

Federal Compliance Audit

City of Eastport, Maine

June 30, 2023



Proven Expertise & Integrity

CITY OF EASTPORT, MAINE

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JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Eastport
Eastport, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Eastport, Maine as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City of Eastport, 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, business-type activities, each major fund and the aggregate remaining fund information of the City of Eastport, Maine as of June 30, 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 City of Eastport, 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.

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

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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 City of Eastport, 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 City of Eastport, 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 judgment, there are conditions or events, considered in the aggregate, that raise doubt about the City of Eastport, 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, pension and OPEB information on pages 5 through 13 and 82 through 92 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 City of Eastport, 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 accompanying 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, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026, on our consideration of the City of Eastport, 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 City of Eastport, 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 City of Eastport, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
January 27, 2026

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

(UNAUDITED)

The following management's discussion and analysis of City of Eastport, Maine's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City's financial statements.

Financial Statement Overview

The City of Eastport, Maine'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 schedules 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 City's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regard to the City'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 position 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 have separate columns for the two different types of City activities. The types of activities presented for the City of Eastport, Maine are:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the City's basic services are reported in governmental activities, which include general government, public safety, public works, airport, health and sanitation, education, unclassified and overlay.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the City of Eastport, Maine include the sewer department.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Eastport, Maine, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the City of Eastport, Maine can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the City 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 City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the City.

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 funds financial statement.

The City of Eastport, Maine presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The City's major governmental funds are the general fund, education fund and school special revenue funds. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund and education fund are the only funds for which the City legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund and the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund provide comparisons of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The City of Eastport, Maine maintains one proprietary fund, the Sewer Department Fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the City of Eastport, Maine. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 Statement of Changes in Net Position - Fiduciary Funds.

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, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pensions, Schedule of Proportionate Share of the Net OPEB Liability - SET Plan, Schedule of Changes in Net OPEB Liability - MMEHT Plan, Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT Plan, Schedule of Changes in Net OPEB Liability - MEABT Plan, Schedule of Changes in Net

OPEB Liability and Related Ratios - MEABT Plan, Schedule of Contributions - OPEB 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 regard 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 City's governmental activities. The City's total net position for governmental activities is \$10,464,454 compared to \$9,623,880 in the prior year, an increase of \$840,574. For the business-type activities, total net position is \$8,956,801 compared to \$8,576,979 in the prior year, an increase of \$379,822.

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 - is \$32,047 at the end of this year for governmental activities and \$34,849 for the business-type activities.

Table 1
City of Eastport, Maine
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2023	2022 (Restated)	2023	2022 (Restated)
Assets:				
Current Assets	\$ 3,035,831	\$ 2,485,834	\$ 73,342	\$ 202,001
Noncurrent Assets - Capital Assets	9,142,969	8,772,676	12,945,766	13,343,688
Total Assets	12,178,800	11,258,510	13,019,108	13,545,689
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	119,772	149,891	-	-
Deferred Outflows Related to OPEB	354,208	184,574	-	-
Total Deferred Outflows of Resources	473,980	334,465	-	-
Liabilities:				
Current Liabilities	512,764	533,596	173,387	1,147,108
Noncurrent Liabilities	1,402,830	1,023,727	3,888,920	3,821,602
Total Liabilities	1,915,594	1,557,323	4,062,307	4,968,710
Deferred Inflows of Resources:				
Deferred Revenue	136,060	-	-	-
Prepaid Taxes	42,841	43,012	-	-
Deferred Inflows Related to Pensions	34,469	300,560	-	-
Deferred Inflows Related to OPEB	59,362	68,200	-	-
Total Deferred Inflows of Resources	272,732	411,772	-	-
Net Position:				
Net Investment in Capital Assets	9,056,279	8,568,296	8,921,952	8,405,143
Restricted	1,376,128	1,318,520	-	-
Unrestricted (Deficit)	32,047	(262,936)	34,849	171,836
Total Net Position	\$ 10,464,454	\$ 9,623,880	\$ 8,956,801	\$ 8,576,979

Revenues and Expenses

Revenues for the City's governmental activities decreased by 21.11%, while total expenses increased by 13.84%. The decrease in revenues was primarily due to capital grants and contributions. The increase in expenses were primarily due to education and State of Maine on-behalf payments.

Revenues decreased by 40.55% in the City's business type activities, while the total expenses decreased by 9.80%.

Table 2
City of Eastport, Maine
Change in Net Position
For the Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 862,540	\$ 916,143	\$ 600,557	\$ 592,567
Operating grants and contributions	1,465,571	1,077,695	-	-
Capital grants and contributions	-	3,056,379	-	414,783
<i>General Revenues:</i>				
Taxes	3,437,239	3,322,873	-	-
Grants and contributions not restricted to specific programs	1,189,519	569,860	-	-
Investment income	39,796	26,831	-	2,878
Miscellaneous	142,684	77,760	-	-
Total Revenues	<u>7,137,349</u>	<u>9,047,541</u>	<u>600,557</u>	<u>1,010,228</u>
Expenses				
General government	730,312	738,151	-	-
Public safety	832,706	395,445	-	-
Public works	149,558	613,283	-	-
Airport	216,737	44,792	-	-
Health and sanitation	43,210	131,755	-	-
Education	3,517,109	3,309,142	-	-
County tax	256,024	243,456	-	-
Program expenses	16,686	-	-	-
State of Maine on-behalf payments	389,324	-	-	-
Unclassified	132,158	48,975	-	-
Overlay	12,951	-	-	-
Interest on long-term debt	-	6,409	-	1,117,010
Sewer department	-	-	1,007,535	-
Total Expenses	<u>6,296,775</u>	<u>5,531,408</u>	<u>1,007,535</u>	<u>1,117,010</u>
<i>Speical or extraordinary items:</i>				
Loan forgiveness	-	-	786,800	-
Change in Net Position	840,574	3,516,133	379,822	(106,782)
Net Position - July 1, Restated	<u>9,623,880</u>	<u>6,107,747</u>	<u>8,576,979</u>	<u>8,683,761</u>
Net Position - June 30	<u>\$ 10,464,454</u>	<u>\$ 9,623,880</u>	<u>\$ 8,956,801</u>	<u>\$ 8,576,979</u>

Financial Analysis of the City's Fund Statements

Governmental funds: The financial reporting focus of the City'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 City'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
City of Eastport, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2023</u>	<u>2022</u> <u>(Restated)</u>	<u>Change</u> <u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General Fund:			
Nonspendable	\$ 1,333	\$ -	\$ 1,333
Unassigned	876,564	603,251	273,313
Education Fund:			
Restricted	956,167	1,062,158	(105,991)
School Special Revenue Funds:			
Nonspendable	9,207	-	9,207
Restricted	97,308	1,183	96,125
Total Major Funds	<u>\$ 1,940,579</u>	<u>\$ 1,666,592</u>	<u>\$ 273,987</u>
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 160,630	\$ 2,191	\$ 158,439
Unassigned (deficit)	(134,280)	-	(134,280)
Capital Projects Funds:			
Assigned	137,521	27,187	110,334
Permanent Funds:			
Restricted	162,023	161,175	848
Total Nonmajor Funds	<u>\$ 325,894</u>	<u>\$ 190,553</u>	<u>\$ 135,341</u>

The changes to total fund balances for the general fund, education fund, school special revenue funds and other governmental funds occurred due to the regular activity of operations.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The sewer department fund had an increase in net position of \$379,822 from the prior year due primarily to loan forgiveness.

Budgetary Highlights

The differences between the original and final budget for the general fund was the use of applied receipts.

The general fund actual revenues exceeded the budget by \$154,608. This was a result of all revenue categories being receipted in excess of budgeted amounts.

The general fund actual expenditures were under budget by \$120,038. All expenditure categories were within or under budget with the exception of airport.

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

The education fund actual revenues exceeded the budget by \$141,355. This was a result of all revenue categories being receipted within or in excess of budgeted amounts.

The education fund actual expenditures were below budget by \$102,654. All expenditure categories were under budget except other instruction, school administration and transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the net book value of capital assets recorded by the City decreased by \$27,629. This increase is a result of net capital additions of \$816,871 less current year depreciation expense of \$844,500. Refer to Note 5 of Notes to Financial Statements for additional information.

**Table 4
City of Eastport, Maine
Capital Assets (Net of Depreciation)
June 30,**

	2023	2022 (Restated)
Land	\$ 261,230	\$ 261,230
Construction in progress	6,774,677	6,371,701
Land, buildings and improvements	14,276,360	14,753,983
Machinery, equipment and vehicles	286,396	279,426
Infrastructure	490,072	450,024
Total	\$ 22,088,735	\$ 22,116,364

Debt

At June 30, 2023, the City had \$4,110,504 in bonds and notes from direct borrowings payable versus \$4,154,057 last year. Refer to Note 7 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The City has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately three months, while also maintaining significant reserve accounts for future capital and program needs. The FY 24 School Department budget could be severely impacted by the reduction of funding from the State.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Department at 22 Washington Street, Eastport, Maine 04631.

CITY OF EASTPORT, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,199,814	\$ -	\$ 2,199,814
Investments	137,124	-	137,124
Accounts receivable (net of allowance for uncollectibles):			
Taxes	145,178	-	145,178
Other	1,183	24,169	25,352
Due from other governments	591,165	-	591,165
Prepaid items	1,333	-	1,333
Inventory	9,207	-	9,207
Internal balances	(49,173)	49,173	-
Total current assets	<u>3,035,831</u>	<u>73,342</u>	<u>3,109,173</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	6,821,726	214,181	7,035,907
Buildings and vehicles net of accumulated depreciation	2,321,243	12,731,585	15,052,828
Total noncurrent assets	<u>9,142,969</u>	<u>12,945,766</u>	<u>22,088,735</u>
TOTAL ASSETS	<u>12,178,800</u>	<u>13,019,108</u>	<u>25,197,908</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	119,772	-	119,772
Deferred outflows related to OPEB	354,208	-	354,208
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>473,980</u>	<u>-</u>	<u>473,980</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,652,780</u>	<u>\$ 13,019,108</u>	<u>\$ 25,671,888</u>

STATEMENT A (CONTINUED)

CITY OF EASTPORT, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 210,452	\$ -	\$ 210,452
Accrued payroll	28,951	-	28,951
Accrued expenses	225,784	37,119	262,903
Due to other governments	28	-	28
Current portion of long-term obligations	47,549	136,268	183,817
Total current liabilities	<u>512,764</u>	<u>173,387</u>	<u>686,151</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	-	3,887,546	3,887,546
Notes from direct borrowings payable	39,141	-	39,141
Accrued compensated absences	56,984	1,374	58,358
Net pension liability	243,591	-	243,591
Net OPEB liability	1,063,114	-	1,063,114
Total noncurrent liabilities	<u>1,402,830</u>	<u>3,888,920</u>	<u>5,291,750</u>
TOTAL LIABILITIES	<u>1,915,594</u>	<u>4,062,307</u>	<u>5,977,901</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	136,060	-	136,060
Prepaid taxes	42,841	-	42,841
Deferred inflows related to pensions	34,469	-	34,469
Deferred inflows related to OPEB	59,362	-	59,362
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>272,732</u>	<u>-</u>	<u>272,732</u>
NET POSITION			
Net investment in capital assets	9,056,279	8,921,952	17,978,231
Restricted	1,376,128	-	1,376,128
Unrestricted	32,047	34,849	66,896
TOTAL NET POSITION	<u>10,464,454</u>	<u>8,956,801</u>	<u>19,421,255</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,652,780</u>	<u>\$ 13,019,108</u>	<u>\$ 25,671,888</u>

