowance for uncollectibles):	
Taxes	790,915
Liens	168,948
Other	1,004,476
Due from other governments	54,437
Inventory	62,629
Total current assets	<u>9,495,327</u>
Noncurrent assets:	
Capital assets:	
Land, construction in progress and other assets not being depreciated	1,403,043
Buildings, vehicles, equipment and other assets, net of accumulated depreciation	16,128,790
Right of use lease assets	128,077
Total noncurrent assets	<u>17,659,910</u>
TOTAL ASSETS	<u>27,155,237</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	474,730
Deferred outflows related to OPEB	72,673
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>547,403</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 27,702,640</u>

STATEMENT A (CONTINUED)
TOWN OF HOULTON, MAINE
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 156,689
Accrued payroll	159,079
Due to other governments	7,556
Current portion of long-term obligations	637,315
Total current liabilities	<u>960,639</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	948,704
Notes from direct borrowings payable	478,098
Lease liabilities	48,297
Accrued compensated absences	174,422
Net pension liability (asset)	1,171,507
Net OPEB liability	414,955
Total noncurrent liabilities	<u>3,235,983</u>
TOTAL LIABILITIES	<u>4,196,622</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	39,803
LRAP funding	65,552
Deferred revenue	180,238
Deferred inflows related to pensions	198,798
Deferred inflows related to OPEB	351,043
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>835,434</u>
NET POSITION	
Net investment in capital assets	15,605,637
Restricted	4,695,888
Unrestricted	2,369,059
TOTAL NET POSITION	<u>22,670,584</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 27,702,640</u>

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

STATEMENT B

TOWN OF HOULTON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services/ Other	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 841,220	\$ 104,894	\$ -	\$ -	\$ (736,326)
Protection	3,358,230	1,200,662	-	-	(2,157,568)
Public services	1,229,718	2,101	124,194	-	(1,103,423)
Employee benefits	1,246,507	-	-	-	(1,246,507)
Health and culture	332,585	27,819	-	-	(304,766)
Parks and recreation	781,915	73,344	-	-	(708,571)
Airport	432,187	143,354	-	-	(288,833)
Education	2,275,752	-	-	-	(2,275,752)
County tax	517,910	-	-	-	(517,910)
Unclassified	951,935	-	-	-	(951,935)
Capital outlay	588,860	-	-	-	(588,860)
Interest on long-term debt	33,822	-	-	-	(33,822)
Total governmental activities	<u>\$ 12,590,641</u>	<u>\$ 1,552,174</u>	<u>\$ 124,194</u>	<u>\$ -</u>	<u>(10,914,273)</u>

STATEMENT B (CONTINUED)

TOWN OF HOULTON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(10,914,273)
General revenues:	
Taxes:	
Property taxes, levied for general purposes	7,947,562
Excise taxes	1,129,697
Grants and contributions not restricted to specific programs	2,683,722
Interest	132,199
Other revenues	2,325,278
Total general revenues	14,218,458
Change in net position	3,304,185
Net position - January 1, Restated	19,366,399
Net position - December 31	\$ 22,670,584

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

STATEMENT C

TOWN OF HOULTON, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Tax Increment Financing	Airport Projects	Cemetery Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,586,994	\$ -	\$ -	\$ 12,605	\$ 208,882	\$ 6,808,481
Investments	78,596	-	-	526,845	-	605,441
Accounts receivable (net of allowance for uncollectibles):						
Taxes	790,915	-	-	-	-	790,915
Liens	168,948	-	-	-	-	168,948
Other	1,004,476	-	-	-	-	1,004,476
Due from other governments	-	-	-	-	54,437	54,437
Inventory	62,629	-	-	-	-	62,629
Due from other funds	122,660	3,723,876	292,191	3,047	728,564	4,870,338
TOTAL ASSETS	\$ 8,815,218	\$ 3,723,876	\$ 292,191	\$ 542,497	\$ 991,883	\$ 14,365,665
LIABILITIES						
Accounts payable	\$ 156,689	\$ -	\$ -	\$ -	\$ -	\$ 156,689
Accrued payroll	159,079	-	-	-	-	159,079
Due to other governments	7,556	-	-	-	-	7,556
Due to other funds	4,747,678	-	-	-	122,660	4,870,338
TOTAL LIABILITIES	5,071,002	-	-	-	122,660	5,193,662
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	39,803	-	-	-	-	39,803
LRAP funding	65,552	-	-	-	-	65,552
Deferred revenue	-	-	-	-	180,238	180,238
Deferred taxes	763,870	-	-	-	-	763,870
TOTAL DEFERRED INFLOWS OF RESOURCES	869,225	-	-	-	180,238	1,049,463
FUND BALANCES						
Nonspendable	62,629	-	-	-	-	62,629
Restricted	-	3,723,876	292,191	542,497	137,324	4,695,888
Committed	-	-	-	-	598,361	598,361
Assigned	400,000	-	-	-	8,701	408,701
Unassigned (deficit)	2,412,362	-	-	-	(55,401)	2,356,961
TOTAL FUND BALANCES	2,874,991	3,723,876	292,191	542,497	688,985	8,122,540
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,815,218	\$ 3,723,876	\$ 292,191	\$ 542,497	\$ 991,883	\$ 14,365,665

See accompanying independent auditor's 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, 2023

	Total Governmental Funds
	Funds
Total Fund Balances	\$ 8,122,540
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	17,659,910
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	763,870
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds:	
Pensions	474,730
OPEB	72,673
Long-term obligations shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(1,070,144)
Notes from direct borrowings payable	(893,323)
Lease liabilities	(90,806)
Accrued compensated absences	(232,563)
Net pension liability (asset)	(1,171,507)
Net OPEB liability	(414,955)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds:	
Pensions	(198,798)
OPEB	(351,043)
	\$ 22,670,584
Net position of governmental activities	

See accompanying independent auditor's 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, 2023

	General Fund	Tax Increment Financing	Airport Projects	Cemetery Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property taxes	\$ 7,666,023	\$ -	\$ -	\$ -	\$ -	\$ 7,666,023
Excise taxes	1,129,697	-	-	-	-	1,129,697
Intergovernmental revenue	2,807,916	-	-	-	-	2,807,916
Interest	131,206	-	-	440	553	132,199
Charges for services	1,552,174	-	-	-	-	1,552,174
Other revenues	163,901	16,011	1,161,044	3,300	981,022	2,325,278
TOTAL REVENUES	13,450,917	16,011	1,161,044	3,740	981,575	15,613,287
EXPENDITURES						
Current:						
General government	785,884	-	-	-	-	785,884
Protection	3,200,978	-	-	-	-	3,200,978
Public services	1,139,653	-	-	-	-	1,139,653
Employee benefits	1,655,760	-	-	-	-	1,655,760
Health and culture	332,585	-	-	-	-	332,585
Parks and recreation	666,214	-	-	-	-	666,214
Airport	171,279	-	-	-	-	171,279
Education	2,275,752	-	-	-	-	2,275,752
County tax	517,910	-	-	-	-	517,910
Unclassified	352,199	-	-	4,060	554,478	910,737
Capital outlay	-	281,373	941,927	-	494,650	1,717,950
Debt service:						
Principal	505,752	-	-	-	-	505,752
Interest	33,822	-	-	-	-	33,822
TOTAL EXPENDITURES	11,637,788	281,373	941,927	4,060	1,049,128	13,914,276
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,813,129	(265,362)	219,117	(320)	(67,553)	1,699,011
OTHER FINANCING SOURCES (USES)						
Transfers in	-	821,949	-	-	205,000	1,026,949
Transfers (out)	(1,026,949)	-	-	-	-	(1,026,949)
TOTAL OTHER FINANCING SOURCES (USES)	(1,026,949)	821,949	-	-	205,000	-
NET CHANGE IN FUND BALANCES	786,180	556,587	219,117	(320)	137,447	1,699,011
FUND BALANCES - JANUARY 1	2,088,811	3,167,289	73,074	542,817	551,538	6,423,529
FUND BALANCES - DECEMBER 31	\$ 2,874,991	\$ 3,723,876	\$ 292,191	\$ 542,497	\$ 688,985	\$ 8,122,540

