

City of Eastport, Maine

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

Year ended June 30, 2013

Hollingsworth & Associates, CPA, PA

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TABLE OF CONTENTS

		Page
Independent Auditor's Report		4-5
Management's Discussion and Analysis		6-7
Basic Financial Statements	Statement	
<i>Government-Wide Financial Statements</i>		
Statement of Net Position	1	8
Statement of Activities	2	9
<i>Fund Financial Statements</i>		
Balance Sheet – Governmental Funds	3	10
Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental Funds	4	11-12
Statement of Net Position – Proprietary Funds	5	13
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	6	14
Statement of Cash Flows – Proprietary Funds	7	15
Statement of Fiduciary Net Position – Fiduciary Funds	8	16
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	9	17
Notes to Financial Statements		18-28
Required Supplemental Information	Schedule	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	1	29
Other Supplemental Information		
Combining Balance Sheet – Non-Major Governmental Funds	2	30
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	3	31-32
Schedule of Property Valuation, Assessment, and Appropriations – General Fund	4	33
Schedule of Taxes and Tax Liens Receivable	5	34
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Proprietary Funds – Sewer	6	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Proprietary Funds – Airport	7	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Proprietary Funds – School Lunch	8	37
Schedule of Changes in Assets and Liabilities – Agency Funds	9	38
Prior Period Correction to Net Position / Fund Balances – Governmental and Proprietary Activities	10	39
Prior Period Correction to Net Position – Fiduciary Funds – Scholarships Fund	11	40

TABLE OF CONTENTS (continued)

	Schedule	Page
Other Compliance		
Reconciliation of Audit Adjustments to Annual Financial Data Submitted to MEDMS	12	41
Independent Auditor's Report on State Requirements		42

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Eastport, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eastport, Maine, as of and for the fiscal year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eastport, Maine, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 7 and on page 29 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eastport, Maine's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hallingsworth & Associates, C.P.A. P.A.

Bangor, Maine
June 9, 2014

Office of the
City Manager and
the City Council

Larry Post, City Manager



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**City of Eastport
Management Discussion and Analysis
For Year Ended June 30, 2013**

As Management of the City of Eastport, Maine, this narrative is presented to provide an overview and analysis of the City's financial statements for the year ending June 30, 2013. This is in conjunction with implementation of the Governmental Accounting Standards Board statement No. 34 (GASB 34). This information should be read in conjunction with the financial statements.

Financial Highlights

The City provides services for streets, police, fire, sanitation, education, and health & welfare. The fiscal year is July 1 – June 30.

The City owns and operates a wastewater treatment plant, which is paid by users of the facility. An airport is also owned and operated by the City.

FY 2013 Budget prior to Audit adjustment, consisted of:

Municipal	\$1,974,623
Education	2,263,052
County	<u>178,478</u>
Total	\$4,416,153

No infrastructure capital improvements were done within the year. The Local Road Assistance money of \$25,620 from Maine DOT was carried forward for future use in Capital projects.

Overview of Financial Statements

The City of Eastport financial statements are comprised of:

Government –wide financial statements

Enterprise Funds

Fiduciary Funds

A description of these is in the audit report.

Governmental Funds

The City's total budget was \$4,416,153 for FY 2013. Of this amount \$4,248,539 was expended or transferred to Reserve accounts. Revenues were less than projected.

A comparison of assets, liabilities, revenues and expenditures are listed in the Auditor's Report.

Debt

The City currently has debt in the total amount of \$1,126,215.

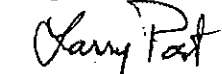
Reserves and Trust Funds

The City maintains a number of Reserves and assigned Fund Balances. These total \$437,817 for the City, and \$416,161 for the School.

Economic Factors and Future Budgets

The City has been trying to keep the tax rate stable. However, the infrastructure has been neglected in many areas. Streets and sidewalks need upgrading, as well as equipment. Revenues have been declining, as the state continues to not meet its mandated costs of schools and full Revenue Sharing. There are many difficult decisions, as we move forward, meeting the needs of our citizens and having a tax rate that is sustainable.

Respectfully Submitted



Larry Post
City Manager

City of Eastport, Maine
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 978,073.79	\$ 27,743.01	\$ 1,005,816.80
Investments	112,931.23	-	112,931.23
Due from other governments	287,152.31	-	287,152.31
Accounts receivable	-	32,571.16	32,571.16
Grants and other receivables	3,917.19	-	3,917.19
Taxes receivable	1,187.56	-	1,187.56
Liens receivable	251,781.03	-	251,781.03
Notes receivable	40,052.59	-	40,052.59
Inventory	-	25,861.68	25,861.68
Internal balances	46,740.01	(46,740.01)	-
Capital assets, net of accumulated depreciation	3,984,326.00	5,402,744.00	9,387,070.00
Non-depreciable capital assets	113,443.00	153,966.00	267,409.00
Total assets	5,819,604.71	5,596,145.84	11,415,750.55
LIABILITIES			
Accounts payable	129,329.67	10,199.04	139,528.71
Due to other governments	188.75	-	188.75
Accrued summer salaries	130,775.79	2,498.84	133,274.63
Non-current liabilities:			
Accrued compensated absences	102,172.29	-	102,172.29
Due within one year	180,766.93	50,210.02	230,976.95
Due in more than one year	632,269.76	262,968.09	895,237.85
Total liabilities	1,175,503.19	325,875.99	1,501,379.18
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	37,571.75	-	37,571.75
Total deferred inflows of resources	37,571.75	-	37,571.75
NET POSITION			
Invested in capital assets, net of debt	3,284,732.31	5,145,399.29	8,430,131.60
Restricted for:			
Subsequent years' expenditures	412,126.94	-	412,126.94
Perpetual care	184,022.09	-	184,022.09
Unrestricted	725,648.43	124,870.56	850,518.99
Total net position	\$ 4,606,529.77	\$ 5,270,269.85	\$ 9,876,799.62