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

STATEMENT B

CITY OF EASTPORT, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
<u>Governmental activities:</u>							
General government	\$ 730,312	\$ 20,048	\$ 399	\$ -	\$ (709,865)	\$ -	\$ (709,865)
Public safety	832,706	2,267	-	-	(830,439)	-	(830,439)
Public works	145,452	32,211	-	-	(113,241)	-	(113,241)
Airport	216,737	69,506	-	-	(147,231)	-	(147,231)
Health and sanitation	43,210	-	-	-	(43,210)	-	(43,210)
Education	3,517,109	738,508	1,075,848	-	(1,702,753)	-	(1,702,753)
County tax	256,024	-	-	-	(256,024)	-	(256,024)
Program expenses	16,686	-	-	-	(16,686)	-	(16,686)
State of Maine on-behalf payments	389,324	-	389,324	-	-	-	-
Unclassified	132,158	-	-	-	(132,158)	-	(132,158)
Overlay	12,951	-	-	-	(12,951)	-	(12,951)
Interest on long-term debt	4,106	-	-	-	(4,106)	-	(4,106)
Total governmental activities	<u>6,296,775</u>	<u>862,540</u>	<u>1,465,571</u>	<u>-</u>	<u>(3,968,664)</u>	<u>-</u>	<u>(3,968,664)</u>
<u>Business-type activities:</u>							
Sewer department	1,007,535	600,557	-	-	-	(406,978)	(406,978)
Total business-type activities	<u>1,007,535</u>	<u>600,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(406,978)</u>	<u>(406,978)</u>
 Total government	 <u>\$ 7,304,310</u>	 <u>\$ 1,463,097</u>	 <u>\$ 1,465,571</u>	 <u>\$ -</u>	 <u>(3,968,664)</u>	 <u>(406,978)</u>	 <u>(4,375,642)</u>

CITY OF EASTPORT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	<u>(3,968,664)</u>	<u>(406,978)</u>	<u>(4,375,642)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	3,213,512	-	3,213,512
Excise taxes	223,727	-	223,727
Grants and contributions not restricted to specific programs	1,189,519	-	1,189,519
Investment income, net of unrealized gains/(losses)	39,796	-	39,796
Miscellaneous	142,684	-	142,684
Total general revenues	<u>4,809,238</u>	<u>-</u>	<u>4,809,238</u>
Speical or extraordinary items:			
Loan forgiveness	<u>-</u>	<u>786,800</u>	<u>786,800</u>
Change in net position	840,574	379,822	1,220,396
NET POSITION - JULY 1, RESTATED	<u>9,623,880</u>	<u>8,576,979</u>	<u>18,200,859</u>
NET POSITION - JUNE 30	<u>\$ 10,464,454</u>	<u>\$ 8,956,801</u>	<u>\$ 19,421,255</u>

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

CITY OF EASTPORT, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Education Fund	School Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,906,248	\$ 17,159	\$ 90,595	\$ 185,812	\$ 2,199,814
Investments	-	-	-	137,124	137,124
Accounts receivables (net of allowance for uncollectibles):					
Taxes/liens	145,178	-	-	-	145,178
Other	370	-	-	813	1,183
Due from other governments	34,683	87,952	412,072	56,458	591,165
Prepaid items	1,333	-	-	-	1,333
Inventory	-	-	9,207	-	9,207
Due from other funds	536,221	1,060,511	7,312	253,451	1,857,495
TOTAL ASSETS	\$ 2,624,033	\$ 1,165,622	\$ 519,186	\$ 633,658	\$ 4,942,499
LIABILITIES					
Accounts payable	\$ 156,091	\$ 37,459	\$ 15,188	\$ 1,714	\$ 210,452
Accrued payroll	28,951	-	-	-	28,951
Accrued expenses	22,536	164,684	38,564	-	225,784
Due to other governments	28	-	-	-	28
Due to other funds	1,370,447	7,312	358,919	169,990	1,906,668
TOTAL LIABILITIES	1,578,053	209,455	412,671	171,704	2,371,883
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	136,060	136,060
Prepaid taxes	42,841	-	-	-	42,841
Deferred tax revenues	125,242	-	-	-	125,242
TOTAL DEFERRED INFLOWS OF RESOURCES	168,083	-	-	136,060	304,143
FUND BALANCES					
Nonspendable	1,333	-	9,207	-	10,540
Restricted	-	956,167	97,308	322,653	1,376,128
Committed	-	-	-	-	-
Assigned	-	-	-	137,521	137,521
Unassigned (deficit)	876,564	-	-	(134,280)	742,284
TOTAL FUND BALANCES	877,897	956,167	106,515	325,894	2,266,473
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,624,033	\$ 1,165,622	\$ 519,186	\$ 633,658	\$ 4,942,499

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

CITY OF EASTPORT, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

	Total Governmental Funds
Total Fund Balances	\$ 2,266,473
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	9,142,969
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	125,242
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	119,772
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	354,208
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Notes from direct borrowings payable	(86,690)
Accrued compensated absences	(56,984)
Net pension liability	(243,591)
Net OPEB liability	(1,063,114)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(34,469)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(59,362)
Net position of governmental activities	\$ 10,464,454

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

CITY OF EASTPORT, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Education Fund	School Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
REVENUES					
General tax revenue	\$ 3,481,390	\$ -	\$ -	\$ -	\$ 3,481,390
Intergovernmental revenue	678,006	416,605	719,883	451,272	2,265,766
Charges for services	124,032	738,508	-	-	862,540
Investment income, net of unrealized gains/(losses)	38,948	-	-	848	39,796
State of Maine on-behalf payments	-	171,222	-	-	171,222
Other revenue	42,753	12,168	86,230	1,533	142,684
TOTAL REVENUES	4,365,129	1,338,503	806,113	453,653	6,963,398
EXPENDITURES					
Current:					
General government	578,921	-	-	-	578,921
Public safety	804,656	-	-	-	804,656
Public works	339,385	-	-	-	339,385
Airport	110,995	-	-	303,188	414,183
Health and sanitation	43,210	-	-	-	43,210
Education	-	2,791,700	818,461	-	3,610,161
County tax	256,024	-	-	-	256,024
State of Maine on-behalf payments	-	171,222	-	-	171,222
Overlay	12,951	-	-	-	12,951
Unclassified	132,158	-	-	-	132,158
Program expenses	-	-	-	16,686	16,686
Debt service:					
Principal	60,975	-	-	-	60,975
Interest	4,106	-	-	-	4,106
Capital outlay	-	-	-	109,432	109,432
TOTAL EXPENDITURES	2,343,381	2,962,922	818,461	429,306	6,554,070
EXCESS REVENUES OVER (UNDER)					
EXPENDITURES	2,021,748	(1,624,419)	(12,348)	24,347	409,328
OTHER FINANCING SOURCES					
Transfers in	-	1,636,108	117,680	110,994	1,864,782
Transfers (out)	(1,747,102)	(117,680)	-	-	(1,864,782)
TOTAL OTHER FINANCING SOURCES (USES)	(1,747,102)	1,518,428	117,680	110,994	-
NET CHANGE IN FUND BALANCES	274,646	(105,991)	105,332	135,341	409,328
FUND BALANCES - JULY 1, RESTATED	603,251	1,062,158	1,183	190,553	1,857,145
FUND BALANCES - JUNE 30	\$ 877,897	\$ 956,167	\$ 106,515	\$ 325,894	\$ 2,266,473

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

CITY OF EASTPORT, 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 JUNE 30, 2023

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 409,328</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	745,988
Depreciation expense	<u>(375,695)</u>
	<u>370,293</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pensions	(30,119)
OPEB	<u>169,634</u>
	<u>139,515</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported:	
Taxes and liens receivable	<u>(44,151)</u>
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	<u>117,690</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pensions	266,091
OPEB	<u>8,838</u>
	<u>274,929</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(18,042)
Net pension liability	(179,945)
Net OPEB liability	<u>(229,043)</u>
	<u>(427,030)</u>
Change in net position of governmental activities (Statement B)	<u>\$ 840,574</u>

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

CITY OF EASTPORT, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ 24,169
Due from other funds	49,173
Total current assets	<u>73,342</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	214,181
Buildings and improvements	21,998,378
Machinery, equipment and vehicles	291,858
Total capital assets	<u>22,504,417</u>
Less: accumulated depreciation	<u>(9,558,651)</u>
Total noncurrent assets	<u>12,945,766</u>
TOTAL ASSETS	<u>\$ 13,019,108</u>
LIABILITIES	
Current liabilities:	
Accrued expenses	\$ 37,119
Current portion of long-term obligations	136,268
Total current liabilities	<u>173,387</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	3,887,546
Accrued compensated absences	1,374
Total noncurrent liabilities	<u>3,888,920</u>
TOTAL LIABILITIES	<u>4,062,307</u>
NET POSITION	
Net investment in capital assets	8,921,952
Unrestricted	34,849
TOTAL NET POSITION	<u>8,956,801</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 13,019,108</u>

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

CITY OF EASTPORT, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
OPERATING REVENUES	
Charges for services	\$ 600,557
TOTAL OPERATING REVENUES	<u>600,557</u>
OPERATING EXPENSES	
Salaries and wages	19,087
Benefits	1,486
Contracted services	172,012
Utilities	85,475
Fuel / motor	1,886
Repairs, maintenance and equipment	76,268
Supplies and office	48,592
Chemicals	125,859
Depreciation	468,805
TOTAL OPERATING EXPENSES	<u>999,470</u>
OPERATING INCOME (LOSS)	<u>(398,913)</u>
NONOPERATING REVENUES (EXPENSES)	
Loan forgiveness	786,800
Interest expense	(8,065)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>778,735</u>
CHANGE IN NET POSITION	379,822
NET POSITION - JULY 1, RESTATED	<u>8,576,979</u>
NET POSITION - JUNE 30	<u>\$ 8,956,801</u>

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

CITY OF EASTPORT, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 608,086
Internal activity - receipts (payments) from/to other funds	121,130
Payments to employees	(19,833)
Payments to suppliers	(1,491,372)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(781,989)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets purchased	(70,883)
Debt proceeds	999,793
Interest payments on bond payable	(8,065)
Principal payments on bond payable	(925,656)
Principal forgiveness	786,800
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>781,989</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (398,913)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	468,805
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	7,529
(Increase) decrease in due from other funds	121,130
(Decrease) increase in accrued expenses	6,212
(Decrease) increase in bond anticipation note	(987,492)
(Decrease) increase in accrued compensated absences	740
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (781,989)</u>

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

CITY OF EASTPORT, MAINE

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2023

	<u>Private- Purpose Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 81,371
Investments	314,548
Due from other governments	<u>2,000</u>
TOTAL ASSETS	<u><u>\$ 397,919</u></u>
LIABILITIES	
Accounts payable	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Restricted - held in trust	<u>397,919</u>
TOTAL NET POSITION	<u><u>397,919</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 397,919</u></u>

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

CITY OF EASTPORT, MAINE

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Interest	\$ 5,353
Contributions	<u>46,978</u>
TOTAL ADDITIONS	<u>52,331</u>
DEDUCTIONS	
Scholarships	<u>3,600</u>
TOTAL DEDUCTIONS	<u>3,600</u>
CHANGE IN NET POSITION	48,731
NET POSITION - JULY 1	<u>349,188</u>
NET POSITION - JUNE 30	<u><u>\$ 397,919</u></u>

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Eastport, Maine was incorporated under the laws of the State of Maine. The City operates under City Council-manager form of government and provides the following services: general government, public safety, public works, airport, health and sanitation, education, unclassified and overlay.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

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

Implementation of New Accounting Standards

During the year ended June 30, 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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's sewer department and is categorized as a business-type activity. All other activities of the City are categorized as governmental.