See accompanying independent auditor's 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, 2023

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 1,699,011</u>
<p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset acquisitions	1,129,090
Depreciation expense	<u>(848,826)</u>
	<u>280,264</u>
<p>Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:</p>	
Taxes and liens receivable	<u>281,539</u>
<p>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:</p>	
Pensions	(86,561)
OPEB	<u>(32,918)</u>
	<u>(119,479)</u>
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position</p>	
	<u>634,118</u>
<p>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:</p>	
Pensions	201,773
OPEB	<u>62,552</u>
	<u>264,325</u>
<p>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:</p>	
Accrued compensated absences	480,130
Net pension liability	<u>(243,035)</u>
Net OPEB liability	<u>27,312</u>
	<u>264,407</u>
Change in net position of governmental activities (Statement B)	<u>\$ 3,304,185</u>

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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, protection, public services, employee benefits, health and culture, parks and recreation, airport, education and unclassified.

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, 2023, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. 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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 96 "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 99 "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. 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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.).

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 and 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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fund used to account for the proceeds and expenditures from the tax increment financing districts. The primary source of revenue for this fund is taxes.
- 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. The primary source of revenue for this fund is intergovernmental.
- 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence 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. The allowance for uncollectible accounts is estimated to be \$0 as of December 31, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$1,058,913 for the year ended December 31, 2023.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 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 capital assets are reported 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A right of use lease asset is required to be reported at the present value of payments expected to be made during the lease term including and any/all other required financial lease obligations in accordance with the terms of the lease and excluding interest. A lease asset will be amortized in a straight-line basis over the lease term or the useful life of the underlying asset (whichever is shorter).

Estimated useful lives are as follows:

Buildings and improvements	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 obligations 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 obligations to be repaid from governmental resources are reported as liabilities in government-wide statements. The long-term obligations consist of bonds payable, notes from direct borrowings payable, lease liabilities, accrued 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.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Participating Local District (PLD) Consolidated Plan 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits (OPEB)

For purposes of measuring the Town's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System OPEB Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the 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 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 provided by the terms of the Town Charter and 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.

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 this item, deferred outflows related to pensions and OPEB. These items are reported in the statement of net position.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 September 12, 2023 on the assessed value listed as of April 1, 2023, for all real and personal property located in the Town. Taxes were due December 28, 2023. Interest on unpaid taxes commenced on December 29, 2023 at 8.00% 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 \$356,721 for the year ended December 31, 2023. The town issued \$113,731 in property tax abatements in FY 2023.

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 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).

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The 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.

At December 31, 2023, the Town's cash balances amounting to \$6,808,481 were comprised of bank deposits of \$6,956,882. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash balance. All of these bank deposits were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 339,479
Sweep accounts	6,444,515
ICS accounts	172,888
	<u>\$ 6,956,882</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.

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. Certificates of deposit held with local financial institutions for \$555,441 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value. At December 31, 2023 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	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2023, the Town's investment in capital stocks of \$50,000 are comprised of certificates held by the Town to serve as evidence of ownership and therefore there is no exposure to custodial credit risk. The remaining investments in certificates of deposit totaling \$555,441 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Certificates of deposit held with Katadhin Trust Company for \$555,441 are excluded from the fair value hierarchy as these investments are considered held to maturity and are therefore not measured at fair value. The Town has the following recurring fair value measurements as of December 31, 2023:

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	Total December 31, 2023	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	\$ 50,000	\$ -	\$ -	\$ 50,000

Equity securities classified in Level III 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 I or Level II 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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2023 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 122,660	\$ 4,747,678
Tax Increment Financing Fund	3,723,876	-
Airport Projects Fund	292,191	-
Cemetery Fund	3,047	-
Nonmajor Special Revenue Funds	146,025	122,660
Nonmajor Capital Projects Funds	582,539	-
	<u>\$ 4,870,338</u>	<u>\$ 4,870,338</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The result of amounts owed between funds are considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at December 31, 2023 consisted of the following:

	Transfers To	Transfers From
General Fund	\$ -	\$ 1,026,949
Tax Increment Financing Fund	821,949	-
Nonmajor Capital Projects Funds	205,000	-
	<u>\$ 1,026,949</u>	<u>\$ 1,026,949</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2023:

	Balance 1/1/23 (Restated)	Additions	Disposals	Balance 12/31/23
Non-depreciated assets:				
Land	\$ 1,392,358	\$ -	\$ -	\$ 1,392,358
Construction in progress	4,457,090	10,685	(4,457,090)	10,685
	<u>5,849,448</u>	<u>10,685</u>	<u>(4,457,090)</u>	<u>1,403,043</u>
Depreciated assets:				
Land improvements	7,320,884	4,910,537	-	12,231,421
Buildings	4,342,239	-	-	4,342,239
Building improvements	875,015	-	-	875,015
Equipment/vehicles	8,501,734	664,958	-	9,166,692
Infrastructure	3,297,214	-	-	3,297,214
Right of use lease assets	168,569	-	-	168,569
	<u>24,505,655</u>	<u>5,575,495</u>	<u>-</u>	<u>30,081,150</u>
Less: accumulated depreciation	<u>(12,975,457)</u>	<u>(848,826)</u>	<u>-</u>	<u>(13,824,283)</u>
	<u>11,530,198</u>	<u>4,726,669</u>	<u>-</u>	<u>16,256,867</u>
Net capital assets	<u>\$ 17,379,646</u>	<u>\$ 4,737,354</u>	<u>\$ (4,457,090)</u>	<u>\$ 17,659,910</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

General government	\$ 55,336
Police department	17,582
Fire department	139,670
Public works	218,431
Parks and recreation	115,701
Airport	260,908
Town-wide	41,198
Total depreciation expenses	<u>\$ 848,826</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2023:

	Balance, 1/1/23	Additions	Reductions	Balance, 12/31/23	Current Portion
Bonds payable	\$ 1,190,583	\$ -	\$ (120,439)	\$ 1,070,144	\$ 121,440
Notes from direct borrowings payable	1,366,510	-	(473,187)	893,323	415,225
Lease liabilities	131,298	-	(40,492)	90,806	42,509
Total	<u>\$ 2,688,391</u>	<u>\$ -</u>	<u>\$ (634,118)</u>	<u>\$ 2,054,273</u>	<u>\$ 579,174</u>

The following is a summary of the outstanding bonds, notes from direct borrowings payable and lease liabilities:

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 a fixed annual rate varying from 2.080% to 5.580% per annum.	\$ 300,000
\$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 a fixed annual rate varying from 2.086% to 3.706% per annum.	332,491
\$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 a fixed annual rate of 0.450% per annum.	<u>437,653</u>
Total bonds payable	<u>1,070,144</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Notes from direct borrowings payable:

\$260,700 note payable for ambulance dated November 3, 2020, due in November 2025, with annual principal and interest payments of \$55,227. Interest is charged at 1.90% per annum.	107,326
\$260,700 note payable for ambulance dated November 3, 2020, due in November 2025, with annual principal and interest payments of \$55,227. Interest is charged at 1.90% per annum.	107,326
\$260,700 note payable for ambulance dated November 3, 2020, due in November 2025, with annual principal and interest payments of \$55,227. Interest is charged at 1.90% per annum.	107,326
\$260,700 note payable for ambulance dated November 3, 2020, due in November 2025, with annual principal and interest payments of \$55,227. Interest is charged at 1.90% per annum.	107,326
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. Interest is charged at a fixed annual rate of 4.7% per annum.	111,551
The Town leases Var Technology cameras under a non-cancelable lease agreement. The term of the lease is for a three-year period expiring in December of 2024. Annual principal payments are \$37,873.	37,873
\$177,509 note payable for a 2022 Western Star dump truck dated March 1, 2021, due in March 2024, with an initial principal and interest payment of \$40,000 on October 25, 2021 and then annual principal and interest payments of \$47,541. Interest is charged at 1.66% per annum.	46,741
\$277,071 note payable for a 2020 Sweeper dated August 16, 2022, due in November 2027, with annual initial principal and interest payment of \$61,675.30 beginning November, 2023. Interest is charged at 3.35% per annum.	227,101
\$49,828 note payable for a 2022 Chevy Truck dated October 5, 2022, due in November 2027, with annual initial principal and interest payment of \$11,240.18 beginning November, 2023. Interest is charged at 3.99% per annum.	40,753
Total notes from direct borrowings payable	<u>893,323</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Lease liabilities:

In November 2020, 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 varies by year from \$2,500 to \$3,333. 71,250

In September 2019, the Town entered into a 5-year lease agreement with US Bank for the lease of copiers. The monthly amount of principal and interest is \$202. 1,780

In April 2022, the Town entered into a 5-year lease agreement with Xerox Financial Services for the lease of a printer. The monthly amount of principal and interest is \$84. 3,376

In May 2012, the Town entered into a 20-year lease agreement with Dunn Furniture Co. for the lease of a plot used for signage. The yearly amount of lease is \$1800. 14,400

Total lease liabilities 90,806

Total bonds, notes from direct borrowings payable and lease liabilities \$ 2,054,273

The right of use lease assets associated with these lease liabilities (including amortization/depreciation applicable to the same) are presented as a separate category of Capital Assets and are grouped accordingly on the Statement of Net Position.

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

	Bonds Payable		Notes from Direct Borrowings Payable		Lease Liabilities		TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 121,440	\$ 18,280	\$ 415,225	\$ 32,546	\$ 42,509	\$ 41	\$ 630,041
2025	122,577	17,941	339,547	20,833	36,146	-	537,044
2026	123,761	13,505	68,073	10,913	2,813	-	219,065
2027	124,994	9,403	70,478	4,422	2,138	-	211,435
2028	126,318	8,079	-	2,026	1,800	-	138,223
2029-2033	410,368	18,086	-	-	5,400	-	433,854
2034-2038	40,686	183	-	-	-	-	40,869
	<u>\$ 1,070,144</u>	<u>\$ 85,477</u>	<u>\$ 893,323</u>	<u>\$ 70,740</u>	<u>\$ 90,806</u>	<u>\$ 41</u>	<u>\$ 2,210,531</u>

All bonds, notes from direct borrowings payable and lease liabilities 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in the other long-term obligations for the year ended December 31, 2023:

	Balance, 1/1/23	Additions	Reductions	Balance, 12/31/23	Current Portion
Accrued compensated absences	\$ 712,693	\$ -	\$ (480,130)	\$ 232,563	\$ 58,141
Net pension liability (asset)	928,472	656,148	(413,113)	1,171,507	-
Net OPEB liability	442,267	30,479	(57,791)	414,955	-
Total	<u>\$ 2,083,432</u>	<u>\$ 686,627</u>	<u>\$ (951,034)</u>	<u>\$ 1,819,025</u>	<u>\$ 58,141</u>

Please see Notes 8, 18 and 19 for more detailed information on each of these other long-term obligations.

NOTE 8 - ACCRUED 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 obligations 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, 2023, the Town's liability for compensated absences is \$232,563.

NOTE 9 - 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, 2023, the County of Aroostook had no outstanding debt. The Town's share of school debt was approximately:

	Outstanding Debt	Town's Percentage	Total Share
RSU #29	\$ 839,795	72.05%	<u>\$ 605,058</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the Town at December 31, 2023:

Invested in capital assets	\$ 31,484,193
Accumulated depreciation	(13,824,283)
Outstanding capital related debt	<u>(2,054,273)</u>
	<u>\$ 15,605,637</u>

NOTE 11 - NONSPENDABLE FUND BALANCE

The Town has the following nonspendable fund balance at December 31, 2023:

General fund:	
Inventory	<u>\$ 62,629</u>

NOTE 12 - RESTRICTED NET POSITION AND FUND BALANCES

The Town has the following restricted net position and fund balances at December 31, 2023:

Tax increment financing fund	\$ 3,723,876
Airport projects	292,191
Cemetery fund	542,497
Nonmajor special revenue funds (Schedule E):	
Community development reserve	14,960
Emergency management	20,055
Downtown center grant	57,816
Animal control	17,035
White building	1,427
Wellness grant	1,539
COVID-19	12,325
Efficiency	11,659
Underage grant	508
	<u>\$ 4,695,888</u>

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 13 - COMMITTED FUND BALANCES

The Town has the following committed fund balances at December 31, 2023:

Nonmajor capital projects funds (Schedule G)	<u>\$ 598,361</u>
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NOTE 14 - ASSIGNED FUND BALANCES

The Town has the following assigned fund balances at December 31, 2023:

General Fund:	
FY 2024 reduction of taxes	\$ 400,000
Nonmajor special revenue funds (Schedule E)	<u>8,701</u>
	<u>\$ 408,701</u>

NOTE 15 - DEFICIT FUND BALANCES

The Town had the following deficit fund balances at December 31, 2023:

Nonmajor special revenue funds (Schedule E)	
Police Putnam	\$ 16,616
Fuel tank	<u>38,785</u>
	<u>\$ 55,401</u>

NOTE 16 - 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 17 - 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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 17 - RISK MANAGEMENT (CONTINUED)

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, 2023. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 18 - 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.maineopers.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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with other PLD employers under applicable statutory provisions. As of June 30, 2023, there were 327 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 3.88%.

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 "AC" or "3C" plans and are required to contribute either 7.70% or 9.30% for the AC plan of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate for the AC plan is 10.20% and 3C plan is 12.80% of covered payroll. Member contribution rates are defined by law or by the System's Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended December 31, 2023 was \$396,495.

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

At December 31, 2023, the Town reported a liability of \$1,171,507, for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2023 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, 2023, the Town's proportion was 0.367134%, which was an increase of 0.017869% from its proportion measured as of June 30, 2022.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended December 31, 2023, the Town recognized net pension expense of \$127,823. At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>PLD Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 217,491	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	198,798
Changes in proportion and differences between contributions and proportionate share of contributions	45,899	-
Contributions subsequent to the measurement date	<u>211,340</u>	<u>-</u>
Total	<u>\$ 474,730</u>	<u>\$ 198,798</u>

\$211,340 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan
Plan year ended June 30:	
2024	\$ 15,161
2025	(161,445)
2026	201,635
2027	9,241
2028	-
Thereafter	-

Actuarial Methods and Assumptions

The respective collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2023, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal cost method is used to determine costs. Under this cost 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 the member's expected future salary. The normal cost for each employee is the product of the member's pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

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

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2023 are as follows:

Investment Rate of Return - 6.50% per annum for the year ended June 30, 2023 and for the year ended June 30, 2022, compounded annually.