City of Eastport, Maine
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Functions/programs	Expenses	Program Revenues			Net (Expense) revenue Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
General government	\$ 351,241.71	\$ 9,576.45	\$ -	\$ -	\$ (341,665.26)	\$ -	\$ (341,665.26)
Public safety	631,769.46	13,423.22	-	-	(618,346.24)	-	(618,346.24)
Public works	261,834.02	-	-	25,620.00	(236,214.02)	-	(236,214.02)
Health and sanitation	156,058.00	-	336.00	-	(155,722.00)	-	(155,722.00)
Education	2,529,764.45	750,848.59	524,732.26	-	(1,254,183.60)	-	(1,254,183.60)
County tax	178,478.00	-	-	-	(178,478.00)	-	(178,478.00)
Unclassified	896,180.24	-	3,872.79	703,615.87	(188,671.58)	-	(188,671.58)
Interest on long-term debt	47,655.55	-	-	-	(47,655.55)	-	(47,655.55)
Depreciation	324,639.00	-	-	-	(324,639.00)	-	(324,639.00)
Total government activities	5,377,600.43	773,848.26	528,941.05	729,235.87	(3,345,575.25)	-	(3,345,575.25)
Business-type activities:							
Sewer	551,978.66	351,042.65	-	-	-	(200,936.01)	(200,936.01)
Airport	175,264.74	57,571.34	132,810.00	-	-	15,116.60	15,116.60
School lunch program	95,688.30	6,731.05	49,938.47	-	-	(39,018.78)	(39,018.78)
Total business-type activities	822,931.70	415,345.04	182,748.47	-	-	(224,838.19)	(224,838.19)
Total primary government	\$ 6,200,532.13	\$ 1,189,193.30	\$ 711,689.52	\$ 729,235.87	\$ (3,345,575.25)	\$ (224,838.19)	\$ (3,570,413.44)
General revenues:							
Property taxes, levied for general purposes					2,816,807.70	-	2,816,807.70
Motor vehicle excise taxes					177,997.18	-	177,997.18
Interest and lien fees					4,630.70	13,057.26	17,687.96
Licenses and permits					1,657.60	-	1,657.60
Grants and contributions not restricted to specific programs:							
State revenue sharing					162,958.27	-	162,958.27
Homestead reimbursement					52,403.00	-	52,403.00
Other					9,059.61	-	9,059.61
Education reimbursements and other revenues					97,163.96	-	97,163.96
Miscellaneous revenues					77,867.40	886.10	78,753.50
Unrestricted investment earnings					7,753.84	-	7,753.84
Net loss on investments					(2,828.02)	-	(2,828.02)
Transfers					301.14	(301.14)	-
Total general revenues and transfers					3,405,772.38	13,642.22	3,322,250.64
Changes in net position					60,197.13	(211,195.97)	(150,998.84)
Net position - beginning (as restated)					4,546,332.64	5,481,465.82	10,027,798.46
Net position - ending					\$ 4,606,529.77	\$ 5,270,269.85	\$ 9,876,799.62

City of Eastport, Maine
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Major Fund Microloan Loan Fund	All Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 667,583.54	\$ -	\$ 310,490.25	\$ 978,073.79
Investments	-	-	112,931.23	112,931.23
Due from other governments	287,152.31	-	-	287,152.31
Grants and other receivables	3,917.19	-	-	3,917.19
Taxes receivable	1,187.56	-	-	1,187.56
Tax liens receivable	251,781.03	-	-	251,781.03
Notes receivable	-	40,052.59	-	40,052.59
Interfund receivables	(82,590.77)	99,492.18	174,431.08	191,332.49
Internal balances	46,740.01	-	-	46,740.01
Total assets	1,129,030.86	139,544.77	597,852.56	1,866,428.19
LIABILITIES				
Accounts payable	127,824.34	-	1,505.33	129,329.67
Due to other governments	188.75	-	-	188.75
Accrued summer salaries	130,775.79	-	-	130,775.79
Interfund payables	191,332.49	-	-	191,332.49
Total liabilities	450,121.37	-	1,505.33	451,626.70
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	202,400.00	-	-	202,400.00
Prepaid property taxes	37,571.75	-	-	37,571.75
Total deferred inflows of resources	239,971.75	-	-	239,971.75
FUND BALANCES				
Nonspendable				
Long-term interfund advances	-	99,492.18	174,431.08	273,923.26
Restricted for:				
Subsequent years' expenditures	-	-	412,126.94	412,126.94
Perpetual care	-	-	184,022.09	184,022.09
Assigned				
Capital projects	-	-	372,877.57	372,877.57
Education	416,100.70	-	-	416,100.70
Reserves	40,000.00	-	-	40,000.00
Local road assistance	25,620.00	-	-	25,620.00
Police protection	25,000.00	-	-	25,000.00
Unassigned	(21,042.95)	40,052.59	(547,110.45)	(528,100.81)
Total fund balances	485,677.75	139,544.77	596,347.23	1,221,569.75
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,175,770.87	\$ 139,544.77	\$ 597,852.56	

Amounts reported for governmental activities in the statement of net position (Statement 1) are different because:

Depreciable and non-depreciable capital assets as reported on Statement 1	4,097,769.00
Long-term liabilities, including bonds payable, as reported on Statement 1	(915,208.98)
Deferred property taxes not reported on Statement 1	202,400.00
Net position of governmental activities	\$ 4,606,529.77

City of Eastport, Maine
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General Fund	Major Fund Microloan Program	All Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 2,804,307.70	\$ -	\$ -	\$ 2,804,307.70
Excise taxes	177,997.18	-	-	177,997.18
Intergovernmental revenue	1,180,132.60	-	1,137,884.99	2,318,017.59
Charges for services	22,999.67	-	-	22,999.67
Investment income	3,305.26	932.94	3,515.64	7,753.84
Interest and lien fees	4,630.70	-	-	4,630.70
Licenses and permits	1,657.60	-	-	1,657.60
Other revenue	(4,062.60)	-	81,930.00	77,867.40
Total revenues	4,190,968.11	932.94	1,223,330.63	5,415,231.68
Expenditures				
General government	341,906.78	-	-	341,906.78
Public safety	763,459.46	-	-	763,459.46
Public works	261,834.02	-	-	261,834.02
Health and sanitation	156,058.00	-	-	156,058.00
Education	2,180,605.10	-	324,699.19	2,505,304.29
County tax	178,478.00	-	-	178,478.00
Unclassified	43,531.03	-	852,629.21	896,160.24
Interest on long-term debt	47,655.55	-	-	47,655.55
Principal payments of debt	175,243.01	-	-	175,243.01
Total expenditures	4,148,770.95	-	1,177,328.40	5,326,099.35
Excess (deficiency) of revenues over (under) expenditures	42,197.16	932.94	46,002.23	89,132.33
Other Financing sources (uses)				
Operating transfers in	301.14	-	203,221.30	203,522.44
Operating transfers (out)	-	-	(203,221.30)	(203,221.30)
Gain (loss) on investments	-	-	(2,828.02)	(2,828.02)
Total other financing sources (uses)	301.14	-	(2,828.02)	(2,526.88)
Net change in fund balances	42,498.30	932.94	43,174.21	86,605.45
Fund balances - beginning (as restated)	443,179.45	138,611.83	553,173.02	1,134,964.30
Fund balances - ending	\$ 485,677.75	\$ 139,544.77	\$ 596,347.23	\$ 1,221,569.75

(Continued)

City of Eastport, Maine
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities (Statement 2)
are different because:

Net change in fund balances - total governmental funds (from Statement 4)	\$ 86,605.45
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(192,949.00)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes and deferred revenues.	12,500.00
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	175,243.01
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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 the governmental funds. Specifically, this amount represents the (increase) decrease in accrued compensated absences	(21,202.33)
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Change in net position of governmental activities (see Statement 2)	\$ 60,197.13
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City of Eastport, Maine
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities			
	Sewer	Airport	School Lunch Program	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 27,743.01	\$ -	\$ 27,743.01
Accounts receivable - net of allowance	32,571.16	-	-	32,571.16
Inventory, at cost	-	23,249.71	2,611.97	25,861.68
Internal balances	25,871.64	(36,177.26)	(36,434.39)	(46,740.01)
Total current assets	58,442.80	14,815.46	(33,822.42)	39,435.84
Non-current assets:				
Capital assets:				
Property, plant, and equipment	11,066,323.00	-	-	11,066,323.00
Less accumulated depreciation	(5,663,579.00)	-	-	(5,663,579.00)
Non-depreciable capital assets	153,966.00	-	-	153,966.00
Total non-current assets	5,556,710.00	-	-	5,556,710.00
Total assets	5,615,152.80	14,815.46	(33,822.42)	5,596,145.84
LIABILITIES				
Current liabilities:				
Accounts payable	10,199.04	-	-	10,199.04
Accrued summer salaries	-	-	2,498.84	2,498.84
Bonds payable - current portion	50,210.02	-	-	50,210.02
Total current liabilities	60,409.06	-	2,498.84	62,907.90
Non-current liabilities:				
Bonds payable - net of current portion	262,968.09	-	-	262,968.09
Total non-current liabilities	262,968.09	-	-	262,968.09
Total liabilities	323,377.15	-	2,498.84	325,875.99
NET POSITION (DEFICIT)				
Invested in capital assets, net of related debt	5,145,399.29	-	-	5,145,399.29
Unrestricted (deficit)	146,376.36	14,815.46	(36,321.26)	124,870.56
Total net position (deficit)	\$ 5,291,775.65	\$ 14,815.46	\$ (36,321.26)	\$ 5,270,269.85

City of Eastport, Maine
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year ended June 30, 2013

	Business-type Activities			Total Enterprise Funds
	Sewer	Airport	School Lunch Program	
Operating revenues:				
Intergovernmental	\$ -	\$ 132,810.00	\$ 49,938.47	\$ 182,748.47
Charges for services	351,042.65	57,571.34	6,731.05	415,345.04
Interest and liens on user fees	13,057.26	-	-	13,057.26
Miscellaneous revenue	886.10	-	-	886.10
Total operating revenues	364,986.01	190,381.34	56,669.52	612,036.87
Operating expenses:				
Administration	102,482.46	-	-	102,482.46
Operations	156,569.65	5,987.76	-	162,557.41
Utilities	22,569.91	3,763.67	-	26,333.58
Product purchases	-	20,183.81	59,885.61	80,069.42
Labor	-	-	30,917.28	30,917.28
Equipment	-	-	3,755.29	3,755.29
Other	-	145,329.50	1,130.12	146,459.62
Depreciation	264,736.00	-	-	264,736.00
Total operating expenses	546,358.02	175,264.74	95,688.30	817,311.06
Operating income (loss)	(181,372.01)	15,116.60	(39,018.78)	(205,274.19)
Non-operating revenues (expenses):				
Interest expense	(5,620.64)	-	-	(5,620.64)
Total non-operating revenues (expenses)	(5,620.64)	-	-	(5,620.64)
Income (loss) before transfers	(186,992.65)	15,116.60	(39,018.78)	(210,894.83)
Transfers in (out)	-	(301.14)	-	(301.14)
Change in net position	(186,992.65)	14,815.46	(39,018.78)	(211,195.97)
Total net position - beginning (as restated)	5,478,768.30	-	2,697.52	5,481,465.82
Total net position (deficit) - ending	\$ 5,291,775.65	\$ 14,815.46	\$ (36,321.26)	\$ 5,270,269.85

City of Eastport, Maine
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year ended June 30, 2013

	Business-type Activities			
	Sewer	Airport	School Lunch Program	Total Enterprise Funds
Cash flow from operating activities				
Receipts from customers	\$ 373,190.58	\$ 70,364.94	\$ 6,731.05	\$ 450,286.57
Other receipts	886.10	132,810.00	49,938.47	183,634.57
Internal activity - receipts (payments) from/to other funds	(45,947.66)	-	-	(45,947.66)
Payments to suppliers for goods and services	(170,582.28)	(175,431.93)	(64,685.47)	(410,699.68)
Payments to employees for services	(102,482.46)	-	(28,418.44)	(130,900.90)
Net cash provided by (used for) operating activities	55,064.28	27,743.01	(36,434.39)	46,372.90
Cash flows from noncapital financing activities				
Bond repayments	(49,443.64)	-	-	(49,443.64)
Interest expense on bonds payable	(5,620.64)	-	-	(5,620.64)
Interfund loans (repayments)	-	-	36,434.39	36,434.39
Net cash provided by (used for) in noncapital financing activities	(55,064.28)	-	36,434.39	(18,629.89)
Net increase (decrease) in cash and cash equivalents	0.00	27,743.01	0.00	27,743.01
Cash and cash equivalents July 1	0.00	0.00	0.00	0.00
Cash and cash equivalents June 30	0.00	27,743.01	0.00	27,743.01
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(181,372.01)	15,116.60	(39,018.78)	(205,274.19)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation expense	264,736.00	-	-	264,736.00
Change in net assets and liabilities:				
(Increase) decrease accounts receivable	9,090.67	-	-	9,090.67
(Increase) decrease inventories	-	-	85.55	85.55
(Increase) decrease interfund receivable	(45,947.66)	12,626.41	-	(33,321.25)
Increase (decrease) accounts payable	8,557.28	-	-	8,557.28
Increase (decrease) accrued summer salaries	-	-	2,498.84	2,498.84
Total adjustments	236,436.29	12,626.41	2,584.39	251,647.09
Net cash provided by (used for) operating activities	\$ 55,064.28	\$ 27,743.01	\$ (36,434.39)	\$ 46,372.90

City of Eastport, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Scholarships Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 67,452.86	\$ 57,651.28
Investments	349,359.84	16,781.03
Total assets	416,812.70	74,432.31
LIABILITIES		
Due to school groups	-	74,432.31
Total liabilities	-	74,432.31
NET POSITION		
Net position held in trust for scholarships	\$ 416,812.70	

Statement 9

City of Eastport, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Scholarships Fund
ADDITIONS	
Interest and dividends	\$ 9,797.17
Total additions	9,797.17
DEDUCTIONS	
Scholarship expense	9,846.73
Net capital loss	236.10
Miscellaneous expense	675.83
Unrealized loss on investments	1,583.30
Total deductions	12,341.96
Change in net position	(2,544.79)
Net position - beginning (as restated)	419,357.49
Net position - ending	\$ 416,812.70

The accompanying notes are an integral part of this statement.