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

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

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

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Education Fund is used to account for all financial resources of the Eastport School Department. Revenue sources are from intergovernmental revenues, charges for services and other revenues.
- c. The School Special Revenue Funds are used to account for the proceeds of specific revenue sources for the School Department that are legally restricted to expenditures for specified purposes. Primary revenue sources are intergovernmental revenues.

Nonmajor Funds

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the City:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose trusts). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the education fund.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 2,803,389
Add: On-behalf payments	<u>171,222</u>
Total GAAP basis	<u>\$ 2,974,611</u>
Expenditures per budgetary basis	\$ 2,909,380
Add: On-behalf payments	<u>171,222</u>
Total GAAP basis	<u>\$ 3,080,602</u>

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

1. Early in the second half of the year the City prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City 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 City Council.

Deposits and Investments

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

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

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence of deposits at banks, savings and loan associations
- Prime bankers' acceptances
- Prime commercial papers
- Repurchase agreements whose underlying collateral consist of the foregoing
- Money market mutual funds whose portfolios consist of the foregoing

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the policy of the City of Eastport, Maine to invest public funds in a manner in which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

Receivables

Receivables include amounts due from governmental agencies. 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 June 30, 2023. Accounts receivable netted with allowances for uncollectibles were \$616,517 for the year ended June 30, 2023.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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). Inventory of the Food Service Fund consists of supplies and food.

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 both Governmental and Proprietary Funds.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. 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 City. The City has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings and land 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 and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of bonds payable, notes from direct borrowings payable, 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. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Participating Local District (PLD) Consolidated Plan and State Employee and Teacher (SET) Plan and additions to/deductions from the PLD Consolidated and SET Plans' fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated and SET Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

For purposes of measuring the District's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System OPEB Plan, the Maine Municipal Employees Health Trust (MMEHT) (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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 total 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 Education Association Benefits Trust (MEABT), which determined the School's fiduciary net position as a single employer defined benefit plan based on information provided solely by MEABT to complete the actuarial report. Additions to/deductions from the MEABT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MEABT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Fund Balance

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

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

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 City. The inhabitants of the City through City meetings are the highest level of decision-making authority of the City. Commitments may be established, modified or rescinded only through a City meeting vote.

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred tax revenues, which arises only under a modified accrual basis of accounting qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes and deferred revenue 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 City's property tax for the current year was levied July 1, 2022 on the assessed value listed as of April 1, 2022, for all real and personal property located in the City. Taxes were due on October 31, 2022. Interest on unpaid taxes commenced on November 1, 2022 at 5% per annum.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$33,991 for the year ended June 30, 2023.

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

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

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

Use of Estimates

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's investment policies, which follow state statutes, require that all investments be made considering 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 City funds.

Deposits:

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

At June 30, 2023, the City's cash balance of \$2,281,185 was comprised of bank deposits amounting to \$2,341,073. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the City's cash and cash equivalents balance. Of these bank deposits, \$682,913 were insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining balance of \$1,658,160 was uninsured and uncollateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 2,265,852
Savings accounts	39,310
Cash and cash equivalents	<u>35,911</u>
	<u>\$ 2,341,073</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does not have a policy for custodial credit risk for investments. However, in accordance with its investment policy, the City seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$218,429 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2023, the City's investments of \$451,672 are comprised of certificates of deposits which are collateralized by federal depository insurance, U.S. Agency securities, corporate bonds and mutual funds.

At June 30, 2023, the City had the following investments and maturities:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Debt securities:				
U.S. Agency securities	\$ 67,888	\$ -	\$ -	\$ 67,888
Corporate bonds	142,446	-	49,955	92,491
Equity securities:				
Mutual funds:				
Equity - domestic	22,909	22,909	-	-
	<u>\$ 233,243</u>	<u>\$ 22,909</u>	<u>\$ 49,955</u>	<u>\$ 160,379</u>

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2023:

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2023 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Agency Securities	\$ 67,888	\$ -	\$ 67,888	\$ -
Corporate bonds	142,446	-	142,446	-
Total debt securities	210,334	-	210,334	-
Equity securities:				
Mutual funds - domestic and foreign	22,909	22,909	-	-
Total equity securities	22,909	22,909	-	-
Total investments by fair value level	233,243	\$ 22,909	\$ 210,334	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	35,911			
Total cash equivalents measured at the NAV	35,911			
Total investments and cash equivalents measured at fair value	\$ 269,154			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2023 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$218,429 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk - Statutes for the State of Maine authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The City does not have an investment policy on credit risk. Generally, the City invests excess funds in repurchase agreements, savings accounts and various insured certificates of deposit.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2023 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 536,221	\$ 1,370,447
Education fund	1,060,511	7,312
School special revenue funds	7,312	358,919
Nonmajor special revenue funds	140,783	169,990
Nonmajor capital projects funds	110,993	-
Nonmajor permanent funds	1,675	-
Proprietary funds	49,173	-
	<u>\$ 1,906,668</u>	<u>\$ 1,906,668</u>

The result of amounts owed between funds are considered to be in the course of normal operations by the City. 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

At June 30, 2023, the City had the following interfund transfers:

	Transfers In	Transfers Out
General fund	\$ -	\$ 1,747,102
Education fund	1,636,108	117,680
School special revenue funds	117,680	-
Nonmajor capital projects funds	110,994	-
	<u>\$ 1,864,782</u>	<u>\$ 1,864,782</u>

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	Balance, 7/1/22 (Restated)	Additions	Disposals	Balance, 6/30/23
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 107,264	\$ -	\$ -	\$ 107,264
Construction in progress	6,377,351	416,311	(79,200)	6,714,462
	<u>6,484,615</u>	<u>416,311</u>	<u>(79,200)</u>	<u>6,821,726</u>
Depreciated assets:				
Land improvements	331,798	145,454	-	477,252
Buildings and improvements	9,097,401	103,356	-	9,200,757
Machinery, equipment and vehicles	2,761,767	74,253	-	2,836,020
Infrastructure	697,743	85,814	-	783,557
	12,888,709	408,877	-	13,297,586
Less: accumulated depreciation	(10,600,648)	(375,695)	-	(10,976,343)
	<u>2,288,061</u>	<u>33,182</u>	<u>-</u>	<u>2,321,243</u>
Net capital assets	<u>\$ 8,772,676</u>	<u>\$ 449,493</u>	<u>\$ (79,200)</u>	<u>\$ 9,142,969</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 153,966	\$ -	\$ -	\$ 153,966
Construction in progress	-	60,215	-	60,215
	<u>153,966</u>	<u>60,215</u>	<u>-</u>	<u>214,181</u>
Depreciated assets:				
Land improvements	5,946,603	-	-	5,946,603
Buildings and improvements	16,051,775	-	-	16,051,775
Machinery, equipment and vehicles	281,190	10,668	-	291,858
	22,279,568	10,668	-	22,290,236
Less: accumulated depreciation	(9,089,846)	(468,805)	-	(9,558,651)
	<u>13,189,722</u>	<u>(458,137)</u>	<u>-</u>	<u>12,731,585</u>
Net capital assets	<u>\$ 13,343,688</u>	<u>\$ (397,922)</u>	<u>\$ -</u>	<u>\$ 12,945,766</u>

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Current year depreciation expense:

General government	\$ 144,063
Public safety	28,050
Public works	72,318
Education	131,264
Subtotal governmental	<u>375,695</u>
Sewer department	<u>468,805</u>
Subtotal business-type	<u>468,805</u>
Total depreciation expense	<u>\$ 844,500</u>

NOTE 6 - SHORT-TERM DEBT

On March 22, 2021, the City issued a bond anticipation note in anticipation of bond revenues. The principal amount of the note was \$1,000,000 at a 1.00% fixed interest rate with a maturity date of March 21, 2022. Short-term debt activity for the year ended June 30, 2023, was as follows:

	Balance, 7/1/22	Additions	Deletions	Balance, 6/30/23
<u>Business-type activities:</u>				
Bond anticipation note	\$ 987,492	\$ -	\$ (987,492)	\$ -

At June 30, 2023, the note was paid in full. Interest expense for the note was \$8,065.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2023:

	Balance, 7/1/22 (Restated)	Additions	Deletions	Balance, 6/30/23	Due Within One Year
<u>Governmental activities:</u>					
Notes from direct borrowings payable	\$ 204,380	\$ -	\$ (117,690)	\$ 86,690	\$ 47,549
<u>Business-type activities:</u>					
Bonds payable	\$ 3,949,677	\$ 999,793	\$ (925,656)	\$ 4,023,814	\$ 136,268

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - LONG-TERM DEBT (CONTINUED)

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

	<u>Governmental</u>	<u>Business-type</u>
<u>Bonds:</u>		
\$2,000,000 General Obligation Bond, issued in 2020, due annually through 2048, with annual principal and interest installments of \$83,680. Interest charged at a fixed rate of 1.125% per annum. In the event of default, lender may declare the entire principal balance and accrued interest immediately due, take possession of the facility, repair, maintain, and operate or rent it, and incur reasonable expenses for such operations. Per the note, events of default include failure to pay any principal and accrued interest or failure in performance of any covenant or agreement contained within.	\$ -	\$ 1,876,952
\$2,070,000 General Obligation Bond, issued in 2020, due annually through 2048, with annual principal and interest installments of \$86,609. Interest charged at a fixed rate of 1.125% per annum. In the event of default, lender may declare the entire principal balance and accrued interest immediately due, take possession of the facility, repair, maintain and operate or rent it, and incur reasonable expenses for such operations. Per the note, events of default include failure to pay any principal and accrued interest or failure in performance of any covenant or agreement contained within.	-	1,942,645
\$999,793 General Obligation Bond, issued in 2023, due annually through 2042, with annual principal and interest installments of \$13,644. Interest charged at a fixed rate of 1.99% per annum. Principal forgiveness was granted in the amount of \$786,800. In the event of default, lender may declare the entire principal balance and accrued interest immediately due, take possession of the facility, repair, maintain, and operate or rent it, and incur reasonable expenses for such operations. Per the note, events of default include failure to pay any principal and accrued interest or failure in performance of any covenant or agreement contained within.	-	204,217
Total bonds payable	<u>\$ -</u>	<u>\$ 4,023,814</u>

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business-type</u>
<u>Notes from direct borrowings payable:</u>		
\$65,000 Note Payable, issued in 2018, due through 2028, with annual principal and interest installments of \$7,741. Interest charged at a fixed rate of 3.4% per annum. A 1993 75' Aerial Quint Fire Truck has been pledged as collateral. In the event of default, all indebtedness immediately will become due and payable. Per the note, an event of default includes payment, false statements, insolvency, defective collateralization, creditor or forfeiture proceedings, of adverse change defaults or any other failure to comply with the terms of the Note.	\$ 35,271	\$ -
\$44,789 Note Payable, issued in 2019, due through 2023, with annual principal and interest installments of \$9,402. Interest charged at fixed rate of 2.28% per annum. In the event of default, all indebtedness immediately will become due and payable. Per the note, an event of default includes payment, false statement, insolvency, defective collateralization, creditor or forfeiture proceedings, or adverse change defaults or any other failure to comply with the terms of the Note.	9,182	-
\$74,000 Note Payable, issued in 2019, due through 2023, with annual principal and interest installments of \$15,978. Interest charged at a fixed rate of 3.02% per annum. In the event of default, all indebtedness immediately will become due and payable. Per the note, an event of default includes payment, false statement, insolvency, defective collateralization, creditor or forfeiture proceedings, or adverse change defaults or any other failure to comply with the terms of the Note.	15,494	-
\$45,000 Note Payable, issued in 2022, due through 2025, with annual principal and interest installments of \$16,156. Interest charged at a fixed rate of 3.75% per annum. In the event of default, all indebtedness immediately will become due and payable. Per the note, an event of default includes payment, false statement, insolvency, defective collateralization, creditor or forfeiture proceedings, or adverse change defaults or any other failure to comply with the terms of the Note.	26,743	-
Total notes from direct borrowings payable	<u>\$ 86,690</u>	<u>\$ -</u>

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bond and notes from direct borrowings payable principal and interest requirements for the following fiscal years ending June 30:

	Governmental Activities		Business-type Activities		Total Debt Service
	Notes from Direct Borrowings Payable		Bonds Payable		
	Principal	Interest	Principal	Interest	
2024	\$ 47,549	\$ 3,015	\$ 136,268	\$ 47,685	\$ 234,517
2025	19,352	1,523	137,878	46,075	204,828
2026	7,741	695	139,508	44,445	192,389
2027	7,741	453	141,158	42,795	192,147
2028	4,307	197	142,829	41,124	188,457
2029-2033	-	-	739,920	179,846	919,766
2034-2038	-	-	784,851	134,914	919,765
2039-2043	-	-	819,599	86,502	906,101
2044-2048	-	-	814,336	37,109	851,445
2049-2053	-	-	167,467	2,365	169,832
	<u>\$ 86,690</u>	<u>\$ 5,883</u>	<u>\$ 4,023,814</u>	<u>\$ 662,860</u>	<u>\$ 4,779,247</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the business-type activities for the year ended June 30, 2023 was \$8,065.