Salary Increases, Merit and Inflation - 2.75% -11.48%

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

Cost of Living Benefit Increases - 1.91%

The long-term expected rate of return on pension plan investments 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 geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following table.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 18 - 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%	2.6%
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%	3.2%
Alternative Credit	5.0%	7.4%
Diversifiers	10.0%	5.0%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2023 for the Plan. 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 as of June 30, 2023 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 6.50% for the PLD Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.50%	6.50%	7.50%
District's proportionate share of the net pension liability (asset)	\$ 3,210,013	\$ 1,171,507	\$ (510,096)

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2023 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2023 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors is 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 first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2023, 2022, 2021 and 2020, this was three years for the PLD Consolidated Plan. For 2019, this was four years for the PLD Consolidated Plan. For 2018 and 2017, this was three years; prior to 2017, this was four years for the PLD Consolidated Plan.

Differences between Expected 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. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

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, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020. Please refer to the *Actuarial Methods and Assumptions* section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Please refer to the *Actuarial Methods and Assumptions* section for information relating to the use of assumptions.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2023 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan of the Maine Public Employees Retirement System (MainePERS)), a cost-sharing multiple-employer defined benefit plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. As of June 30, 2023, there were 146 employers participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Benefits Provided

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

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period. The Town's contribution to the Plan for the year ended December 31, 2023 was \$9,106.

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

At December 31, 2023, the Town reported a liability of \$69,291 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2023 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liabilities were based on a projection of the Town's long-term share of contributions to the Plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2023, the Town's proportion was 0.507286%, which was an increase of 0.027110% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Town recognized net OPEB revenue of \$4,614. At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	<u>PLD Life Insurance</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,231	\$ 542
Changes of assumptions	3,386	15,311
Net difference between projected and actual earnings on pension plan investments	2,230	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,855	9,476
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 10,702</u>	<u>\$ 25,329</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>PLD Life Insurance</u>
Plan year ended June 30:	
2024	\$ (7,333)
2025	(7,640)
2026	2,602
2027	(1,882)
2028	(374)
Thereafter	-

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2023, using the following methods and assumptions applied to all periods included in the measurement:

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Cost Method

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

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

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

Asset Valuation Method

Investments are reported at fair value.

Amortization

The net OPEB liability of the Plan is amortized on a level percentage of payroll over a thirty-year period on a closed basis. As of June 30, 2023, there were 7 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2023 actuarial valuation was based on the results of an actuarial experience study conducted for the period of July, 1, 2015 to June 30, 2020.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2023 are as follows:

Investment Rate of Return - For the PLD Plan, 6.50% per annum, compounded annually.

Inflation Rate - 2.75%

Annual Salary Increases including Inflation - For the PLD Plan, 2.75% to 11.48% per year.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Mortality Rates - For active members and non-disabled retirees of the Plan, the 2010 Public Plan General Benefits - Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model is used.

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

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

Form of Benefit Payment - Lump sum

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2023 are summarized in the following table. Assets for the defined benefit plan are pooled for investment purposes.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.00%	6.00%
Real estate	5.00%	5.20%
Traditional credit	15.00%	3.20%
US Government securities	10.00%	2.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the collective total OPEB liability was 6.50% for 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

The following table shows how the collective net OPEB liability as of June 30, 2023 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 6.50% for the PLD Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Life Insurance: Discount rate	5.50%	6.50%	7.50%
Town's proportionate share of the net OPEB benefits liability	\$ 96,106	\$ 69,291	\$ 47,736

Changes in Net OPEB Liability

Each employer's share of the collective net OPEB liability is equal to the collective net OPEB liability multiplied by the employer's proportionate share as of June 30, 2023 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2023 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in the plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no differences between expected and actual experience as of June 30, 2023.

Differences between Projected and Actual Investment Earnings on OPEB Plan Investments

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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Changes in Assumptions

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

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

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2023.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2023 Annual Comprehensive Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

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

Employees Covered by Benefit Terms

At January 1, 2023, the following employees were covered by the benefit terms:

Active members	40
Retirees and spouses	<u>3</u>
Total	<u><u>43</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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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	\$1,086	\$2,436
PPO 1500	\$957	\$2,148
<u>Medicare</u>		
Medicare-Eligible Retirees	\$601	\$1,201

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

At December 31, 2023, the Town reported a liability of \$345,664 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2023 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.

For the year ended December 31, 2023, the Town recognized OPEB revenue of \$52,332. At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>MMEHT</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 262,597
Changes of assumptions	52,495	63,117
Contributions subsequent to the measurement date	9,476	-
Total	<u>\$ 61,971</u>	<u>\$ 325,714</u>

\$9,476 were reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>MMEHT</u>
Plan year ended December 31:	
2024	\$ (71,824)
2025	(60,784)
2026	(60,785)
2027	(22,230)
2028	(26,222)
Thereafter	(31,374)

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2023. 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 3.72% per annum for January 1, 2023 was based upon a measurement date of December 29, 2022. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.72%	3.72%	4.72%
Total OPEB liability	\$ 400,331	\$ 345,664	\$ 301,084
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 400,331</u>	<u>\$ 345,664</u>	<u>\$ 301,084</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

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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	\$ 295,138	\$ 345,664	\$ 410,247
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 295,138</u>	<u>\$ 345,664</u>	<u>\$ 410,247</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, 2023, 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.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2021. 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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Assumptions

The actuarial assumptions used in the January 1, 2023 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2022 and based on the experience study covering the period from June 30, 2016 through June 30, 2021. As of January 1, 2023, they are as follows:

Discount Rate - 3.72% per annum for year end 2023 reporting. 2.06% per annum for year end 2022 reporting.

Trend Assumptions:

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007 and version 2023_fl was used for this valuation. The following assumptions were input into this model:

<u>Variable</u>	<u>Rate</u>
Rate of Inflation	3.00%
Rate of Growth in Real Income/GDP per capital 2032+	1.50%
Extra Trend due to Taste/Technology 2032+	0.80%
Expected Health Share of GDP 2032	19.80%
Health Share of GDP Resistance Point	19.00%
Year for Limiting Cost Growth to GDP Growth	2043

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The trends selected from 2023 to 2026 were based on plan design, population weighting, renewal projections and market analysis. For years 2027 to 2031, these are interpolated from 2026 to 2032 (which is the product of the inflation, GDP and extra trend rate assumptions).

Deductibles, Co-payments and Out of Pocket Maximums are assumed to increase at the above trend rates. The ultimate trend rate reflects an assumed nominal per capital GDP growth.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Administrative and claims expense: 3% per annum

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

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, 2021.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims. A constant cost sharing in plan design between employer and employees is assumed.

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.

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:

Healthy Annuitant- Based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95 and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

parameters used in the RPEC_2020 model are those included in the published MP-2020 scale. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Active Employees - Rates of mortality are based on 83.5% and 88.6% of the 2010 Public Plan General Benefits- Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model as described in the healthy annuitant mortality. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

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

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended December 31, 2023 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 net difference between expected and actual experience as of January 1, 2023 was (\$262,597).

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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 January 1, 2023 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Differences between 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.

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 20 - TAX INCREMENT FINANCING AGREEMENTS

The Town has established eight tax increment financing districts under the terms of applicable state laws.

The Town may provide financial assistance to local economic development projects by using the new property taxes that result from the commercial investment and corresponding increase in taxable property valuation. This is accomplished by utilizing municipal tax increment financing district (TIF) in accordance with Chapter 260 of MRSA Title 30-A. The Town Council is authorized by statute to establish a Municipal Tax Increment Financing District and establish the Development Plan subject to the approval by the Commissioner of the Maine Department of Economic and Community Development.

