

City of Eastport, Maine
Financial Statements and Supplemental Data
With Independent Auditors' Reports
June 30, 2014

City of Eastport, Maine

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City of Eastport, Maine
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

The Management Discussion & Analysis (MD&A) is a report of the City of Eastport for the fiscal year ending June 30, 2014. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the City's financial position, and the result of operations of the various funds, departments and accounts of the City. All disclosures necessary to enable the reader to gain an accurate understanding of the City's financial activities have been included.

This report covers all funds, departments and accounts of the City of Eastport, that by law or other fiduciary obligation, the City administers in connection with its responsibility in providing services. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL INFORMATION

The City Administration is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual and human resource assets of the City are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. The concept of reasonable assurance recognizes that: (1) the cost of any control should not exceed the benefit likely to be derived; (2) the valuation of cost and benefits requires judgments by management.

FINANCIAL HIGHLIGHTS

The following is a discussion of the financial highlights of the City during the past fiscal year.

- The total balance of the City's cash and cash equivalents at June 30, 2014 was \$847,209.
- The City's long-term debt decreased by \$190,932 from \$1,126,215 to \$935,283.
- Under the government-wide basis of reporting, the City's total net position increased by \$529,342 to \$10,406,142.
- The governmental fund balance as reported on the City's governmental fund financial statements decreased by \$224,051 to \$997,519.

- On a budget basis, the City's actual expenditures and transfers-out exceeded its revenues and transfers-in by \$119,523. The City budgeted revenues, transfers-in, and special items of \$4,306,346, and expenditures and transfers out of \$4,388,913. Budgeted expenditures include \$90,620 of amounts carried forward from prior years. The budget variance decreases the budget-basis fund balance which can be used to fund future expenditures and decrease the need for significant increases in local property taxes for the residents of Eastport.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net positions. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected taxes and earned but unused compensated absences.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the City include general government services, public safety, public works, health and welfare, education, library and recreation. The business-type activities of the City include sewer operations. The government-wide financial statements can be found on pages 4-5 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Fund Financial Statements – Continued

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Capital assets and depreciation are not included in the governmental funds financial statements.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement is included in the required supplementary information portion of the financial statements.

The basic governmental fund financial statements can be found on pages 6-9 of this report.

Proprietary Funds

The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 10-12 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these funds to finance its operations.

The basic fiduciary fund financial statements can be found on pages 13-14 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Notes to the basic financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15-34 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 35-36 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules and budgetary comparison information for the sewer fund, airport fund, and school lunch can be found on pages 37-51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$10,406,142 as of June 30, 2014. However, of the \$10,406,142, only \$700,385 of governmental net position and \$118,169 of sewer net position is unrestricted and uncommitted at June 30, 2014.

A portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, building improvements, vehicles, and furniture and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

A portion of the City's net position, 92.13%, represents resources that are restricted. Unrestricted net position of \$818,554 or 7.87% may be used to meet the government's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

SUMMARY OF NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 1,600,548 | \$ 1,721,836 | \$ 132,342 | \$ 39,436 | \$ 1,732,890 | \$ 1,761,272 |
| Capital assets | 3,895,703 | 4,097,769 | 6,171,190 | 5,556,710 | 10,066,893 | 9,654,479 |
| Total assets | 5,496,251 | 5,819,605 | 6,303,532 | 5,596,146 | 11,799,783 | 11,415,751 |
| Current Liabilities | 496,995 | 260,294 | 61,737 | 12,698 | 558,732 | 272,992 |
| Noncurrent Liabilities | 555,494 | 915,209 | 254,921 | 313,178 | 810,415 | 1,228,387 |
| Total liabilities | 1,052,489 | 1,175,503 | 316,658 | 325,876 | 1,369,147 | 1,501,379 |
| Deferred inflows of resources | 24,494 | 37,572 | - | - | 24,494 | 37,572 |
| Net position: | | | | | | |
| Net investment in capital assets | 3,262,905 | 3,284,732 | 5,868,705 | 5,145,399 | 9,131,610 | 8,430,131 |
| Restricted | 455,978 | 596,149 | - | - | 455,978 | 596,149 |
| Unrestricted | 700,385 | 725,649 | 118,169 | 124,871 | 818,554 | 850,520 |
| Total net position | \$ 4,419,268 | \$ 4,606,530 | \$ 5,986,874 | \$ 5,270,270 | \$ 10,406,142 | \$ 9,876,800 |

As of June 30, 2014, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its governmental and business-type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

The following table presents a summary of the City's operations for the fiscal year ended June 30, 2014 with comparative totals for the fiscal year ended June 30, 2013.