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in other long-term obligations for the year ended June 30, 2023:

	Balance, 7/1/22 (Restated)	Additions	Deletions	Balance, 6/30/23	Due Within One Year
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 38,942	\$ 18,042	\$ -	\$ 56,984	\$ -
Net pension liability	63,646	362,183	(182,238)	243,591	-
Net OPEB liability	834,071	256,179	(27,136)	1,063,114	-
	<u>\$ 936,659</u>	<u>\$ 636,404</u>	<u>\$ (209,374)</u>	<u>\$ 1,363,689</u>	<u>\$ -</u>
<u>Business-type activities:</u>					
Accrued compensated absences	\$ 634	\$ -	\$ 740	\$ 1,374	\$ -

Refer to Notes 9, 15, 17 and 18 for more detailed information regarding other long-term obligations.

NOTE 9 - ACCRUED COMPENSATED ABSENCES

The City'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 a long-term obligation in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2023, the City's liability for compensated absences is \$56,984.

NOTE 10 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the City at June 30, 2023:

	Governmental Activities	Business-type Activities
Invested in capital assets	\$ 20,119,312	\$ 22,504,417
Accumulated depreciation	(10,976,343)	(9,558,651)
Outstanding capital related debt	(86,690)	(4,023,814)
	<u>\$ 9,056,279</u>	<u>\$ 8,921,952</u>

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 - RESTRICTED NET POSITION AND FUND BALANCES

At June 30, 2023, the City had the following restricted net position and fund balances:

Education fund	\$ 956,167
School special revenue funds	97,308
Nonmajor special revenue funds (Schedule E):	
Moonlight movies	375
Caregiver bracelet	1,000
Dog park donations	1,235
Sidewalk project	67,216
Skate park donations	1,022
City owned metal pile	2,124
Connect ME MCA	9,495
ME COMM grant	58,691
Master plan update 17-2021	1,653
Reconstruct apron phase II 21-2023	17,819
Nonmajor permanent funds:	
Cemetery perpetual care	162,023
	<u>\$ 1,376,128</u>

NOTE 12 - NONSPENDABLE FUND BALANCES

At June 30, 2023, the City had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 1,333
School special revenue funds:	
Inventory	9,207
	<u>\$ 10,540</u>

NOTE 13 - ASSIGNED FUND BALANCES

At June 30, 2023, the City had the following assigned fund balances:

Nonmajor capital projects funds (Schedule G)	<u>\$ 137,521</u>
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CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - DEFICIT FUND BALANCES

At June 30, 2023, the City had the following deficit fund balances:

Nonmajor funds:	
CDBG toll bridge	\$ 30,689
PAPI 13-2020	6,349
Runway lights 17-2021	57,133
Runway guidance system 19-2022	5,624
Apron pavement 20-2022	13,372
Reconstruct apron phase I 21-2023	21,113
Total	<u>\$ 134,280</u>

NOTE 15 - DEFINED BENEFIT PENSION PLANS

MAINE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

Plan Description

City 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 District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2022, there were 311 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 1.52%.

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 City's employees are part of the PLDs AC plan and are required to contribute 7.6% of their annual salary. The City is required to contribute the actuarially determined rate of 10.2% for regular plan "AC" members' covered payroll during the year. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The City's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2023 was \$31,843.

MAINE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET 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 authority to establish and amend benefit provisions rests with the State Legislature. 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 State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. 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 statute for State employee and teacher members. As of June 30, 2022, there were 239 employers, including the State of Maine, participating 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 1.52%.

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 Department's teachers are required to contribute 7.65% of their compensation to the retirement system. The Department's payroll for teachers covered by this program was approximately \$1,357,438 for the year ended June 30, 2023. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 14.29% of the Department's contractually required contributions, which are

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$171,222 for the year ended June 30, 2023. Title 5 of the Maine Revised Statutes Annotated also requires the Department to contribute at an actuarially determined normal cost rate of 3.84%, which totaled \$52,126 for 2023. In addition, the Department is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 14.89% of compensation and totaled \$23,807 the year ended June 30, 2023.

Pension Liabilities

PLD Consolidated Plan

At June 30, 2023, the City reported a liability of \$100,520 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2022 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2022, the City's proportion was 0.037813%, which was a decrease of 0.02128% from its proportion measured as of June 30, 2021.

SET Plan

At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 143,071
State's proportionate share of the net pension liability associated with the City	<u>1,238,957</u>
Total	<u>\$ 1,382,028</u>

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State actuarially determined. At June 30, 2022, the City's proportion was 0.009635%, which was a decrease of 0.00014% from its proportion measured as of June 30, 2021.

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

For the year ended June 30, 2023, the City recognized total pension expense of \$15,658 for the PLD plan and total pension expense of \$384,115 and revenue of \$661,811 for support provided by the State of Maine for the SET plan. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan		SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,681	\$ -	\$ 7,127	\$ -
Changes of assumptions	20,402	-	27,781	-
Net difference between projected and actual earnings on pension plan investments	-	42,188	-	28,179
Changes in proportion and differences between employer contributions and proportionate share of contributions	69,334	39,636	8,931	6,290
Contributions subsequent to the measurement date	31,843	-	75,933	-
Total	\$ 140,260	\$ 81,824	\$ 119,772	\$ 34,469

\$31,843 for the PLD plan and \$75,933 for the SET plan were reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2022, using the following methods and assumptions applied to all periods included in the measurement:

	PLD Plan	SET Plan
Plan year ended June 30:		
2023	\$ 62,191	\$ -
2024	(29,204)	-
2025	(26,210)	-
2026	19,816	-
2027	-	-
Thereafter	-	-

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 member is the product of the member's pay and 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.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFINED BENEFIT PENSION PLANS (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.

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements. All other gains, losses and changes are amortized over ten-year periods beginning on the date as of which they occur.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2022 are as follows:

Investment Rate of Return - For the PLD and State Employee and Teacher Plans, 6.50% per annum for the years ended June 30, 2022 and 2021, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% - 11.48%; teachers, 2.80% - 13.03% per year.

Mortality Rates - For the PLD Consolidated Plan and the State Employee and Teacher 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_2021 model.

Cost of Living Benefit Increases - for PLD Consolidated 1.91% and Teacher Plans, 2.20% per annum for the year ended June 30, 2022.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2022 are summarized in the following table.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.2%
Alternative credit	5.0%	7.4%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2022 for each of the Plans. 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, 2022 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 each of the Plans.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.50%	6.50%	7.50%
City's proportionate share of the net pension liability	\$ 296,966	\$ 100,520	\$ (61,849)
<u>SET Plan:</u>			
Discount rate	5.50%	6.50%	7.50%
City's proportionate share of the net pension liability	\$ 280,168	\$ 143,071	\$ 28,924

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFINED BENEFIT PENSION PLANS (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, 2022 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, 2022 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 resource. For 2022 through 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. For 2022 and 2017, this was three years for the SET Plan.

Differences between Expected and Actual Investment Earnings

Differences between projected and actual investment earnings are 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 are 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, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020. 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.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFINED BENEFIT PENSION PLANS (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 are 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' 2022 Annual Comprehensive Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN

MAINE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. As of June 30, 2022, there were 228 employers, including the State of Maine, participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE 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' Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, 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. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2023 were approximately \$5,716.

OPEB Liabilities and OPEB Expense

At June 30, 2023, the School reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the School. The total portion of the net OPEB liability that was associated with the School were as follows:

City's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the School		<u>47,959</u>
Total	\$	<u>47,959</u>

For the year ended June 30, 2023, the District recognized net OPEB expense of \$5,096 and revenue of \$5,096 for support provided by the State of Maine.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The City and City retirees contribute to the City's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the City and/or the City retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the City concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. 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	8
Retirees and spouses	-
Total	<u>8</u>

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Contributions

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

Retiree Premium Amounts

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

	<u>Single Coverage</u>	<u>Family Coverage</u>
<u>Pre-Medicare</u>		
POS 200	\$1,086.21	\$2,436.48
POS C	\$1,140.92	\$2,559.25
<u>Medicare</u>		
Medicare-eligible retirees	\$ 600.50	\$1,201.00

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

At June 30, 2023, the City reported a liability of \$34,914 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 City's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2023, the City recognized OPEB revenue of \$1,412. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 36,565
Changes of assumptions	15,010	7,022
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	410	-
Total	\$ 15,420	\$ 43,587

\$410 were reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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:

	MMEHT
Plan year ended June 30:	
2024	\$ (3,880)
2025	(3,880)
2026	(3,880)
2027	(4,340)
2028	(3,736)
Thereafter	(8,861)

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 June 30, 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:

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.72%	3.72%	4.72%
Total OPEB liability	\$ 42,175	\$ 34,914	\$ 29,114
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 42,175</u>	<u>\$ 34,914</u>	<u>\$ 29,114</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

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

	<u>1% Decrease</u>	<u>Healthcare Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 28,092	\$ 34,914	\$ 43,899
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 28,092</u>	<u>\$ 34,914</u>	<u>\$ 43,899</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:

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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.

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 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 June 30, 2023 with the following exceptions:

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 (\$36,565).

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the 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 City Office at 22 Washington Street, Eastport, Maine 04631.

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

Plan Description

The State of Maine and School retirees contribute to the School's OPEB Plan with the Maine Education Association Benefits Trust (MEABT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the State, the School and/or the School retirees. MEABT is a fully funded, self-insured trust which provides benefits to education organizations and acts as the agent to the School concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MEABT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MEABT participants and are administered by a number of third-party administrators contracted by MEABT. No assets are accumulated in a trust that meets the criterion of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MEABT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting MEABT at (888) 622-4418.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The employee must have participated in a plan for the 12 months prior to retirement and have 10 years (under age 50) or 5 years (age 50 or above) of continuous active service and enrollment in the health plan to be eligible for this Plan. The retiree who terminates coverage may elect to re-enroll in coverage if they participated in the health plan for 12 months prior to terminating coverage, as long as re-enrollment occurs within 5 years from coverage termination and as long as the retiree is not past age 62. The retiree must have maintained continuous health insurance coverage during the break in coverage with MEABT to be eligible for re-enrollment and is only eligible for re-enrollment once.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Active members	32
Retirees and spouses	<u>2</u>
Total	<u><u>34</u></u>

Cost Sharing Provisions/Contributions

Retirees are eligible for a State subsidy of 55% of the blended single premium for the retiree. The blended premium is determined by blending rates for active members and retired members, as determined by State law. The retiree contributes the remaining 45% of blended single premium and spouse must contribute 100% of the blended premium amount coverage elected.