Tax Increment Financing Districts allow the Town to “shelter” the increased property valuation from the computation of its State subsidies (General Purpose Aid to Education and Municipal Revenue Sharing) and Aroostook County tax assessments.

The Development Plan may authorize the Town to enter into a Credit Enhancement Agreement (C.E.A.). The C.E.A. is a mechanism to assist the

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 20 - TAX INCREMENT FINANCING AGREEMENTS

development project by using all or a portion of the incremental property tax revenues generated by the new investment to pay certain authorized project cost directly to the developer.

The Town had eight approved Tax Increment Financing Districts as of December 31, 2023. The following table shows the tax increment financing districts approved by the Town Council and the State of Maine’s Department of Economic and Community Development.

TIF District	Term	Years	Captured Value	Acreage
Airport	3/30/2006 - 3/29/2026	20	\$ 3,502,100	166.61
Aroostook Water Care	4/1/2016 - 3/31/2026	10	3,600	0.13
Brenda Brown	4/1/2018 - 3/31/2028	10	378,000	0.82
Downtown Omnibus	4/1/2009 - 3/30/2029	20	8,472,300	35.22
Maple Grove	4/1/2015 - 3/30/2025	10	12,000	0.16
North Street	3/30/2006 - 3/29/2026	20	11,329,700	634.71
Houlton Rental Center	3/1/2021 - 3/1/2026	5	70,300	0
Tate and Lyle	3/30/2006 - 3/29/2026	20	2,209,600	53.15

For FY 2023, the Town captured \$821,949 in TIF tax revenues and disbursed \$64,777 in C.E.A. payments to 5 developers. The remaining \$757,172 was applied toward eligible local expenditures.

NOTE 21 - CONTINGENCIES

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.

TOWN OF HOULTON, MAINE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 22 - OVERSPENT APPROPRIATIONS

At December 31, 2023, the Town had the following overspent appropriations:

Airport	\$ 85,704
Transfers to other funds	<u>74,520</u>
	<u>\$ 160,224</u>

NOTE 23 - RESTATEMENT

In 2023, the Town determined that certain transactions in prior years had been omitted, therefore, a restatement to the 2022 government-wide financial statements was required. The beginning balance for capital assets increased by \$77,749 and long-term debt increased by \$132,984. The restatements decreased government-wide beginning net position by \$55,235 from \$19,421,634 to \$19,366,399.

NOTE 24 - SUBSEQUENT EVENT

On February 26, 2024 the Town approved the issuance of a \$320,000 note from direct borrowings payable to Katahdin Trust for a 2024 John Deere 634P wheeled loader at a fixed interest rate of 4.94% per annum.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental 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 (Asset)
- Schedule of Contributions - Pension
- Schedule of Proportionate Share of the Net OPEB Liability - Group Life
- Schedule of Changes in Net OPEB Liability - Health Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - Health Plan
- Schedule of Contributions - OPEB - Group Life and Health Plan
- 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, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, January 1	\$ 2,088,811	\$ 2,088,811	\$ 2,088,811	\$ -
Resources (Inflows):				
Property taxes	7,939,835	7,939,835	7,666,023	(273,812)
Excise taxes	1,099,800	1,099,800	1,129,697	29,897
Intergovernmental	2,527,531	2,527,531	2,807,916	280,385
Interest income	94,000	94,000	131,206	37,206
Charges for services	1,261,354	1,261,354	1,552,174	290,820
Other revenues	222,837	222,837	163,901	(58,936)
Amounts Available for Appropriation	15,234,168	15,234,168	15,539,728	305,560
Charges to Appropriations (Outflows):				
General government	819,064	819,064	785,884	33,180
Protection	3,415,000	3,415,000	3,200,978	214,022
Public services	1,209,134	1,209,134	1,139,653	69,481
Employee benefits	1,854,248	1,854,248	1,655,760	198,488
Health and culture	339,808	339,808	332,585	7,223
Parks and recreation	705,911	705,911	666,214	39,697
Airport	85,575	85,575	171,279	(85,704)
Education	2,275,752	2,275,752	2,275,752	-
County tax	517,910	517,910	517,910	-
Unclassified	432,810	432,810	352,199	80,611
Debt service:				
Principal	575,311	575,311	505,752	69,559
Interest	33,822	33,822	33,822	-
Transfers to other funds	952,429	952,429	1,026,949	(74,520)
Total Charges to Appropriation	13,216,774	13,216,774	12,664,737	552,037
Budgetary Fund Balance - December 31	\$ 2,017,394	\$ 2,017,394	\$ 2,874,991	\$ 857,597
Utilization of Unassigned Fund Balance	\$ 71,417	\$ 71,417	\$ -	\$ (71,417)

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

TOWN OF HOULTON, MAINE

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>									
Proportion of the net pension liability (asset)	0.37%	0.35%	0.34%	0.34%	0.33%	0.33%	0.32%	0.30%	0.29%
Proportionate share of the net pension liability (asset)	\$ 1,171,507	\$ 928,472	\$ (107,667)	\$ 1,367,992	\$ 1,020,176	\$ 916,206	\$ 1,301,641	\$ 1,609,698	\$ 913,070
Covered payroll	\$ 3,395,353	\$ 2,575,124	\$ 2,180,440	\$ 2,197,653	\$ 2,109,339	\$ 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 payroll	34.50%	36.06%	-4.94%	62.25%	48.36%	45.29%	69.91%	94.58%	59.39%
Plan fiduciary net position as a percentage of the total pension liability (asset)	82.95%	93.26%	100.86%	88.35%	90.62%	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 auditor's report and notes to financial statements.

TOWN OF HOULTON, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>									
Contractually required contribution	\$ 396,495	\$ 325,343	\$ 224,591	\$ 214,495	\$ 202,572	\$ 196,153	\$ 165,198	\$ 156,124	\$ 116,196
Contributions in relation to the contractually required contribution	<u>(396,495)</u>	<u>(325,343)</u>	<u>(224,591)</u>	<u>(214,495)</u>	<u>(202,572)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,553,521	\$ 3,102,276	\$ 2,202,106	\$ 2,233,671	\$ 2,139,250	\$ 2,114,314	\$ 1,859,493	\$ 1,840,980	\$ 1,537,348
Contributions as a percentage of covered payroll	11.16%	10.49%	10.20%	9.60%	9.47%	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 auditor's report and notes to financial statements.

TOWN OF HOULTON, MAINE

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

	2023	2022	2021	2020	2019	2018	2017	2016
<u>PLD Life Insurance:</u>								
Proportion of the net OPEB liability	0.51%	0.53%	0.52%	0.56%	0.54%	0.56%	0.51%	0.57%
Town's proportionate share of the net OPEB liability	\$ 69,291	\$ 77,476	\$ 53,350	\$ 74,067	\$ 115,539	\$ 113,374	\$ 114,817	\$ 95,041
Total	<u>\$ 69,291</u>	<u>\$ 77,476</u>	<u>\$ 53,350</u>	<u>\$ 74,067</u>	<u>\$ 115,539</u>	<u>\$ 113,374</u>	<u>\$ 114,817</u>	<u>\$ 95,041</u>
Covered payroll	\$ 3,395,353	\$ 2,575,124	\$ 2,180,440	\$ 2,197,653	\$ 2,109,339	\$ 2,023,198	\$ 1,861,765	\$ 1,701,938
Proportionate share of the net OPEB liability as a percentage of its covered payroll	2.04%	3.01%	2.45%	3.37%	5.48%	5.60%	6.17%	5.58%
Plan fiduciary net position as a percentage of the total OPEB liability	59.71%	55.88%	55.40%	43.18%	43.92%	47.42%	0.00%	0.00%