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Eastport, Maine (the City) was incorporated on March 18, 1893. The City of Eastport, Maine operates under a council-manager form of government and is incorporated under the laws of the State of Maine.

The accounting policies of the City conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the City to restructure much of the information presented in the past. The more significant of the government's accounting policies are described below. For enterprise funds, GASB statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The more significant of the government's accounting policies are described below.

In evaluating how to define the City for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. Based on the criteria, it was determined that no other entities should be included in the City's financial statements.

B. Basis of Presentation

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.

Government-Wide Financial Statements

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reports information on all of the non-fiduciary activities of the City as a whole.

The Statement of Net Position reports all financial and capital resources of the City and reports the difference between assets and liabilities, as "net position" not fund balance or equity. The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenue and reflects the "net (expense) revenue" of the City's individual functions before applying general revenues. The City has elected not to allocate indirect costs among programs. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund.

Because of the basis of accounting and reporting differences, summary reconciliation to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

C. Measurement Focus and Basis of Accounting

Governmental Fund Types

General Fund – 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.

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Permanent Fund – This fund is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

Proprietary Fund Type

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 established fees and charges are based on a pricing policy designed to recover similar costs. The Sewer, Airport and School Lunch Program are enterprise funds for the City.

Fiduciary Fund Type

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore not available to support the City's programs. The reporting focus is on net assets and changes in net assets.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type – private-purpose trust and agency. Since by definition these assets are being held for the benefit of a third party and cannot be used by the City, these funds are not incorporated into the government-wide financial statements.

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

The Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting in accordance with GASB #34. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year that they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets.

Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

When both restricted and unrestricted resources are available, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. The City's policy is to adopt an annual budget for operations. The City Council approves the budget. Budgets are established in accordance with generally accepted accounting principles.

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures, and Expenses

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair value.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures, and Expenses
(continued)

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-70
Infrastructure	20-50
Machinery and equipment	5-30
Vehicles	5-30

Net Position and Fund Balances

In the Government-wide financial statements, the difference between the City's total assets and total liabilities represents net position. Net position displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

Non-spendable – Funds that are not in spendable form, such as funds that
Are legally required to be maintained intact (corpus of a permanent fund).

Restricted – Funds that are restricted for use by an external party, constitutional provision, or enabling legislation.

Assigned – Funds intended to be used for specific purposes set by the City Council.

Unassigned – Funds available for any purpose.

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**E. Assets, Liabilities, Fund Equity, Revenue, Expenditures, and Expenses
(continued)**

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue arises when the City receives resources before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Property Taxes

Property taxes for the current year were committed on July 18, 2012, on the assessed value listed as of April 1, 2012, for all real and personal property located in the City. Payment of taxes was due October 31, 2012, with interest at 7% on all tax bills unpaid as of the due date.

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 \$7,405.00 for the year ended June 30, 2013.

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.

Risk Management

The City pays insurance premiums to certain agencies to cover risks that may occur in normal operations. The City purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

The City is a member of the Maine Municipal Association – Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker compensation coverage and develop a comprehensive loss control program. The City pays an annual premium to the Fund for its workers compensation coverage. The City's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member City's' claims in excess of \$400,000, with an excess limit of \$2,000,000.

The City is a member of the Maine Municipal Association – Property Casualty Pool ("Pool"). The Pool was created to obtain lower rates for its members. The City pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided, after the deductible is met, to \$200,000,000. Under the liability portion of the Pool, coverage is provided, after the deductible is met, to \$1,000,000.

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**E. Assets, Liabilities, Fund Equity, Revenue, Expenditures, and Expenses
(Continued)**

Deficit Fund Balances / Net Position of Individual Non-Major Funds

As of June 30, 2013, the following individual non-major funds had deficit fund balances/net position in the amounts shown:

Special Revenue Fund (School) – Title IA ARRA	\$ 124,740.47
Capital Project Fund (City) – Undesignated Fund Balance	100,921.92
Special Revenue Fund (City) – Undesignated Fund Balance	78,807.85
Special Revenue Fund (School) – Title IA Pass thru to Towns	47,207.30
Special Revenue Fund (School) – Education Jobs Fund	6,753.76
Special Revenue Fund (School) – Local Entitlement	4,756.98
Special Revenue Fund (School) – Title IID	2,262.51
Special Revenue Fund (School) – Gear up program	1,914.36
Special Revenue Fund (City) – Eastport Art Center	1,808.21
Special Revenue Fund (School) – EEG Grant	1,411.58
Special Revenue Fund (City) – Community Enterprise Façade Grant	970.15
Special Revenue Fund (City) – Harbor	947.60
Special Revenue Fund (School) – Local Entitlement Pre-School	176.67
Special Revenue Fund (School) – Title IIA Pass thru to Towns	0.01
	<u>\$ 372,679.37</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk of deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized or collateralized by securities held by the pledging financial institution's trust department but not in the City's name.

At June 30, 2013, the City maintained 31 separate accounts that qualified for protection by the Federal Deposit Insurance Corporation's (FDIC) depository insurance program. Deposits (cash and investments) totaled \$1,452,458.76 and had a carrying value of \$1,314,207.75. Of the deposited amounts, up to \$250,000 per official custodian per insured institution was protected by depository insurance. Of the remaining balance, \$472,797.16 was not protected from custodial credit risk.

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At June 30, 2013, the City maintained 2 investment accounts in financial institutions that were not covered by federal depository insurance. Investments totaled \$296,930.26 and had a carrying value of \$295,488.76. The entire balance of \$296,960.26 was not protected from custodial credit risk.

3. CAPITAL ASSETS

Governmental activities:	Balance 7/1/12	Additions	Deletions	Balance 6/30/13
Non-depreciated assts: Land	\$ 113,443.00	\$ -	\$ -	\$ 113,443.00
Total non-depreciated assets	113,443.00	-	-	113,443.00
Capital assets being depreciated:				
Land improvements	111,973.00	-	-	111,973.00
Buildings and improvements	9,136,693.00	-	-	9,136,693.00
Equipment and vehicles	1,914,759.00	156,448.00	-	1,914,759.00
Infrastructure	248,484.00	-	-	248,484.00
Total capital assets being depreciated	11,411,909.00	156,448.00	-	11,568,357.00
Less accumulated depreciation				
Land improvements	(77,337.00)	-	-	(77,337.00)
Buildings and improvements	(5,653,880.00)	(241,138.00)	-	(5,895,018.00)
Equipment and vehicles	(1,497,853.00)	(73,273.00)	-	(1,575,126.00)
Infrastructure	(30,322.00)	(6,228.00)	-	(36,550.00)
Total accumulated depreciation	(7,259,392.00)	(324,639.00)	-	(7,584,031.00)
Total capital assets being depreciated, net	4,152,517.00	(168,191.00)	-	3,984,326.00
Governmental activities Capital assets, net	\$ 4,265,960.00	\$ (168,191.00)	\$ -	\$ 4,097,769.00