Employee/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>Employee Only</u>	<u>Employee/ Spouse</u>	<u>Employee/ Child(ren)</u>	<u>Employee/ Family</u>
Choice Plus	\$ 770.08	\$ 1,735.62	\$ 1,362.87	\$ 2,112.48
Standard \$200 Ded	\$ 831.59	\$ 1,874.46	\$ 1,471.89	\$ 2,281.48

Medicare

Medicare-Eligible Retirees	\$ 387.76	\$ 775.52
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Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the City reported a liability of \$1,028,200 for its total OPEB liability for this Plan. The total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date. The City's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$48,799. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MEABT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 135,066	\$ 11,367
Changes in assumptions	179,062	4,408
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	24,660	-
Total	\$ 338,788	\$ 15,775

\$24,660 was reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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:

Plan year ended June 30:	
2023	\$ 58,658
2024	63,064
2025	57,438
2026	57,434
2027	31,284
Thereafter	30,475

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of June 30, 2021. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.54% per annum for June 30, 2023 was based upon a measurement date of June 30, 2022. The sensitivity of total OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	2.54%	3.54%	4.54%
Total OPEB liability	\$ 1,184,327	\$ 1,028,200	\$ 899,814
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 1,184,327</u>	<u>\$ 1,028,200</u>	<u>\$ 899,814</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 894,760	\$ 1,028,200	\$ 1,190,497
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 894,760</u>	<u>\$ 1,028,200</u>	<u>\$ 1,190,497</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2022, 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.

Assumptions

The demographic actuarial assumptions are the Teacher assumptions that were used by the Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation at June 30, 2021 and are based on the experience study covering the period from June 30, 2015 through June 30, 2020. The proposed assumptions were adopted by the Board of Trustees at their March 11, 2021 meeting.

The economic assumptions are based on GASB 75 paragraph 36. Since the Plan is not funded via a qualified trust, the discount rates are selected based on the 20-year tax-exempt bond buyer rates as of the measurement dates. The other economic assumptions, ie trend rates, were developed based on historical and future projections of long term health care rates:

Discount Rate - 3.54% per annum for year-end 2022 reporting, 2.16% per annum for year-end 2021 reporting.

Trend Assumptions:

Health care trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model version 2023_1f. The following assumptions were applied in this model as below:

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Trend Assumption Inputs

Variable	Rate
Rate of Inflation	2.70%
Rate of Growth in Real Income/GDP per capita 2032+	1.40%
Extra Trend due to Taste/Technology 2032+	0.80%
Expected Health Share of GDP 2032	19.80%
Health Share of GDP Resistance Point	19.90%
Year for Limiting Cost Growth to GDP Growth	2042

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 judgments 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. Sample medical trends are listed in the table below.

Pre-Medicare - Initial trend of 7.95% applied in FYE 2023 and 4.00% applied in FYE 2022 grading over 18 years to 3.25% per annum.

Medicare - Initial trend of 0.0% applied in FYE 2023 and 5.62% applied in FYE 2024 grading over 18 years to 4.29% per annum.

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

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine Public Employees Retirement System State Employee and Teacher Retirement Program at June 30, 2021 and based on the experience study covering the period from June 30, 2015 through June 30, 2020. The proposed assumptions were adopted by the Board of Trustees at their March 11, 2021 meeting. As of June 30, 2022, they are as follows:

Retirement Rates - Rates vary for plans based on age and service

Rates of Turnover - Rates vary for plans based on service

Disability Incidence - Rates vary for plans based on age

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Family Enrollment Composition - It is assumed that 80% is married with an eligible spouse.

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

Administrative expenses - Included in the per capita claims cost

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

Salaries - Salaries were not provided by the client. Assumed salaries are inferred using the Teachers Age/Service Salary scatter from the Maine State Teachers Retirement System's salary age/service scatter from the June 30, 2022 Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation. Based on the dates of hire assumed above and the participant's actual age, pay was assigned using the salary age service scatter, unless otherwise supplied by the district group during its review of the active data.

Dates of Hire - Were not available from the client and were available from the State Retirement Agency. Dates of hire were inferred using the Maine State Retirement System's Age/Service scatter from the June 30, 2022 Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation. Those under 1 year of service, the date was assumed to be January 1, 2022 and all other groups were assumed to be hired on July 1 of each service midpoint.

Rate of Mortality:

Healthy Annuitants: Based on the 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table adjusted as follows:

- 98.1% and 87.5% respectively of the rates for males before age 85 and females before age 80
- 106.4% and 122.3% respectively of the rates for males on and after age 85 and females on and after age 80

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Rates are projected generationally using the RPEC_2022 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 parameters used in the RPEC_2022 model are those included in the published MP-2022 scale.

Healthy Employees: Based on 93.1% and 91.9% of the 2010 Public Plan Teacher Benefits Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2022 model as described in the healthy annuitant mortality.

Disabled Annuitants: Based on 94.2% and 123.8% of the 2010 Public Plan Non-Safety Benefits-Weighted Disabled Retiree Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2022 model described in the healthy annuitant mortality.

Retiree Continuation Percentage:

Retirees who are currently in the Medicare Advantage Plan (Medicare participants) are assumed to remain in the Medicare Advantage Plan. Retirees who are over the age of 65 and enrolled in a Pre-Medicare plan are assumed to never be eligible for Medicare and are assumed to remain enrolled in the Pre-Medicare plan.

Retirees who are currently under the age of 64 and enrolled in a Pre-Medicare plan are assumed to be eligible for Medicare and are assumed to remain in the Pre-Medicare Plan until age 64 and enroll in the Medicare Advantage Plan at age 65.

Spouses who are currently in a Pre-Medicare plan will follow the same assumptions as the retired member. Thus if the member is never eligible for Medicare, the spouse is not either.

Significant actuarial assumptions employed by the actuary for claims and expense purposes are the based on the actual community rated premiums of the entire group. As of June 30, 2022, they are as follows:

Monthly Per Capital Claims and Expense Cost - Claims are based on community rated premiums through July 1, 2022 and projects through June 30, 2023 and associate enrollment in the various options offered. Annual administrative and claims adjudication expenses are assumed to be included in the annual premiums.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Medical Plan Election - Employees are assumed to continue in their current medical plan for their entire career. 50% of retirees are assumed to switch from the Choice Plan to the Standard Plan.

Medicare Eligibility - Assumed to be age 65, with the exception of retirees over age 65 who are not in the Medicare Advantage Plan are assumed to never be eligible for Medicare, all current actives with a hire date before March 31, 1986 are assumed to never be eligible for Medicare.

Changes in Total OPEB Liability

Changes in total OPEB liability are recognized in OPEB expense for the year ended June 30, 2022 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. As of the beginning of the measurement period, this average was 7 years. 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. For the fiscal year ended June 30, 2022, there were no differences between expected and actual experience.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense over the average expected remaining service life of all active and inactive Plan members. As of the beginning of the measurement period, this average was 7 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for year ending June 30, 2021. For the fiscal year ended June 30, 2022, there were no changes in assumptions.

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the City Office at 22 Washington Street, Eastport, Maine 04631.

NOTE 19 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2023, the City had the following overspent appropriations:

General fund:	
Airport	<u>\$ 39,413</u>
Education fund:	
Other instruction	560
School administration	12,827
Transfers to other funds	<u>31,541</u>
	<u>\$ 44,928</u>

NOTE 20 - CONTINGENCIES

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

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

NOTE 21 - RISK MANAGEMENT - PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by the insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 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.

CITY OF EASTPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 22 - RESTATEMENTS

In 2023, it was determined that certain transactions were incorrectly recorded or omitted. The beginning balance for the general fund was restated as of July 1, 2022 by a decrease of \$236,300 to adjust for interfund receivables and payables and taxes receivable. The education fund was restated by an increase of \$82,229 to adjust for the interfund receivables. The nonmajor special revenue funds were restated by a decrease of \$39,210 to adjust for interfund receivables and deferred revenue. The beginning net position for governmental activities was decreased by \$873,159 for the above restatements and adjustments made to correct net pension liabilities (\$9,570), net OPEB liabilities (\$656,388) and capital assets (\$13,920). These restatements to the governmental activities decreased net position by \$873,159 from \$10,497,039 to \$9,623,880.

The net position for business-type activities was restated by a decrease of \$50,015 from \$8,626,994 to \$8,576,979 to correct the capital assets balance.

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
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the Net OPEB Liability - SET Plan
- Schedule of Changes in Net OPEB Liability - MMEHT Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT Plan
- Schedule of Changes in Net OPEB Liability - MEABT Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT Plan
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

CITY OF EASTPORT, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 603,251	\$ 603,251	\$ 603,251	\$ -
Resources (Inflows):				
General tax revenue	3,441,246	3,441,246	3,481,390	40,144
Intergovernmental revenue	639,118	639,118	678,006	38,888
Charges for services	50,780	84,707	124,032	39,325
Investment income	8,000	8,000	38,948	30,948
Other revenue	37,450	37,450	42,753	5,303
Amounts Available for Appropriation	4,779,845	4,813,772	4,968,380	154,608
Charges to Appropriations (Outflows):				
General government	586,904	586,904	578,921	7,983
Public safety	826,743	826,743	804,656	22,087
Public works	398,651	398,651	339,385	59,266
Airport	37,655	71,582	110,995	(39,413)
Health and sanitation	43,230	43,230	43,210	20
Social services	2,000	2,000	-	2,000
County tax	256,024	256,024	256,024	-
Debt service:				
Principal	104,182	104,182	60,975	43,207
Overlay	33,991	33,991	12,951	21,040
Unclassified	136,006	136,006	132,158	3,848
Transfers to other funds	1,747,102	1,747,102	1,747,102	-
Total Charges to Appropriations	4,176,594	4,210,521	4,090,483	120,038
Budgetary Fund Balance, June 30	\$ 603,251	\$ 603,251	\$ 877,897	\$ 274,646

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

CITY OF EASTPORT, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - EDUCATION FUND
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1, Restated	\$ 1,062,158	\$ 1,062,158	\$ 1,062,158	\$ -
Revenues (Inflows):				
Local assessments	1,636,108	-	-	-
Intergovernmental revenues:				
State subsidy	355,965	355,965	355,965	-
Special education	60,000	60,000	60,640	640
Charges for services	598,961	598,961	738,508	139,547
Other revenue	11,000	11,000	12,168	1,168
Transfers from other funds	-	1,636,108	1,636,108	-
Amounts Available for Appropriation	<u>3,724,192</u>	<u>3,724,192</u>	<u>3,865,547</u>	<u>141,355</u>
Charges to Appropriations (Outflows):				
Regular instruction	1,183,642	1,183,642	1,132,172	51,470
Special education	476,143	476,143	436,246	39,897
Other instruction	127,577	127,577	128,137	(560)
Student and staff support	87,865	87,865	84,708	3,157
System administration	111,416	111,416	96,734	14,682
School administration	307,498	307,498	320,325	(12,827)
Transportation and buses	177,995	177,995	167,973	10,022
Operations and maintenance	436,259	436,259	425,405	10,854
Other expenditures	17,500	17,500	-	17,500
Transfers to other funds	86,139	86,139	117,680	(31,541)
Total Charges to Appropriations	<u>3,012,034</u>	<u>3,012,034</u>	<u>2,909,380</u>	<u>102,654</u>
Budgetary Fund Balance, June 30	<u>\$ 712,158</u>	<u>\$ 712,158</u>	<u>\$ 956,167</u>	<u>\$ 244,009</u>
Utilization of assigned fund balance	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ (350,000)</u>