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

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

TOWN OF HOULTON, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - HEALTH PLAN
FOR THE YEAR ENDED DECEMBER 31, 2023

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/22 (Reporting December 31, 2022)	\$ 364,791	\$ -	\$ 505,796
Changes for the year:			
Service cost	22,585	-	22,585
Interest	7,894	-	7,894
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(41,178)	-	(41,178)
Contributions - employer	-	8,428	(8,428)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(8,428)	(8,428)	-
Administrative expense	-	-	-
Net changes	<u>(19,127)</u>	<u>-</u>	<u>(19,127)</u>
Balances at 1/1/23 (Reporting December 31, 2023)	<u>\$ 345,664</u>	<u>\$ -</u>	<u>\$ 486,669</u>

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

TOWN OF HOULTON, MAINE

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

	2023	2022	2021	2020	2019	2018
<u>Total OPEB liability</u>						
Service cost (BOY)	\$ 22,585	\$ 28,352	\$ 24,485	\$ 20,215	\$ 22,959	\$ 15,896
Interest (includes interest on service cost)	7,894	11,198	12,898	29,314	26,165	28,093
Changes of benefit terms	-	-	-	(9,168)	-	-
Differences between expected and actual experience	-	(147,211)	-	(355,108)	-	(48,012)
Changes of assumptions	(41,178)	(21,392)	27,944	85,229	(66,257)	38,966
Benefit payments, including refunds of member contributions	(8,428)	(11,952)	(11,492)	(26,287)	(25,276)	(23,943)
Net change in total OPEB liability	\$ (19,127)	\$ (141,005)	\$ 53,835	\$ (255,805)	\$ (42,409)	\$ 11,000
Total OPEB liability - beginning	\$ 364,791	\$ 505,796	\$ 451,961	\$ 707,766	\$ 750,175	\$ 739,175
Total OPEB liability - ending	\$ 345,664	\$ 364,791	\$ 505,796	\$ 451,961	\$ 707,766	\$ 750,175
<u>Plan fiduciary net position</u>						
Contributions - employer	8,428	11,952	11,492	26,287	25,276	23,943
Contributions - member	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(8,428)	(11,952)	(11,492)	(26,287)	(25,276)	(23,943)
Administrative expense	-	-	-	-	-	-
Net change in fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability - ending	\$ 345,664	\$ 364,791	\$ 505,796	\$ 451,961	\$ 707,766	\$ 750,175
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered payroll	\$ 2,013,730	\$ 2,013,730	\$ 2,022,391	\$ 2,022,391	\$ 1,894,674	\$ 1,894,674
Net OPEB liability as a percentage of covered payroll	17.2%	18.1%	25.0%	22.3%	37.4%	39.6%

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

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

TOWN OF HOULTON, MAINE

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

	2023	2022	2021	2020	2019	2018	2017	2016
<u>PLD Life Insurance:</u>								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,553,521	\$ 3,102,276	\$ 2,202,106	\$ 2,233,671	\$ 2,139,250	\$ 2,114,314	\$ 1,859,493	\$ 1,840,980
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

	2023	2022	2020	2020	2019	2018
<u>MMEHT:</u>						
Employer contributions	\$ 8,428	\$ 11,952	\$ 11,492	\$ 26,287	\$ 25,276	\$ 23,943
Benefit payments	(8,428)	(11,952)	(11,492)	(26,287)	(25,276)	(23,943)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,013,730	\$ 2,013,730	\$ 2,022,391	\$ 2,022,391	\$ 1,894,674	\$ 1,894,674
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

TOWN OF HOULTON, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

Changes of Assumptions

MEPERS PLD Pension Plan:

There were no changes to the actuarial assumptions.

MEPERS PLD OPEB Plan:

There were no changes to the actuarial assumptions.

MMEHT OPEB Plan:

There was a change in the discount rate from 2.06% to 3.72% per GASB 75 discount rate selection. Ultimate medical trends were aligned to the higher inflation environment for the roll forward as of this measurement date.

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

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental 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, 2023**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 7,939,835	\$ 7,939,835	\$ 7,666,023	\$ (273,812)
Excise taxes	1,099,800	1,099,800	1,129,697	29,897
Intergovernmental revenues:				
State revenue sharing	1,521,331	1,521,331	1,553,126	31,795
Homestead exemption	501,520	501,520	511,875	10,355
Local road assistance	105,613	105,613	124,194	18,581
Tree growth reimbursement	2,900	2,900	5,013	2,113
Veteran's reimbursement	5,800	5,800	5,189	(611)
BETE reimbursement	388,367	388,367	388,818	451
Stabilization reimbursement	-	-	215,889	215,889
Snowmobile	2,000	2,000	3,812	1,812
Interest	94,000	94,000	131,206	37,206
Charges for services:				
Administration	40,200	40,200	48,844	8,644
Assessing	-	-	2,005	2,005
Police department	42,300	42,300	42,800	500
Fire department	165,797	165,797	186,364	20,567
Ambulance	861,918	861,918	971,498	109,580
Health and social services	16,800	16,800	11,819	(4,981)
Code enforcement office	25,500	25,500	54,045	28,545
Cemeteries	8,300	8,300	16,000	7,700
Public service	3,000	3,000	200	(2,800)
Parks and recreation	48,500	48,500	73,344	24,844
Rest area	-	-	-	-
Airport	48,084	48,084	143,354	95,270
Refuse	955	955	1,901	946
Other income:				
Parks and recreation arena	85,250	85,250	77,734	(7,516)
Parks and recreation building maintenance	5,000	5,000	9,359	4,359
Services	1,150	1,150	1,172	22
Miscellaneous	131,437	131,437	75,636	(55,801)
TOTAL REVENUES	\$ 13,145,357	\$ 13,145,357	\$ 13,450,917	\$ 305,560

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

TOWN OF HOULTON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
GENERAL GOVERNMENT					
Administration	\$ 588,421	\$ -	\$ 588,421	\$ 566,204	\$ 22,217
Assessing	101,135	-	101,135	97,040	4,095
Code enforcement	62,891	-	62,891	59,567	3,324
Community development	63,767	-	63,767	62,832	935
Planning board	2,850	-	2,850	241	2,609
Total	819,064	-	819,064	785,884	33,180
PROTECTION					
Protection	469,192	-	469,192	507,475	(38,283)
Police department	1,351,868	-	1,351,868	1,187,501	164,367
Fire department	645,303	-	645,303	591,288	54,015
Ambulance department	948,637	-	948,637	914,714	33,923
Total	3,415,000	-	3,415,000	3,200,978	214,022
PUBLIC SERVICES					
Public services	951,634	-	951,634	871,974	79,660
Road maintenance	257,500	-	257,500	267,679	(10,179)
Total	1,209,134	-	1,209,134	1,139,653	69,481
EMPLOYEE BENEFITS					
	1,854,248	-	1,854,248	1,655,760	198,488

SCHEDULE B (CONTINUED)