Depreciation expense is allocated to the following departments of the City:

Education	\$ 112,520.00
Airport	100,718.00
Other	50,290.00
Public safety	32,980.00
Public works	28,131.00
Total	<u>\$ 324,639.00</u>

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

3. CAPITAL ASSETS (CONTINUED)

Business-type activities:	Balance 7/1/12	Additions	Deletions	Balance 6/30/13
Non-depreciated assts: Land	\$ 153,966.00	\$ -	\$ -	\$ 153,966.00
Total non-depreciated assets	153,966.00	-	-	153,966.00
Capital assets being depreciated:				
Land improvements	5,946,603.00	-	-	5,946,603.00
Buildings and improvements	4,997,905.00	-	-	4,997,905.00
Equipment and vehicles	121,815.00	-	-	121,815.00
Total capital assets being depreciated	11,066,323.00	-	-	11,066,323.00
Less accumulated depreciation				
Land improvements	(1,986,172.00)	(99,309.00)	-	(2,085,481.00)
Buildings and improvements	(3,290,856.00)	(165,427.00)	-	(3,456,283.00)
Equipment and vehicles	(121,815.00)	-	-	(121,815.00)
Total accumulated depreciation	(5,398,843.00)	(264,736.00)	-	(5,663,579.00)
Total capital assets being depreciated, net	5,667,480.00	(264,736.00)	-	5,402,744.00
Business-type activities Capital assets, net	\$ 5,821,446.00	\$ (264,736.00)	\$ -	\$ 5,556,710.00

4. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2013, was as follows:

Description	Balance 7/1/12	Additions	(Reductions)	Balance 6/30/13
Governmental activities:				
<u>Bonds</u>				
The First, N.A. 2003 \$500k bond, 4.16%				
Due annually until 2014	\$ 105,570.41	\$ -	\$ (52,785.21)	\$ 52,785.20
The First, N.A. 2005 \$1.3M bond, 4.55%				
Due annually until 2025	776,091.64	-	(97,561.98)	678,529.66
<u>Notes</u>				
The First, N.A. \$175k n/p, 4.5%				
Due annually until 2015	106,617.65	-	(24,895.82)	81,721.83
Total	\$ 988,279.70	\$ -	\$ (175,243.01)	\$ 813,036.69

The annual future principal payment requirement for bonds payable outstanding as of June 30, 2013, is as follows:

Year ending June 30,	Governmental Activities
2014	\$ 180,766.93
2015	133,860.52
2016	139,993.07
2017	116,672.29
2018	122,041.26
2019	119,702.62
Total	\$ 813,036.69

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

4. LONG-TERM DEBT (Continued)

Description	Balance 7/1/12	Additions	(Reductions)	Balance 6/30/13
Business-type activities:				
<u>Bonds</u>				
MMBB, \$775k, 1.55%				
Due annually until 2019	\$ 362,621.75	\$ -	\$ (49,443.64)	\$ 313,178.11
Total	\$ 362,621.75	\$ -	\$ (49,443.64)	\$ 313,178.11

The annual future principal payment requirement for bonds payable outstanding as of June 30, 2013, is as follows:

Year ending June 30,	Business-type Activities
2014	\$ 50,210.02
2015	50,988.27
2016	51,778.59
2017	52,581.16
2018	53,396.17
2019	54,223.90
Total	<u>\$ 313,178.11</u>

5. FUND BALANCES

At June 30, 2013, the City had the following amounts in Restricted Fund Balance:

School grant funds	\$ 247,002.36
City perpetual care fund	184,022.09
City grant funds	165,124.58
	<u>\$ 596,149.03</u>

The City Council had approved the following amounts to be assigned for future use:

Education	\$ 416,100.70
Capital projects Quilford Mill Building	112,711.61
Capital projects/economic development	91,073.96
Capital projects/economic development boat ramp	75,000.00
Capital projects/economic development street sweeper	70,000.00
Capital reserves	40,000.00
Local road assistance	25,620.00
Police protection	25,000.00
Capital projects A&P Building	19,092.00
Capital projects/economic development land purchase	5,000.00
	<u>\$ 879,598.27</u>

6. PENSION PLANS

Individual Retirement Accounts – City Employees

The City has established an Individual Retirement Account (IRA) program for its employees. Under the plan, employees determine their individual contribution. Only full-time employees are eligible. The City matches the contribution up to 3% of gross wages to each IRA. The City's cost for the year ended June 30, 2013, was \$6,405.88.

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

6. PENSION PLANS (CONTINUED)

Maine Public Employees Retirement System (Maine PERS) – School Employees

The City participates in the Maine Public Employees Retirement System (Maine PERS), a cost sharing multi-employer defined benefit pension plan, which covers school department employees who work at least 40 hours per week. The system requires that both employees and the City contribute, and provides retirement, disability, and death benefits. Employees are eligible for normal retirement upon reaching the age of sixty and early retirement after completing twenty-five or more years of credited service.

All schoolteachers, plus other qualified educators, participate in the Maine PERS' teacher group. The Eastport School Department is a non-contributing unit, with the exception of school employees who work on federally funded programs; therefore all contributions to the plan are withheld from the employees at 7.65% of gross wages and remitted to the plan monthly.

For fiscal year ended June 30, 2013, the Department's payroll for all employees amounted to \$1,253,767.48 and its payroll for the employees covered by the system was \$90,922.46. The employer's portion of the contribution was covered by the State of Maine. The State's percentage was 13.85% for a contribution amount of \$12,592.76.

7. PENDING LITIGATION

According to City management, there is a litigation pending in which there had not been any decisions. The Washington County Superior Court had entered an order granting Summary Judgment to the City of Eastport, but it may still be possible for there to be an appeal of this judgment after other aspects of the litigation between the claimants and other parties other than the City are complete. It is the opinion of the City's legal counsel that it is very unlikely that there can be a monetary judgment against the City of Eastport. The management of the City is defending its position in this litigation.

8. RELATED PARTY LIABILITY GUARANTEE

In February 2011, the City became a joint co-signer on a line of credit that DownEast EMS Ambulance Service (also known as Washington County Emergency Medical Service Authority) has with The First Bank. The line of credit shall not exceed \$100,000.00 and the City's liability is limited to a maximum of one-third (\$33,333.33) of the total amount. The Town of Lubec, Maine and the Unorganized Territories of Washington County, Maine are equal co-signers of the remaining amount.

9. SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements. The following should be noted:

On August 6, 2013, the City obtained final approval from the Maine Municipal Bond Bank for \$534,000.00 borrowing from the Clean Water Revolving Loan Fund. The agreement included \$490,114.00 principal forgiveness with a remaining balance of \$43,886.00. The balance has a ten-year term at 0.100% interest with annual payments of \$4,632.00.

**CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

10. PRIOR PERIOD CORRECTION

As detailed in Schedule 10 Prior Period Correction to Net Position – Governmental and Proprietary Activities, beginning net position has been restated to \$10,027,798.46. The increase of \$84,953.54 is the result of corrections to balances of accounts and interfund payables, adjustments to accounts receivable and adult education expenses as previously reported on the Balance Sheet. Accordingly, the beginning general fund balance has been restated by an increase of \$97,812.62 from \$345,366.83 to \$443,179.45. And the beginning other governmental funds balance has been restated by a decrease of \$616.95 from \$553,789.97 to \$553,173.02. The beginning proprietary funds balance has been restated by a decrease of \$12,242.13 from \$5,493,707.95 to \$5,481,465.82.

As detailed in Schedule 11 Prior Period Correction to Net Position – Fiduciary Funds – Scholarships Fund, beginning net position has been restated to \$419,357.49. The increase of \$65,343.45 is the result of the inclusion of two inadvertently omitted accounts and corrections for an understated and an overstated account balance as previously reported on the Statement of Changes in Fiduciary Net Position.

City of Eastport, Maine
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 General Fund
 For the Fiscal Year Ended June, 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (negative)
Revenues				
Property taxes	\$ 2,794,437.00	\$ 2,794,437.00	\$ 2,804,307.70	\$ 9,870.70
Excise taxes	152,500.00	152,500.00	177,997.18	25,497.18
Intergovernmental revenue	1,011,178.40	1,011,178.40	1,180,132.60	168,954.20
Charges for services	25,960.00	25,960.00	22,999.67	(2,960.33)
Investment income	1,500.00	1,500.00	3,305.26	1,805.26
Interest and lien fees	30,000.00	30,000.00	4,630.70	(25,369.30)
Licenses and permits	1,250.00	1,250.00	1,657.60	407.60
Other revenues	55,600.00	55,600.00	(4,062.60)	(59,662.60)
Total revenues	4,072,425.40	4,072,425.40	4,190,968.11	118,542.71
Expenditures				
General government	323,771.00	323,771.00	341,906.78	(18,135.78)
Public safety	804,657.00	804,657.00	763,459.46	41,197.54
Public works	258,023.00	258,023.00	261,834.02	(3,811.02)
Health and sanitation	165,000.00	165,000.00	156,058.00	8,942.00
Education	2,234,610.69	2,234,610.69	2,180,605.10	54,005.59
County tax	178,478.00	178,478.00	178,478.00	-
Unclassified	87,222.02	87,222.02	43,531.03	43,690.99
Debt service	232,260.00	232,260.00	222,898.56	9,361.44
Total expenditures	4,284,021.71	4,284,021.71	4,148,770.95	135,250.76
Excess (deficiency) of revenues over (under) expenditures	(211,596.31)	(211,596.31)	42,197.16	253,793.47
Other financing sources (uses)				
Operating transfers in	127,600.00	127,600.00	301.14	(127,298.86)
Operating transfers (out)	(132,131.69)	(132,131.69)	-	132,131.69
Total other financing sources (uses)	(4,531.69)	(4,531.69)	301.14	4,832.83
Net changes in fund balances*	\$ (216,128.00)	\$ (216,128.00)	\$ 42,498.30	\$ 258,626.30
Fund balance - beginning (as restated)			443,179.45	
Fund balance - ending			\$ 485,677.75	

* \$223,533.00 of the net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.
 The remaining difference of \$7,405.00 represents the overlay amount.

City of Eastport, Maine
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Capital Projects	Special Revenue - City	Special Revenue - School	Permanent Fund	Total Non-Major Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 241,073.96	\$ -	\$ -	\$ 69,416.29	\$ 310,490.25
Investments	-	-	-	112,931.23	112,931.23
Interfund receivable	32,387.02	82,590.77	57,778.72	1,674.57	174,431.08
Total assets	<u>273,460.98</u>	<u>82,590.77</u>	<u>57,778.72</u>	<u>184,022.09</u>	<u>597,852.56</u>
LIABILITIES					
Accounts payable	1,505.33	-	-	-	1,505.33
Total liabilities	<u>1,505.33</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,505.33</u>
FUND BALANCES (DEFICITS)					
Restricted for:					
Subsequent years' expenditures	-	165,124.58	247,002.36	-	412,126.94
Perpetual care	-	-	-	184,022.09	184,022.09
Assigned	372,877.57	-	-	-	372,877.57
Unassigned	(100,921.92)	(82,533.81)	(189,223.64)	-	(372,679.37)
Total fund balances (deficits)	<u>271,955.65</u>	<u>82,590.77</u>	<u>57,778.72</u>	<u>184,022.09</u>	<u>596,347.23</u>
Total liabilities and fund balances	<u>\$ 273,460.98</u>	<u>\$ 82,590.77</u>	<u>\$ 57,778.72</u>	<u>\$ 184,022.09</u>	<u>\$ 597,852.56</u>

City of Eastport, Maine
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds												Special Revenue Funds Total
	Harbor	Downtown Revitalization	FEWA	Mermaid Art	Small Harbor Grant	Overlook Park	Eastport Art Center	Tides Institute	Comm. Ent. Facade Grant	Fire Station	WWTP	Undesignated Fund Balance	
REVENUES													
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	3,549.00	150.00	-	-	-	-	-	271,150.00	8,850.00	286,704.00	79,810.00	-	650,213.00
Total revenues	3,549.00	150.00	-	-	-	-	-	271,150.00	8,850.00	286,704.00	79,810.00	-	650,213.00
EXPENDITURES													
Operation and program expenditures	9,181.00	1,047.00	-	400.00	-	-	-	236,650.50	9,820.15	314,443.04	192,423.80	-	763,965.49
Total expenditures	9,181.00	1,047.00	-	400.00	-	-	-	236,650.50	9,820.15	314,443.04	192,423.80	-	763,965.49
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,632.00)	(897.00)	-	(400.00)	-	-	-	34,499.50	(970.15)	(27,739.04)	(112,613.80)	-	(113,752.49)
OTHER FINANCING SOURCES (USES) OF FUNDS													
Transfers in	-	-	-	1,100.00	-	-	-	-	-	75,000.00	125,000.00	-	201,100.00
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(1,100.00)	(1,100.00)
Gain (loss) on investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,100.00	-	-	-	-	-	75,000.00	125,000.00	(1,100.00)	200,000.00
Net change in fund balance	(5,632.00)	(897.00)	-	700.00	-	-	-	34,499.50	(970.15)	47,260.96	12,386.20	(1,100.00)	86,247.51
Fund balances (deficits) - beginning (as restated)	4,684.40	897.00	8,940.53	(700.00)	42,404.00	4,133.39	(1,808.21)	15,500.00	-	-	-	(77,707.85)	(3,656.74)
Fund balances (deficits) - ending.	\$ (947.60)	\$ -	\$ 8,940.53	\$ -	\$ 42,404.00	\$ 4,133.39	\$ (1,808.21)	\$ 49,999.50	\$ (970.15)	\$ 47,260.96	\$ 12,386.20	\$ (78,807.85)	\$ 82,590.77