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

CITY OF EASTPORT, 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	0.04%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Proportionate share of the net pension liability/(asset)	\$ 100,520	\$ (18,991)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 381,590	\$ 523,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proportionate share of the net pension liability as a percentage of its covered payroll	26.34%	-3.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	93.26%	100.86%	88.35%	90.62%	91.14%	86.43%	81.60%	88.30%	94.10%
<u>SET Plan:</u>									
School Department's proportion of the net pension liability	0.01%	0.01%	0.80%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
School Department's proportionate share of the net pension liability	\$ 143,071	\$ 82,637	\$ 131,200	\$ 140,900	\$ 131,598	\$ 108,795	\$ 146,580	\$ 123,914	\$ 99,898
State's proportionate share of the net pension liability associated with the School Department	1,238,957	672,836	1,233,324	1,151,471	1,087,230	44,664	1,500,841	1,203,658	1,008,315
Total	\$ 1,382,028	\$ 755,473	\$ 1,364,524	\$ 1,292,371	\$ 1,218,828	\$ 153,459	\$ 1,647,421	\$ 1,327,572	\$ 1,108,213
School Department's covered payroll	\$ 1,325,151	\$ 1,208,105	\$ 1,081,893	\$ 1,124,346	\$ 1,109,223	\$ 1,075,009	\$ 1,094,979	\$ 1,133,867	\$ -
School Department's proportionate share of the net pension liability as a percentage of its covered payroll	10.80%	6.84%	12.13%	12.53%	11.86%	10.12%	13.39%	10.93%	#DIV/0!
Plan fiduciary net position as a percentage of the total pension liability	85.79%	90.90%	81.03%	84.52%	85.17%	80.78%	76.21%	81.18%	83.91%

* 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.

CITY OF EASTPORT, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>									
Contractually required contribution	\$ 31,843	\$ 29,764	\$ 40,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	(31,843)	(29,764)	(40,431)	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>								
Covered payroll	\$ 312,186	\$ 381,590	\$ 523,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	10.20%	7.80%	7.73%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<u>SET Plan:</u>									
Contractually required contribution	\$ 75,933	\$ 71,740	\$ 69,588	\$ 60,262	\$ 58,696	\$ 57,953	\$ 45,772	\$ 47,124	\$ 44,708
Contributions in relation to the contractually required contribution	(75,933)	(71,740)	(69,588)	(60,262)	(58,696)	(57,953)	(45,772)	(47,124)	(44,708)
Contribution deficiency (excess)	<u>\$ -</u>								
School Department's covered payroll	\$ 1,357,438	\$ 1,325,151	\$ 1,208,105	\$ 1,081,893	\$ 1,124,346	\$ 1,109,223	\$ 1,075,009	\$ 1,094,979	\$ 1,133,867
Contributions as a percentage of covered payroll	5.59%	5.41%	5.76%	5.57%	5.22%	5.22%	4.26%	4.30%	3.94%

* 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.

CITY OF EASTPORT, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - SET PLAN
LAST 10 FISCAL YEARS*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>SET Life Insurance:</u>						
Proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>47,959</u>	<u>23,501</u>	<u>47,120</u>	<u>44,965</u>	<u>47,435</u>	<u>44,664</u>
Total	<u>\$ 47,959</u>	<u>\$ 23,501</u>	<u>\$ 47,120</u>	<u>\$ 44,965</u>	<u>\$ 47,435</u>	<u>\$ 44,664</u>
Covered payroll	\$ 1,325,151	\$ 1,208,105	\$ 1,081,893	\$ 1,124,346	\$ 1,109,223	\$ 1,075,009
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	62.90%	55.40%	49.51%	49.22%	48.04%

* 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.

CITY OF EASTPORT, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MMEHT PLAN
FOR THE YEAR ENDED JUNE 30, 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)	\$ 33,978	\$ -	\$ 33,978
Changes for the year:			
Service cost	5,256	-	5,256
Interest	806	-	806
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(4,949)	-	(4,949)
Contributions - employer	-	177	(177)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(177)	(177)	-
Administrative expense	-	-	-
Net changes	936	-	936
Balances at 1/1/23 (Reporting December 31, 2023)	<u>\$ 34,914</u>	<u>\$ -</u>	<u>\$ 34,914</u>

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

CITY OF EASTPORT, MAINE

SCHEDULE OF CHANGES NET OPEB LIABILITY AND RELATED RATIOS
MMEHT PLAN
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total OPEB liability</u>						
Service cost (BOY)	\$ 5,256	\$ 4,558	\$ 3,896	\$ 5,643	\$ 6,194	\$ 5,621
Interest (includes interest on service cost)	806	1,550	1,706	2,013	1,629	1,350
Changes of benefit terms	-	-	-	(1,035)	-	-
Differences between expected and actual experience	-	(40,311)	-	(8,611)	-	(135)
Changes of assumptions	(4,949)	(262)	4,784	17,052	(5,444)	4,284
Benefit payments, including refunds of member contributions	(177)	(211)	(203)	(92)	(88)	(13)
Net change in total OPEB liability	<u>\$ 936</u>	<u>\$ (34,676)</u>	<u>\$ 10,183</u>	<u>\$ 14,970</u>	<u>\$ 2,291</u>	<u>\$ 11,107</u>
Total OPEB liability - beginning	\$ 33,978	\$ 68,654	\$ 58,471	\$ 43,501	\$ 41,210	\$ 30,103
Total OPEB liability - ending	<u>\$ 34,914</u>	<u>\$ 33,978</u>	<u>\$ 68,654</u>	<u>\$ 58,471</u>	<u>\$ 43,501</u>	<u>\$ 41,210</u>
<u>Plan fiduciary net position</u>						
Contributions - employer	177	211	203	92	88	13
Contributions - member	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(177)	(211)	(203)	(92)	(88)	(13)
Administrative expense	-	-	-	-	-	-
Net change in fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 34,914</u>	<u>\$ 33,978</u>	<u>\$ 68,654</u>	<u>\$ 58,471</u>	<u>\$ 43,501</u>	<u>\$ 41,210</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-	-	-	-
Covered payroll	\$ 349,059	\$ 349,059	\$ 358,026	\$ 358,026	\$ 411,998	\$ 411,998
Net OPEB liability as a percentage of covered payroll	10.0%	9.7%	19.2%	16.3%	10.6%	10.0%

* 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.

CITY OF EASTPORT, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MEABT PLAN
FOR THE YEAR ENDED JUNE 30, 2023

	Increase (Decrease)		
	Net OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at 7/1/21 (Reporting July 1, 2022)	\$ 800,093	\$ -	\$ 800,093
Changes for the year:			
Service cost	13,828	-	13,828
Interest	17,404	-	17,404
Changes of benefits	-	-	-
Differences between expected and actual experience	157,577	-	157,577
Changes of assumptions	55,730	-	55,730
Contributions - employer	-	16,432	(16,432)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(16,432)	(16,432)	-
Administrative expense	-	-	-
Net changes	<u>228,107</u>	<u>-</u>	<u>228,107</u>
Balances at 7/1/22 (Reporting July 1, 2023)	<u>\$ 1,028,200</u>	<u>\$ -</u>	<u>\$ 1,028,200</u>

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

CITY OF EASTPORT, MAINE

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

	2023	2022	2021	2020	2019
<u>Total OPEB liability</u>					
Service cost (BOY)	\$ 13,828	\$ 16,839	\$ 7,020	\$ 5,949	\$ 6,340
Interest (includes interest on service cost)	17,404	17,356	22,932	23,965	22,975
Changes of benefit terms	-	-	(68,296)	-	-
Differences between expected and actual experience	157,577	-	(19,890)	-	-
Changes of assumptions	55,730	5,666	202,985	33,766	(26,443)
Benefit payments, including refunds of member contributions	(16,432)	(16,457)	(32,206)	(25,449)	(24,569)
Net change in total OPEB liability	\$ 228,107	\$ 23,404	\$ 112,545	\$ 38,231	\$ (21,697)
Total OPEB liability - beginning	\$ 800,093	\$ 776,689	\$ 664,144	\$ 625,913	\$ 647,610
Total OPEB liability - ending	\$ 1,028,200	\$ 800,093	\$ 776,689	\$ 664,144	\$ 625,913
<u>Plan fiduciary net position</u>					
Contributions - employer	16,432	16,457	32,206	25,449	24,569
Contributions - member	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	(16,432)	(16,457)	(32,206)	(25,449)	(24,569)
Administrative expense	-	-	-	-	-
Net change in fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability - ending	<u>\$ 1,028,200</u>	<u>\$ 800,093</u>	<u>\$ 776,689</u>	<u>\$ 664,144</u>	<u>\$ 625,913</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-	-	-
Covered payroll	\$ 1,421,127	\$ 1,526,481	\$ 1,489,250	\$ 1,652,629	\$ 1,608,398
Net OPEB liability as a percentage of covered payroll	72.4%	52.4%	52.2%	40.2%	38.9%

* 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.

CITY OF EASTPORT, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2014
<u>SET Life Insurance:</u>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,357,438	\$ 1,325,151	\$ 1,208,105	\$ 1,081,893	\$ 1,124,346	\$ 1,109,223	\$ 1,075,009
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>MMEHT:</u>							
Employer contributions	\$ 177	\$ 211	\$ 203	\$ 92	\$ 88	\$ 13	
Benefit payments	(177)	-	-	-	-	(13)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 211</u>	<u>\$ 203</u>	<u>\$ 92</u>	<u>\$ 88</u>	<u>-</u>	
Covered payroll	\$ 349,059	\$ 349,059	\$ 358,026	\$ 358,026	\$ 411,998	\$ 411,998	
Contributions as a percentage of covered payroll	0.05%	0.06%	0.06%	0.03%	0.02%	0.00%	
<u>MEABT:</u>							
Employer contributions	\$ 16,432	\$ 16,457	\$ 32,206	\$ 25,449	\$ 24,569		
Benefit payments	(16,432)	(16,457)	(32,206)	(25,449)	(24,569)		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered-employee payroll	\$ 1,421,127	\$ 1,526,481	\$ 1,489,250	\$ 1,652,629	\$ 1,608,398		
Contributions as a percentage of covered-payroll	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.

CITY OF EASTPORT, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

Changes of Assumptions

MEPERS PLD Plan:

There were no changes of assumptions.

MEPERS SET Plan:

There were no changes of assumptions.

MEPERS OPEB SET Plan:

There have been no changes in actuarial assumptions since the last measurement date.

MMEHT 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.

MEABT OPEB Plan

There was a change in the discount rate from 2.16% to 3.54% per GASB 75 discount rate selection.