TOWN OF HOULTON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
HEALTH AND CULTURE					
Health and social services	35,865	-	35,865	24,900	10,965
Outside agencies	203,970	-	203,970	204,033	(63)
Cemeteries	99,973	-	99,973	103,652	(3,679)
Total	<u>339,808</u>	<u>-</u>	<u>339,808</u>	<u>332,585</u>	<u>7,223</u>
PARKS AND RECREATION					
Administration	144,910	-	144,910	134,949	9,961
Youth	82,500	-	82,500	80,776	1,724
Maintenance	260,683	-	260,683	244,084	16,599
Arena	217,818	-	217,818	206,405	11,413
Total	<u>705,911</u>	<u>-</u>	<u>705,911</u>	<u>666,214</u>	<u>39,697</u>
AIRPORT					
Administration	85,575	-	85,575	171,279	(85,704)
Total	<u>85,575</u>	<u>-</u>	<u>85,575</u>	<u>171,279</u>	<u>(85,704)</u>
EDUCATION					
	<u>2,275,752</u>	<u>-</u>	<u>2,275,752</u>	<u>2,275,752</u>	<u>-</u>
COUNTY TAX					
	<u>517,910</u>	<u>-</u>	<u>517,910</u>	<u>517,910</u>	<u>-</u>
DEBT SERVICE					
Principal	575,311	-	575,311	505,752	69,559
Interest	33,822	-	33,822	33,822	-
Total	<u>609,133</u>	<u>-</u>	<u>609,133</u>	<u>539,574</u>	<u>69,559</u>

TOWN OF HOULTON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
UNCLASSIFIED					
Public buildings	48,989	-	48,989	45,368	3,621
White building	7,100	-	7,100	6,300	800
Capital plan projects	-	-	-	186,800	(186,800)
Abatements	20,000	-	20,000	113,731	(93,731)
Overlay	356,721	-	356,721	-	356,721
Total	<u>432,810</u>	<u>-</u>	<u>432,810</u>	<u>352,199</u>	<u>80,611</u>
TRANSFERS					
Capital projects funds	205,000	-	205,000	205,000	-
Tax increment financing	747,429	-	747,429	821,949	(74,520)
Total	<u>952,429</u>	<u>-</u>	<u>952,429</u>	<u>1,026,949</u>	<u>(74,520)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 13,216,774</u>	<u>\$ -</u>	<u>\$ 13,216,774</u>	<u>\$ 12,664,737</u>	<u>\$ 552,037</u>

See accompanying independent auditor’s report and notes to financial statements.

TOWN OF HOULTON, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 193,060	\$ 15,822	\$ 208,882
Due from other governments	54,437	-	54,437
Due from other funds	146,025	582,539	728,564
TOTAL ASSETS	<u>\$ 393,522</u>	<u>\$ 598,361</u>	<u>\$ 991,883</u>
LIABILITIES			
Due to other funds	\$ 122,660	\$ -	\$ 122,660
TOTAL LIABILITIES	<u>122,660</u>	<u>-</u>	<u>122,660</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	180,238	-	180,238
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>180,238</u>	<u>-</u>	<u>180,238</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	137,324	-	137,324
Committed	-	598,361	598,361
Assigned	8,701	-	8,701
Unassigned (deficit)	(55,401)	-	(55,401)
TOTAL FUND BALANCES	<u>90,624</u>	<u>598,361</u>	<u>688,985</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 393,522</u>	<u>\$ 598,361</u>	<u>\$ 991,883</u>

See accompanying independent auditor's 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, 2023

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Interest income	\$ -	\$ 553	\$ 553
Other	552,953	428,069	981,022
TOTAL REVENUES	<u>552,953</u>	<u>428,622</u>	<u>981,575</u>
EXPENDITURES			
Capital outlay	-	494,650	494,650
Other	499,322	55,156	554,478
TOTAL EXPENDITURES	<u>499,322</u>	<u>549,806</u>	<u>1,049,128</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>53,631</u>	<u>(121,184)</u>	<u>(67,553)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	205,000	205,000
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>205,000</u>	<u>205,000</u>
NET CHANGE IN FUND BALANCES	53,631	83,816	137,447
FUND BALANCES - JANUARY 1	<u>36,993</u>	<u>514,545</u>	<u>551,538</u>
FUND BALANCES - DECEMBER 31	<u>\$ 90,624</u>	<u>\$ 598,361</u>	<u>\$ 688,985</u>

See accompanying independent auditor's 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, 2023

	Community Development Reserve	Emergency Management	Animal Control	ARPA	Downtown Center Grant	White Building	Wellness Grant	Fire Donations	Training Reimbursement
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 193,060	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	54,437	-	-	-	-	-
Due from other funds	14,960	20,055	17,035	-	57,816	1,427	1,539	-	3,000
TOTAL ASSETS	\$ 14,960	\$ 20,055	\$ 17,035	\$ 247,497	\$ 57,816	\$ 1,427	\$ 1,539	\$ -	\$ 3,000
LIABILITIES									
Due to other funds	\$ -	\$ -	\$ -	\$ 67,259	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	67,259	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES									
Deferred revenue	-	-	-	180,238	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	180,238	-	-	-	-	-
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	14,960	20,055	17,035	-	57,816	1,427	1,539	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	3,000
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	14,960	20,055	17,035	-	57,816	1,427	1,539	-	3,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 14,960	\$ 20,055	\$ 17,035	\$ 247,497	\$ 57,816	\$ 1,427	\$ 1,539	\$ -	\$ 3,000

SCHEDULE E (CONTINUED)

TOWN OF HOULTON, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2023

	Police Putnam	Fuel Tank	Pierce Foundation	COVID 19	McGillicuddy	Efficiency	Easement Pay	Underage Grant	Total
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,060
Due from other governments	-	-	-	-	-	-	-	-	54,437
Due from other funds	-	-	2,201	12,325	1,500	11,659	2,000	508	146,025
TOTAL ASSETS	-	-	2,201	12,325	1,500	11,659	2,000	508	393,522
LIABILITIES									
Due to other funds	\$ 16,616	\$ 38,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,660
TOTAL LIABILITIES	16,616	38,785	-	-	-	-	-	-	122,660
DEFERRED INFLOWS OF RESOURCES									
Deferred revenue	-	-	-	-	-	-	-	-	180,238
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	180,238
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	12,325	-	11,659	-	508	137,324
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	2,201	-	1,500	-	2,000	-	8,701
Unassigned	(16,616)	(38,785)	-	-	-	-	-	-	(55,401)
TOTAL FUND BALANCES (DEFICITS)	(16,616)	(38,785)	2,201	12,325	1,500	11,659	2,000	508	90,624
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ -	\$ -	\$ 2,201	\$ 12,325	\$ 1,500	\$ 11,659	\$ 2,000	\$ 508	\$ 393,522

See accompanying independent auditor’s 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, 2023

	Community Development Reserve	Emergency Management	Animal Control	ARPA	Downtown Center Grant	White Building	Wellness Grant	Fire Donations	Training Reimbursement
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	4,431	472,531	61,491	-	-	-	-
TOTAL REVENUES	-	-	4,431	472,531	61,491	-	-	-	-
EXPENDITURES									
Capital outlay	-	-	-	-	-	-	-	-	-
Other	-	-	-	472,531	3,675	-	-	-	6,000
TOTAL EXPENDITURES	-	-	-	472,531	3,675	-	-	-	6,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	4,431	-	57,816	-	-	-	(6,000)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	4,431	-	57,816	-	-	-	(6,000)
FUND BALANCES (DEFICITS) - JANUARY 1	14,960	20,055	12,604	-	-	1,427	1,539	-	9,000
FUND BALANCES (DEFICITS) - DECEMBER 31	\$ 14,960	\$ 20,055	\$ 17,035	\$ -	\$ 57,816	\$ 1,427	\$ 1,539	\$ -	\$ 3,000