City of Eastport, Maine
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013

	NON-MAJOR CAPITAL PROJECT FUNDS					NON-MAJOR SPECIAL REVENUE FUNDS - SCHOOL		Total Non-Major Governmental Funds
	Boat School	Gulfport Mill Building	A&P Building	Economic Development	Capital Projects	Permanent Fund	Special Revenue	
REVENUES								
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,515.64	\$ -	\$ 3,515.64
Other	600.00	70,330.00	11,000.00	53,882.36	-	-	434,269.12	1,219,814.99
Total revenues	600.00	70,330.00	11,000.00	53,882.36	-	3,515.64	434,269.12	1,223,330.63
EXPENDITURES								
Operation and program expenditures	2,721.30	56,849.86	4,912.31	23,000.00	-	1,180.25	324,699.19	1,177,328.40
Total expenditures	2,721.30	56,849.86	4,912.31	23,000.00	-	1,180.25	324,699.19	1,177,328.40
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,121.30)	13,480.14	6,087.69	30,882.36	-	2,335.39	109,569.93	46,002.23
OTHER FINANCING SOURCES (USES) OF FUNDS								
Transfers in	2,121.30	-	-	-	-	-	-	203,221.30
Transfers out	-	(31,219.85)	(5,554.75)	(157,414.37)	(7,932.33)	-	-	(203,221.30)
Gain (loss) on investment	-	-	-	-	-	(3,307.51)	-	(2,828.02)
Total other financing sources (uses)	2,121.30	(31,219.85)	(5,554.75)	(157,414.37)	(7,932.33)	(3,307.51)	-	(2,828.02)
Net change in fund balance	-	(17,739.71)	532.94	(126,532.01)	(7,932.33)	(972.12)	109,569.93	43,174.21
Fund balances (deficits) - beginning (as restated)	-	130,451.32	18,559.06	367,605.97	(92,989.59)	184,994.21	(51,791.21)	553,173.02
Fund balances (deficits) - ending	\$ -	\$ 112,711.61	\$ 19,092.00	\$ 241,073.96	\$ (100,921.92)	\$ 184,022.09	\$ 57,778.72	\$ 596,347.23

Schedule 4

City of Eastport, Maine
Schedule of Property Valuation, Assessment, and Appropriations
General Fund
For the Fiscal Year Ended June 30, 2013

Assessed Valuation	
Real estate valuation	\$ 118,556,100
Personal property valuation	<u>2,941,163</u>
 Total valuation	 \$ <u>121,497,263</u>
 Tax Commitment	
Tax assessment at \$23.00 per thousand	\$ <u>2,794,437</u>
 Reconciliation of Commitment with Appropriation	
Current year tax commitment, as above	\$ 2,794,437
Estimated revenues	822,047
Additional revenues from local education	598,541
Additional appropriation from surplus	<u>208,533</u>
 Appropriations per original budget	 \$ 4,423,558
 Overlay	 <u>(7,405)</u>
 Total appropriations	 \$ <u>4,416,153</u>

Schedule 5

City of Eastport, Maine
Schedule of Taxes and Tax Liens Receivable
General Fund
June 30, 2013

Taxes receivable

Real estate	\$ 32.04	
Personal property	<u>1,155.52</u>	
		\$ 1,187.56

Tax liens receivable

2012	165,962.00	
2011	76,727.79	
2010	5,593.86	
2009	2,138.99	
2008	<u>1,358.39</u>	
		<u>251,781.03</u>

Total taxes and tax liens receivable	<u>\$ 252,968.59</u>
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City of Eastport, Maine
Schedule of Revenues, Expenses, and Changes in Fund Balance - Budget and Actual
Proprietary Funds - Sewer
For the Fiscal Year Ended June, 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 353,320.00	\$ 353,320.00	\$ 351,042.65	\$ (2,277.35)
Interest and liens on user fees	8,000.00	8,000.00	13,057.26	5,057.26
Miscellaneous revenue	-	-	886.10	886.10
Total revenues	361,320.00	361,320.00	364,986.01	3,666.01
Expenses				
Administration	92,694.00	92,694.00	102,482.46	(9,788.46)
Operations	166,000.00	166,000.00	156,569.65	9,430.35
Utilities	27,360.00	27,360.00	22,569.91	4,790.09
Debt service	75,890.00	75,890.00	5,620.64	70,269.36
Total expenses	361,944.00	361,944.00	287,242.66	74,701.34
Excess (deficiency) of revenues over (under) expenses	(624.00)	(624.00)	77,743.35	78,367.35
Other financing sources (uses)				
Transfers from other funds	361,944.00	361,944.00	-	(361,944.00)
Transfers to other funds	(361,320.00)	(361,320.00)	-	361,320.00
Total other financing sources	624.00	624.00	-	(624.00)
Change in net position	\$ -	\$ -	77,743.35	\$ 77,743.35
Fund balance - beginning			68,633.01	
Fund balance - ending			\$ 146,376.36	

City of Eastport, Maine
Schedule of Revenues, Expenses, and Changes in Fund Balance - Budget and Actual
Proprietary Funds - Airport
For the Fiscal Year Ended June, 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 132,810.00	\$ 132,810.00
Charges for services	30,600.00	30,600.00	57,571.34	26,971.34
Total revenues	30,600.00	30,600.00	190,381.34	159,781.34
Expenses				
Operations	10,650.00	10,650.00	5,987.76	4,662.24
Utilities	4,040.00	4,040.00	3,763.67	276.33
Fuel farm	30,000.00	30,000.00	20,183.81	9,816.19
Snow removal	-	-	145,329.50	(145,329.50)
Total expenses	44,690.00	44,690.00	175,264.74	(130,574.74)
Excess (deficiency) of revenues over (under) expenses	(14,090.00)	(14,090.00)	15,116.60	29,206.60
Other financing sources (uses)				
Transfers from other funds	44,690.00	44,690.00	-	(44,690.00)
Transfers to other funds	(30,600.00)	(30,600.00)	(301.14)	30,298.86
Total other financing sources	14,090.00	14,090.00	(301.14)	(14,391.14)
Change in net position	\$ -	\$ -	14,815.46	\$ 14,815.46
Fund balance - beginning			-	
Fund balance - ending			\$ 14,815.46	