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
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Combining Schedule of Net Position - Fiduciary Funds
- Combining Schedule of Revenues, Expenditures and Changes in Net Position - Fiduciary Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

CITY OF EASTPORT, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues:				
Property taxes	\$ 3,211,246	\$ 3,211,246	\$ 3,257,663	\$ 46,417
Vehicle excise taxes	230,000	230,000	223,727	(6,273)
Intergovernmental revenues:				
State revenue sharing	323,870	323,870	356,492	32,622
Homestead exemption	174,232	174,232	160,042	(14,190)
BETE	42,923	42,923	42,957	34
Veterans reimbursement	5,000	5,000	4,572	(428)
General assistance	1,400	1,400	399	(1,001)
Local road assistance	20,668	20,668	22,316	1,648
Other	71,025	71,025	91,228	20,203
Charges for services:				
Airport	23,000	56,927	60,279	3,352
Shellfish	1,900	1,900	3,277	1,377
Town clerk fees	8,000	8,000	10,504	2,504
Permits and fees	6,220	6,220	9,544	3,324
Dispatching services	1,800	1,800	1,800	-
Police department	360	360	105	(255)
Animal control	500	500	362	(138)
Public works	-	-	32,211	32,211
Cemetery	9,000	9,000	5,950	(3,050)
Investment income:				
Investment income	8,000	8,000	38,948	30,948
Other income:				
Interest/fees on taxes	35,000	35,000	29,529	(5,471)
Other income	1,000	1,000	11,974	10,974
Rent	1,450	1,450	1,250	(200)
Total Revenues	<u>\$ 4,176,594</u>	<u>\$ 4,210,521</u>	<u>\$ 4,365,129</u>	<u>\$ 154,608</u>

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

CITY OF EASTPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
General government					
Administration	\$ 457,089	\$ -	\$ 457,089	\$ 473,179	\$ (16,090)
Economic development	4,000	-	4,000	2,972	1,028
Insurance	64,900	-	64,900	46,029	18,871
Public officials	500	-	500	321	179
Grounds	52,284	-	52,284	52,255	29
Shellfish warden	8,131	-	8,131	4,165	3,966
	<u>586,904</u>	<u>-</u>	<u>586,904</u>	<u>578,921</u>	<u>7,983</u>
Public safety					
Police department	279,910	-	279,910	248,317	31,593
Fire department	59,100	-	59,100	52,378	6,722
Services	477,243	-	477,243	494,317	(17,074)
Animal control	10,490	-	10,490	9,644	846
	<u>826,743</u>	<u>-</u>	<u>826,743</u>	<u>804,656</u>	<u>22,087</u>
Public works	<u>398,651</u>	<u>-</u>	<u>398,651</u>	<u>343,491</u>	<u>55,160</u>
Airport	<u>37,655</u>	<u>33,927</u>	<u>71,582</u>	<u>110,995</u>	<u>(39,413)</u>
Health and sanitation					
Landfill	43,230	-	43,230	43,210	20
	<u>43,230</u>	<u>-</u>	<u>43,230</u>	<u>43,210</u>	<u>20</u>
Social services					
General assistance	2,000	-	2,000	-	2,000
	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
County tax	<u>256,024</u>	<u>-</u>	<u>256,024</u>	<u>256,024</u>	<u>-</u>
Debt service					
Principal	108,288	-	108,288	60,975	47,313
	<u>108,288</u>	<u>-</u>	<u>108,288</u>	<u>60,975</u>	<u>47,313</u>
Overlay	<u>33,991</u>	<u>-</u>	<u>33,991</u>	<u>12,951</u>	<u>21,040</u>
Unclassified					
Programs	29,000	-	29,000	27,000	2,000
Reserves	97,006	-	97,006	97,006	-
Recreation	10,000	-	10,000	8,152	1,848
	<u>136,006</u>	<u>-</u>	<u>136,006</u>	<u>132,158</u>	<u>3,848</u>
Transfers to other funds					
Education fund	1,636,108	-	1,636,108	1,636,108	-
Capital projects funds	110,994	-	110,994	110,994	-
	<u>1,747,102</u>	<u>-</u>	<u>1,747,102</u>	<u>1,747,102</u>	<u>-</u>
Total Departmental Operations	<u>\$ 4,176,594</u>	<u>\$ 33,927</u>	<u>\$ 4,210,521</u>	<u>\$ 4,090,483</u>	<u>\$ 120,038</u>

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

CITY OF EASTPORT, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 136,060	\$ 26,528	\$ 23,224	\$ 185,812
Investments	-	-	137,124	137,124
Accounts receivable (net of allowance for uncollectibles)	813	-	-	813
Due from other governments	56,458	-	-	56,458
Due from other funds	140,783	110,993	1,675	253,451
TOTAL ASSETS	\$ 334,114	\$ 137,521	\$ 162,023	\$ 633,658
LIABILITIES				
Accounts payable	\$ 1,714	\$ -	\$ -	\$ 1,714
Due to other funds	169,990	-	-	169,990
TOTAL LIABILITIES	171,704	-	-	171,704
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	136,060	-	-	136,060
TOTAL DEFERRED INFLOWS OF RESOURCES	136,060	-	-	136,060
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	160,630	-	162,023	322,653
Committed	-	-	-	-
Assigned	-	137,521	-	137,521
Unassigned (deficit)	(134,280)	-	-	(134,280)
TOTAL FUND BALANCES	26,350	137,521	162,023	325,894
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 334,114	\$ 137,521	\$ 162,023	\$ 633,658

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

CITY OF EASTPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 451,272	\$ -	\$ -	\$ 451,272
Interest income	-	-	848	848
Other income	1,533	-	-	1,533
TOTAL REVENUES	452,805	-	848	453,653
EXPENDITURES				
Airport	303,188	-	-	303,188
Capital outlay	109,432	-	-	109,432
Other	16,026	660	-	16,686
TOTAL EXPENDITURES	428,646	660	-	429,306
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,159	(660)	848	24,347
OTHER FINANCING SOURCES (USES)				
Transfers in	-	110,994	-	110,994
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	110,994	-	110,994
NET CHANGE IN FUND BALANCES	24,159	110,334	848	135,341
FUND BALANCES - JULY 1, RESTATED	2,191	27,187	161,175	190,553
FUND BALANCES - JUNE 30	\$ 26,350	\$ 137,521	\$ 162,023	\$ 325,894

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.

CITY OF EASTPORT, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2023

	Moonlight Movies	Caregiver Bracelet	Dog Park Donations	Sidewalk Project	Skate Park Donations	City Owned Metal Pile	CDBG Toll Bridge	ARPA	Connect ME MCA	ME COMM Grant
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,060	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	813	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	1,000	1,235	67,216	1,022	2,124	-	-	9,495	58,691
TOTAL ASSETS	\$ 813	\$ 1,000	\$ 1,235	\$ 67,216	\$ 1,022	\$ 2,124	\$ -	\$ 136,060	\$ 9,495	\$ 58,691
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	438	-	-	-	-	-	30,689	-	-	-
TOTAL LIABILITIES	438	-	-	-	-	-	30,689	-	-	-
DEFERRED INFLOWS OF RESOURCES										
Deferred revenues	-	-	-	-	-	-	-	136,060	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	136,060	-	-
FUND BALANCES (DEFICITS)										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	375	1,000	1,235	67,216	1,022	2,124	-	-	9,495	58,691
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(30,689)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	375	1,000	1,235	67,216	1,022	2,124	(30,689)	-	9,495	58,691
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 813	\$ 1,000	\$ 1,235	\$ 67,216	\$ 1,022	\$ 2,124	\$ -	\$ 136,060	\$ 9,495	\$ 58,691

CITY OF EASTPORT, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2023

	Chamber Outreach	MTMPP Grant	PAPI 13-2020	Runway Lights 17-2021	Master Plan Update 17-2021	Runway Guidance System 19-2022	Apron Pavement 20-2022	Reconstruct Apron Phase I 21-2023	Reconstruct Apron Phase II 21-2023	Total
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,060
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	-	813
Due from other governments	-	-	-	4,280	6,304	15,686	534	11,835	17,819	56,458
Due from other funds	-	-	-	-	-	-	-	-	-	140,783
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ 4,280	\$ 6,304	\$ 15,686	\$ 534	\$ 11,835	\$ 17,819	\$ 334,114
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ 1,714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,714
Due to other funds	-	-	6,349	59,699	4,651	21,310	13,906	32,948	-	169,990
TOTAL LIABILITIES	-	-	6,349	61,413	4,651	21,310	13,906	32,948	-	171,704
DEFERRED INFLOWS OF RESOURCES										
Deferred revenues	-	-	-	-	-	-	-	-	-	136,060
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-	136,060
FUND BALANCES (DEFICITS)										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	1,653	-	-	-	17,819	160,630
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(6,349)	(57,133)	-	(5,624)	(13,372)	(21,113)	-	(134,280)
TOTAL FUND BALANCES (DEFICITS)	-	-	(6,349)	(57,133)	1,653	(5,624)	(13,372)	(21,113)	17,819	26,350
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ -	\$ -	\$ -	\$ 4,280	\$ 6,304	\$ 15,686	\$ 534	\$ 11,835	\$ 17,819	\$ 334,114

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

CITY OF EASTPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Moonlight Movies	Caregiver Bracelet	Dog Park Donations	Sidewalk Project	Skate Park Donations	City Owned Metal Pile	CDBG Toll Bridge	ARPA	Connect ME MCA	ME COMM Grant
REVENUES										
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 26,892	\$ -	\$ -	\$ 44,338	\$ -	\$ 15,500	\$ 60,000
Other income	813	-	-	-	-	720	-	-	-	-
TOTAL REVENUES	<u>813</u>	<u>-</u>	<u>-</u>	<u>26,892</u>	<u>-</u>	<u>720</u>	<u>44,338</u>	<u>-</u>	<u>15,500</u>	<u>60,000</u>
EXPENDITURES										
Airport	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	33,615	-	-	75,817	-	-	-
Other	975	-	-	-	-	-	-	-	6,005	1,309
TOTAL EXPENDITURES	<u>975</u>	<u>-</u>	<u>-</u>	<u>33,615</u>	<u>-</u>	<u>-</u>	<u>75,817</u>	<u>-</u>	<u>6,005</u>	<u>1,309</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(162)	-	-	(6,723)	-	720	(31,479)	-	9,495	58,691
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	<u>537</u>	<u>1,000</u>	<u>1,235</u>	<u>73,939</u>	<u>1,022</u>	<u>1,404</u>	<u>790</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 375</u>	<u>\$ 1,000</u>	<u>\$ 1,235</u>	<u>\$ 67,216</u>	<u>\$ 1,022</u>	<u>\$ 2,124</u>	<u>\$ (30,689)</u>	<u>\$ -</u>	<u>\$ 9,495</u>	<u>\$ 58,691</u>

CITY OF EASTPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Chamber Outreach	MTMPP Grant	PAPI 13-2020	Runway Lights 17-2021	Master Plan Update 17-2021	Runway Guidance System 19-2022	Apron Pavement 20-2022	Reconstruct Apron Phase I 21-2023	Reconstruct Apron Phase II 21-2023	Total
REVENUES										
Intergovernmental revenue	\$ -	\$ 4,603	\$ -	\$ 61,112	\$ 88,352	\$ 32,863	\$ 87,958	\$ 11,835	\$ 17,819	\$ 451,272
Other income	-	-	-	-	-	-	-	-	-	1,533
TOTAL REVENUES	-	4,603	-	61,112	88,352	32,863	87,958	11,835	17,819	452,805
EXPENDITURES										
Airport	-	-	3,692	57,733	73,070	36,514	99,231	32,948	-	303,188
Capital outlay	-	-	-	-	-	-	-	-	-	109,432
Other	3,134	4,603	-	-	-	-	-	-	-	16,026
TOTAL EXPENDITURES	3,134	4,603	3,692	57,733	73,070	36,514	99,231	32,948	-	428,646
NET CHANGE IN FUND BALANCES	(3,134)	-	(3,692)	3,379	15,282	(3,651)	(11,273)	(21,113)	17,819	24,159
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	3,134	-	(2,657)	(60,512)	(13,629)	(1,973)	(2,099)	-	-	2,191
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ -	\$ (6,349)	\$ (57,133)	\$ 1,653	\$ (5,624)	\$ (13,372)	\$ (21,113)	\$ 17,819	\$ 26,350

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 fund.