TOWN OF HOULTON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Police Putnam	Fuel Tank	Pierce Foundation	COVID 19	McGillicuddy	Efficiency	Easement Pay	Underage Grant	Total
REVENUES									
Other income	\$ -	\$ -	\$ 14,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 552,953
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>552,953</u>
EXPENDITURES									
Other	-	-	16,645	-	471	-	-	-	499,322
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>16,645</u>	<u>-</u>	<u>471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,322</u>
NET CHANGE IN FUND BALANCES	-	-	(2,145)	-	(471)	-	-	-	53,631
FUND BALANCES (DEFICITS) - JANUARY 1	<u>(16,616)</u>	<u>(38,785)</u>	<u>4,346</u>	<u>12,325</u>	<u>1,971</u>	<u>11,659</u>	<u>2,000</u>	<u>508</u>	<u>36,993</u>
FUND BALANCES (DEFICITS) - DECEMBER 31	<u>\$ (16,616)</u>	<u>\$ (38,785)</u>	<u>\$ 2,201</u>	<u>\$ 12,325</u>	<u>\$ 1,500</u>	<u>\$ 11,659</u>	<u>\$ 2,000</u>	<u>\$ 508</u>	<u>\$ 90,624</u>

See accompanying independent auditor’s 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, 2023

	Admin Projects	Protection Projects	Public Service Projects	Parks and Recreation Projects	Shiretown Project	Amphi- theater	Capital Reserve	Boy and Boot	Total
ASSETS									
Cash and cash equivalents	\$ -	\$ 5,341	\$ -	\$ -	\$ 8,910	\$ 1,571	\$ -	\$ -	\$ 15,822
Due from other funds	11,650	14,407	293,262	81,269	10,658	33	171,189	71	582,539
TOTAL ASSETS	\$ 11,650	\$ 19,748	\$ 293,262	\$ 81,269	\$ 19,568	\$ 1,604	\$ 171,189	\$ 71	\$ 598,361
LIABILITIES									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	11,650	19,748	293,262	81,269	19,568	1,604	171,189	71	598,361
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	11,650	19,748	293,262	81,269	19,568	1,604	171,189	71	598,361
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,650	\$ 19,748	\$ 293,262	\$ 81,269	\$ 19,568	\$ 1,604	\$ 171,189	\$ 71	\$ 598,361

See accompanying independent auditor's 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, 2023

	Admin Projects	Protection Projects	Public Service Projects	Parks and Recreation Projects	Shiretown Project	Amphi- theater	Capital Reserve	Boy and Boot	Total
REVENUES									
Interest income	\$ -	\$ 188	\$ -	\$ -	\$ 310	\$ 55	\$ -	\$ -	\$ 553
Other income	10,000	34,230	265,720	118,119	-	-	-	-	428,069
TOTAL REVENUES	10,000	34,418	265,720	118,119	310	55	-	-	428,622
EXPENDITURES									
Capital outlay	-	10,734	289,661	114,325	3,058	-	76,872	-	494,650
Other	-	6,254	34,133	14,769	-	-	-	-	55,156
TOTAL EXPENDITURES	-	16,988	323,794	129,094	3,058	-	76,872	-	549,806
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,000	17,430	(58,074)	(10,975)	(2,748)	55	(76,872)	-	(121,184)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	200,000	-	-	-	5,000	-	205,000
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	200,000	-	-	-	5,000	-	205,000
NET CHANGE IN FUND BALANCES (DEFICITS)	10,000	17,430	141,926	(10,975)	(2,748)	55	(71,872)	-	83,816
FUND BALANCES (DEFICITS) - JANUARY 1	1,650	2,318	151,336	92,244	22,316	1,549	243,061	71	514,545
FUND BALANCES (DEFICITS) - DECEMBER 31	\$ 11,650	\$ 19,748	\$ 293,262	\$ 81,269	\$ 19,568	\$ 1,604	\$ 171,189	\$ 71	\$ 598,361

See accompanying independent auditor's 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, 2023

	Land, Construction in Progress and Nondepreciable Assets	Buildings, Building and Land Improvements	Furniture Fixtures Equipment and Vehicles	Infrastructure	Total
General government	\$ 33,000	\$ 511,005	\$ 258,882	\$ -	\$ 802,887
Police department	-	42,789	595,661	-	638,450
Fire department	-	69,868	3,406,929	-	3,476,797
Public works	69,300	373,141	3,571,960	3,188,435	7,202,836
Parks and recreation	41,000	2,676,261	616,494	71,617	3,405,372
Airport	564,843	12,810,454	705,722	-	14,081,019
Town-wide	694,900	965,157	179,613	37,162	1,876,832
Total General Capital Assets	1,403,043	17,448,675	9,335,261	3,297,214	31,484,193
Less: Accumulated Depreciation	-	(6,772,684)	(6,200,952)	(850,647)	(13,824,283)
Net General Capital Assets	\$ 1,403,043	\$ 10,675,991	\$ 3,134,309	\$ 2,446,567	\$ 17,659,910

See accompanying independent auditor's 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, 2023

	General Capital Assets 1/1/23 (Restated)	Additions	Deletions	General Capital Assets 12/31/23
General government	\$ 790,096	\$ 12,791	\$ -	\$ 802,887
Police department	638,450	-	-	638,450
Fire department	3,476,797	-	-	3,476,797
Public works	6,989,479	213,357	-	7,202,836
Parks and recreation	3,405,372	-	-	3,405,372
Airport	13,178,077	902,942	-	14,081,019
Town-wide	1,876,832	-	-	1,876,832
Total General Capital Assets	30,355,103	1,129,090	-	31,484,193
Less: Accumulated Depreciation	(12,975,457)	(848,826)	-	(13,824,283)
Net General Capital Assets	\$ 17,379,646	\$ 280,264	\$ -	\$ 17,659,910

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

Federal Compliance Description

Federal compliance includes financial information and reports that are required in accordance with *Government Auditing Standards* and/or the Uniform Guidance in accordance with 2 CFR § 515. Such financial information and reports include:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditor's 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*
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

TOWN OF HOULTON, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal AL Number	Pass Through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
Department of Housing and Urban Development				
Direct:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 226,320	\$ -
Subtotal CDBG - Entitlement Grants Cluster			<u>226,320</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>226,320</u>	<u>-</u>
U.S. Department of Justice				
Direct award:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	10,001	-
Total Department of Justice			<u>10,001</u>	<u>-</u>
U.S. Department of Transportation				
Federal Aviation Administration				
Direct award:				
Airport Improvement Program	20.106	N/A	453,447	-
Total U.S. Department of Transportation			<u>453,447</u>	<u>-</u>
U.S. Department of Treasury				
Direct award:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	389,701	-
Total U.S. Department of Treasury			<u>389,701</u>	<u>-</u>
Northern Border Regional Development				
Direct award:				
Northern Border Regional Development	90.601	N/A	32,415	-
Total Northern Border Regional Development			<u>32,415</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,111,884</u>	<u>\$ -</u>

TOWN OF HOULTON, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Houlton, Maine under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Houlton, Maine, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Houlton, Maine.

2. Summary of Significant Accounting Policies

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



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INDEPENDENT AUDITOR'S 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, 2023 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 August 5, 2024.

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*. We noted certain other matters that we reported to management of the Town of Houlton, Maine in a separate letter dated April 29, 2024.

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
August 5, 2024



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

Town Council
Town of Houlton
Houlton, Maine

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Houlton, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Houlton, Maine's major federal programs for the year ended December 31, 2023. The Town of Houlton, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Houlton, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibility section of our report.

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

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Management's Responsibility

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

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on the Town of Houlton, Maine's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Houlton, Maine's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Houlton, Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Houlton, Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Houlton, Maine's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibility section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

RHR Smith & Company

Buxton, Maine
August 5, 2024

TOWN OF HOULTON, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None