City of Eastport, Maine
 Schedule of Revenues, Expenses, and Changes in Fund Balance - Budget and Actual
 Proprietary Funds - School Lunch
 For the Fiscal Year Ended June, 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ -	\$ -	\$ 49,938.47	\$ 49,938.47
Program revenue	20,000.00	20,000.00	6,731.05	(13,268.95)
Total revenues	20,000.00	20,000.00	56,669.52	36,669.52
Expenses				
Food costs	-	-	59,885.61	(59,885.61)
Labor costs	27,441.69	27,441.69	30,917.28	(3,475.59)
Equipment	1,000.00	1,000.00	3,755.29	(2,755.29)
Other	-	-	1,130.12	(1,130.12)
Total expenses	28,441.69	28,441.69	95,688.30	(67,246.61)
Excess (deficiency) of revenues over (under) expenses	(8,441.69)	(8,441.69)	(39,018.78)	(30,577.09)
Other financing sources (uses)				
Transfers from other funds	28,441.69	28,441.69	-	(28,441.69)
Transfers to other funds	(20,000.00)	(20,000.00)	-	20,000.00
Total other financing sources	8,441.69	8,441.69	-	(8,441.69)
Change in net position	\$ -	\$ -	(39,018.78)	\$ (39,018.78)
Fund balance - beginning (as restated)			2,697.52	
Fund balance (deficit) - ending			\$ (36,321.26)	

City of Eastport, Maine
Schedule of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 35,163.89	\$ 93,840.00	\$ 71,352.61	\$ 57,651.28
Investments	16,574.53	206.50	-	16,781.03
Total assets	<u>\$ 51,738.42</u>	<u>\$ 94,046.50</u>	<u>\$ 71,352.61</u>	<u>\$ 74,432.31</u>
LIABILITIES				
Due to student groups	\$ 51,738.42	\$ 94,046.50	\$ 71,352.61	\$ 74,432.31
Total liabilities	<u>\$ 51,738.42</u>	<u>\$ 94,046.50</u>	<u>\$ 71,352.61</u>	<u>\$ 74,432.31</u>

City of Eastport, Maine
Prior Period Correction to Net Position / Fund Balances - Governmental and Proprietary Activities
For the Fiscal Year Ended June 30, 2013

	F/Y/E 6/30/2012 (as restated)	F/Y/E 6/30/2012 (as reported)
Prior period adjustments - all governmental activities		
Accounts payable	\$ 68,354.38	\$ -
Special revenues due to general fund	40,291.37	-
Internal balances	36,456.11	-
Accounts receivable	(47,289.24)	-
Adult education	(616.95)	-
School lunch due from general fund	(12,242.13)	-
Combined effect on net position	84,953.54	-
7/1/2011 net position - beginning balance	9,589,314.15	9,589,314.15
Fiscal year ending 6/30/2012 increase in net position	353,530.77	353,530.77
6/30/2012 net position - ending balance (as restated / reported on Stmt. 2)	<u>\$ 10,027,798.46</u>	<u>\$ 9,942,844.92</u>
Prior period adjustments - general fund		
Accounts payable	\$ 68,354.38	\$ -
Special revenues due to general fund	40,291.37	-
Internal balances	36,456.11	-
Accounts receivable	(47,289.24)	-
Combined effect on general fund balance	97,812.62	-
7/1/2011 general fund - beginning balance	39,958.82	39,958.82
Fiscal year ending 6/30/2012 increase in fund balance	305,408.01	305,408.01
6/30/2012 general fund - ending balance (as restated / reported on Stmt. 4)	<u>\$ 443,179.45</u>	<u>\$ 345,366.83</u>
Prior period adjustments - non-major governmental funds		
Adult education	(616.95)	-
Combined effect on non-major government funds balance	(616.95)	-
7/1/2011 non-major governmental funds - beginning balance	347,128.37	347,128.37
Fiscal year ending 6/30/2012 increase in fund balance	206,661.60	206,661.60
6/30/2012 non-major funds - ending balance (as restated / reported on Stmt. 4)	<u>\$ 553,173.02</u>	<u>\$ 553,789.97</u>
Prior period adjustments - proprietary funds		
School lunch due from general fund	(12,242.13)	-
Combined effect on proprietary funds balance	(12,242.13)	-
7/1/2011 proprietary funds - beginning balance	5,678,262.05	5,678,262.05
Fiscal year ending 6/30/2012 decrease in fund balance	(184,554.10)	(184,554.10)
6/30/2012 proprietary funds - ending balance (as restated / reported on Stmt. 6)	<u>\$ 5,481,465.82</u>	<u>\$ 5,493,707.95</u>

City of Eastport, Maine
 Prior Period Correction to Net Position - Fiduciary Funds - Scholarships Fund
 For the Fiscal Year Ended June 30, 2013

	F/Y/E 6/30/2012 (as restated)	F/Y/E 6/30/2012 (as reported)
Prior period adjustments -		
Previously omitted certificate of deposit account	\$ 59,447.37	\$ -
Previously omitted savings account	4,296.08	-
Understated certificate of deposit account balance	2,000.00	-
Overstated savings account balance	(400.00)	-
Combined effect on net position	<u>65,343.45</u>	<u>-</u>
7/1/2011 net position - beginning balance	353,080.58	353,080.58
Fiscal year ending 6/30/2012 increase in net position	933.46	933.46
6/30/2012 net position - ending balance (as restated / reported on Stmt. 9)	<u>\$ 419,357.49</u>	<u>\$ 354,014.04</u>

Schedule 12

City of Eastport, Maine
Reconciliation of Audit Adjustments to Annual Financial Data
Submitted to MEDMS Financial System
For the Fiscal Year Ended June 30, 2013

	General Fund
<i>June 30 balance per MEDMS Financial System</i>	\$ 56,419.31
Adjustments:	
Due from City	(96,391.80)
Accounts receivable	320,473.59
Due from special revenue	151,892.34
Accounts payable	2,673.69
Accrued summer salaries	15,474.13
Payroll deductions and withholdings	(138.31)
Out of balance adjustment	(34,302.25)
<i>Audited GAAP Basis Fund balance June 30</i>	<u>\$ 416,100.70</u>

Hollingsworth & Associates, CPA, PA

*Douglas R. Hollingsworth, CPA
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Coreen M. Nicolai, CPA
Abigail J. Weeks
Cleola Luk*

Independent Auditor's Report on State Requirements

To the City Council
City of Eastport, Maine

With regard to the accompanying audit report of the Eastport School Department, Maine for the year ended June 30, 2013, we state the following assurances:

1. The annual financial data submitted to Maine Education Data Management System (MEDMS) financial system is in material agreement with the audit with the exceptions as noted on Schedule 12 of this report.
2. Proper budgetary controls were in place.
3. The City is in compliance with the Essential Programs and Services Funding Act.

Hollingsworth & Associates, CPA, P.A.

Bangor, Maine
June 9, 2014