CITY OF EASTPORT, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2023

	Capital Fund	Total
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 26,528	\$ 26,528
Due from other funds	110,993	110,993
TOTAL ASSETS	<u>\$ 137,521</u>	<u>\$ 137,521</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	137,521	137,521
Unassigned	-	-
TOTAL FUND BALANCES	<u>137,521</u>	<u>137,521</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 137,521</u>	<u>\$ 137,521</u>

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

CITY OF EASTPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Capital Fund	Total
REVENUES		
Other income	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>
EXPENDITURES		
Other	660	660
TOTAL EXPENDITURES	<u>660</u>	<u>660</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(660)</u>	<u>(660)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	110,994	110,994
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>110,994</u>	<u>110,994</u>
NET CHANGE IN FUND BALANCES	110,334	110,334
FUND BALANCES - JULY 1	<u>27,187</u>	<u>27,187</u>
FUND BALANCES - JUNE 30	<u>\$ 137,521</u>	<u>\$ 137,521</u>

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

Permanent Funds

Permanent funds are used to account for assets held by the City of Eastport, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the City or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of the cemeteries.

CITY OF EASTPORT, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2023

	Cemetery Perpetual Care	Total
ASSETS		
Cash and cash equivalents	\$ 23,224	\$ 23,224
Investments	137,124	137,124
Due from other funds	1,675	1,675
TOTAL ASSETS	<u>\$162,023</u>	<u>\$ 162,023</u>
LIABILITIES		
Due to other funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	162,023	162,023
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>162,023</u>	<u>162,023</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$162,023</u>	<u>\$ 162,023</u>

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

CITY OF EASTPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Cemetery Perpetual Care	Total
	<u> </u>	<u> </u>
REVENUES		
Interest income	\$ 848	\$ 848
TOTAL REVENUES	<u>848</u>	<u>848</u>
EXPENDITURES		
Other	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	848	848
FUND BALANCES - JULY 1	<u>161,175</u>	<u>161,175</u>
FUND BALANCES - JUNE 30	<u><u>\$162,023</u></u>	<u><u>\$ 162,023</u></u>

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

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

CITY OF EASTPORT, MAINE

COMBINING SCHEDULE OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2024

	Holmes Scholarship	Kilby Scholarship	Wallace Scholarship	Walsh Scholarship	School Trust Funds	Total
ASSETS						
Cash and cash equivalents	\$ 279	\$ 5,328	\$ 3,883	\$ 2,909	\$ 68,972	\$ 81,371
Investments	1,648	31,461	22,925	17,176	241,338	314,548
Due from other governments	-	-	1,000	1,000	-	2,000
TOTAL ASSETS	<u>\$ 1,927</u>	<u>\$ 36,789</u>	<u>\$ 27,808</u>	<u>\$ 21,085</u>	<u>\$ 310,310</u>	<u>\$ 397,919</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION						
Restricted - held in trust	1,927	36,789	27,808	21,085	310,310	397,919
TOTAL NET POSITION	<u>1,927</u>	<u>36,789</u>	<u>27,808</u>	<u>21,085</u>	<u>310,310</u>	<u>397,919</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,927</u>	<u>\$ 36,789</u>	<u>\$ 27,808</u>	<u>\$ 21,085</u>	<u>\$ 310,310</u>	<u>\$ 397,919</u>

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

CITY OF EASTPORT, MAINE

COMBINING SCHEDULE OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Holmes Scholarship	Kilby Scholarship	Wallace Scholarship	Walsh Scholarship	School Trust Funds	Total
ADDITIONS						
Interest	\$ 1	\$ 47	\$ 42	\$ 40	\$ 5,223	\$ 5,353
Contributions	-	-	-	-	46,978	46,978
TOTAL ADDITIONS	<u>1</u>	<u>47</u>	<u>42</u>	<u>40</u>	<u>52,201</u>	<u>52,331</u>
DEDUCTIONS						
Scholarships	-	500	500	500	2,100	3,600
TOTAL DEDUCTIONS	<u>-</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>2,100</u>	<u>3,600</u>
CHANGE IN NET POSITION	1	(453)	(458)	(460)	50,101	48,731
NET POSITION - JULY 1	<u>1,926</u>	<u>37,242</u>	<u>28,266</u>	<u>21,545</u>	<u>260,209</u>	<u>349,188</u>
NET POSITION - JUNE 30	<u>\$ 1,927</u>	<u>\$ 36,789</u>	<u>\$ 27,808</u>	<u>\$ 21,085</u>	<u>\$ 310,310</u>	<u>\$ 397,919</u>

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.

CITY OF EASTPORT, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION

JUNE 30, 2023

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General government	\$ 87,264	\$ 4,421,616	\$ 1,161,111	\$ 40,210	\$ 5,710,201
Public safety	-	100,087	270,563	-	370,650
Public works	188,173	14,291	397,702	743,347	1,343,513
Airport	6,526,289	-	-	-	6,526,289
Recreation and culture	-	-	-	-	-
Education	20,000	5,142,015	1,006,644	-	6,168,659
Sewer department	214,181	21,998,378	291,858	-	22,504,417
Total General Capital Assets	7,035,907	31,676,387	3,127,878	783,557	42,623,729
Less: Accumulated Depreciation	-	(17,400,027)	(2,841,482)	(293,485)	(20,534,994)
Net General Capital Assets	\$ 7,035,907	\$ 14,276,360	\$ 286,396	\$ 490,072	\$ 22,088,735

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

CITY OF EASTPORT, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2023

	General Capital Assets 7/1/22 (Restated)	Additions	Deletions	General Capital Assets 6/30/23
General government	\$ 5,704,943	\$ 5,258	\$ -	\$ 5,710,201
Public safety	370,650	-	-	370,650
Public works	1,133,977	209,536	-	1,343,513
Airport	6,219,410	306,879	-	6,526,289
Recreation and culture	-	-	-	-
Education	5,944,343	224,316	-	6,168,659
Sewer department	22,433,534	70,883	-	22,504,417
Total General Capital Assets	41,806,857	816,872	-	42,623,729
Less: Accumulated Depreciation	(19,690,494)	(844,500)	-	(20,534,994)
Net General Capital Assets	<u>\$ 22,116,363</u>	<u>\$ (27,628)</u>	<u>\$ -</u>	<u>\$ 22,088,735</u>

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

CITY OF EASTPORT, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal AL Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture Passed-through State of Maine - Department of Education and Cultural Services: Child Nutrition Cluster:				
School Breakfast Program	10.553	013-05A-3014	\$ -	\$ 10,920
National School Lunch Program - USDA Commodities	10.555	N/A	-	10,333
National School Lunch Program - Supply Chain Assistance	10.555	013-05A-6670	-	13,787
National School Lunch Program	10.555	013-05A-3022	-	10,119
National School Lunch Program	10.555	013-05A-3024	-	28,018
Fresh Fruit and Vegetable Program	10.582	013-05A-3028	-	4,019
Subtotal Child Nutrition Cluster			-	77,196
Pandemic EBT Administrative Costs	10.649	013-05A-6184	-	1,256
Total U.S. Department of Agriculture			-	78,452
U.S. Department of Housing and Urban Development Passed-through State of Maine Department of Economic Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	N/A	-	75,817
Total U.S. Department of Housing and Urban Development			-	75,817
U.S. Department of Transportation Direct Award: Airport Improvement Program, Covid-19 Airports Programs and Infrastructure Investment and Jobs Act Programs	20.106	N/A	-	303,188
Passed-through State of Maine - Department of Transportation: Highway Planning and Construction	20.205	2435700	-	33,615
Total U.S. Department of Transportation			-	336,803
U.S. Department of Treasury Passed-through State of Maine - Connectivity Authority Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	6,005
Total U.S. Department of Treasury			-	6,005
U.S. Department of Education Passed-through State of Maine - Department of Education and Cultural Services:				
Title I Grants to Local Educational Agencies	84.010A	013-05A-3107	-	118,986
Title I Grants to Local Educational Agencies	84.010A	013-05A-3106	-	34,761
			-	153,747
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027A	013-05A-3046	-	39,958
Special Education Grants to States	84.027X	013-05A-7170	-	5,240
Subtotal Special Education Cluster (IDEA)			-	45,198
Rural Education	84.358	013-05A-3305	-	7,873
Supporting Effective Instruction State Grants	84.367A	013-05A-3042	-	20,869
Education Stabilization Fund	84.425D	013-05A-7041	-	106,065
Education Stabilization Fund	84.425U	013-05A-7071	-	280,906
Education Stabilization Fund	84.425C	013-05A-7042	-	9,871
			-	396,842
Total U.S. Department of Education			-	624,529
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 1,121,606

CITY OF EASTPORT, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Eastport, Maine under programs of the federal government for the year ended June 30, 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 City of Eastport, Maine, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Eastport, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The City of Eastport, 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

City Council
City of Eastport
Eastport, Maine

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Eastport, Maine as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City of Eastport, Maine's basic financial statements and have issued our report thereon dated January 27, 2026.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eastport, 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 City of Eastport, Maine in a separate letter dated January 27, 2026.

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
January 27, 2026



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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

City Council
City of Eastport, Maine
Eastport, Maine
Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Eastport, Maine's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Eastport, Maine's major federal programs for the year ended June 30, 2023. The City of Eastport, 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 City of Eastport, Maine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 City of Eastport, 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 the City of Eastport, 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 of grant agreements applicable to the City of Eastport, 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 City of Eastport, 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 City of Eastport, 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 the City of Eastport, 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 the City of Eastport, 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 City of Eastport, 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 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. However, material weaknesses may exist that have not been 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 communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine

CITY OF EASTPORT, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 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>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D/84.425U	Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act
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

State Compliance Description

State compliance includes financial information and reports that are presented for purposes of additional analysis as required by *Title 20-A MRSA §6051* of the Maine Revised Statutes as amended. Such financial information and reports include:

- Independent Auditor's Report on State Requirements
- Reconciliation of Audit Adjustments to Annual Financial Data Submitted to the Maine Education Financial System



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INDEPENDENT AUDITOR'S REPORT ON STATE REQUIREMENTS

City Council
City of Eastport
Eastport, Maine

We have audited the financial statements of City of Eastport, Maine for the year ended June 30, 2023 and have issued our report thereon dated January 27, 2026. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the City of Eastport, Maine's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the City of Eastport, Maine complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Eastport, Maine was in noncompliance with or in violation of, those provisions.

Management has determined that no adjustments were necessary to the fiscal books of the City of Eastport, Maine and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the Maine Education Financial System maintained at the Maine Department of Education.

This report is intended solely for the information of the City Council, School Board, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
January 27, 2026

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EASTPORT SCHOOL DEPARTMENT

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
 SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM
 FOR THE YEAR ENDED JUNE 30, 2023

	General Fund (1000)	Special Revenue Funds (2000) & (6000)	Total
	<u> </u>	<u> </u>	<u> </u>
June 30, 2023 Balance per MEFS	\$ -	\$ -	\$ -
Other adjustments:			
Fund Balances Not Reported:			
General fund	956,167	-	956,167
Special revenue funds	<u>-</u>	<u>106,515</u>	<u>106,515</u>
 Audited GAAP Basis Fund Balance			
June 30, 2023	<u>\$ 956,167</u>	<u>\$ 106,515</u>	<u>\$ 1,062,682</u>