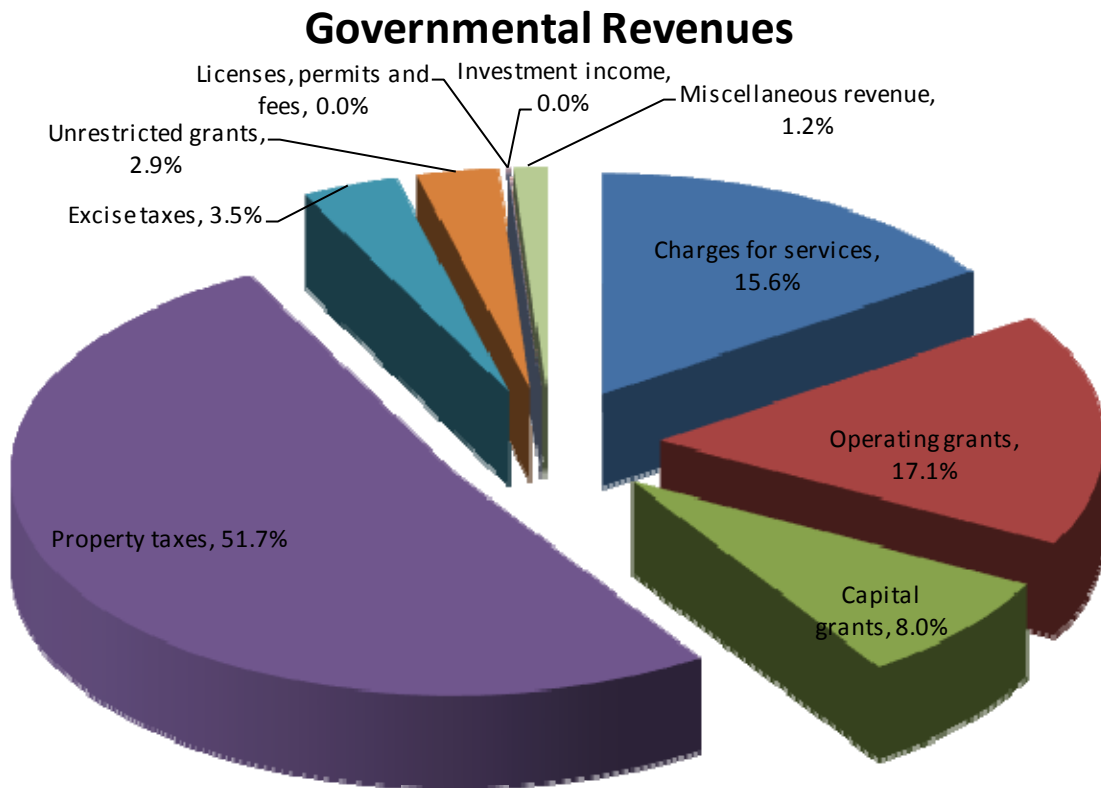
| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 846,364 | \$ 773,848 | \$ 432,916 | \$ 415,346 | \$ 1,279,280 | \$ 1,189,194 |
| Operating grants & contributions | 925,444 | 528,941 | 51,157 | 182,748 | 976,601 | 711,689 |
| Capital grants & contributions | 433,486 | 729,236 | - | - | 433,486 | 729,236 |
| General revenues | | | | | | |
| Property taxes levied for general purposes | 2,803,062 | 2,816,808 | - | - | 2,803,062 | 2,816,808 |
| Excise taxes | 188,589 | 177,997 | - | - | 188,589 | 177,997 |
| Grants and contributions not restricted to specific programs | 159,091 | 224,421 | - | - | 159,091 | 224,421 |
| Licenses, permits and fees | 1,243 | 1,657 | - | - | 1,243 | 1,657 |
| Unrestricted investment income | 1,922 | 7,754 | - | - | 1,922 | 7,754 |
| Other | 62,848 | 176,834 | - | 13,943 | 62,848 | 190,777 |
| Transfers | (429,233) | 301 | 429,233 | (301) | - | - |
| Total revenues | <u>4,992,816</u> | <u>5,437,797</u> | <u>913,306</u> | <u>611,736</u> | <u>5,906,122</u> | <u>6,049,533</u> |
| Expenses: | | | | | | |
| General government | 956,924 | 502,250 | - | - | 956,924 | 502,250 |
| Public safety | 481,025 | 664,749 | - | - | 481,025 | 664,749 |
| Public works | 564,085 | 289,965 | - | - | 564,085 | 289,965 |
| Culture and recreation | 27,347 | - | - | - | 27,347 | - |
| Health, welfare and sanitation | 192,100 | 156,058 | - | - | 192,100 | 156,058 |
| Cemeteries | 23,477 | - | - | - | 23,477 | - |
| Education | 2,684,780 | 2,642,284 | - | - | 2,684,780 | 2,642,284 |
| County tax | 196,166 | 178,478 | - | - | 196,166 | 178,478 |
| Unclassified | - | 896,160 | - | - | - | 896,160 |
| Interest on long-term debt | 54,174 | 47,656 | - | - | 54,174 | 47,656 |
| Sewer | - | - | 553,479 | 551,979 | 553,479 | 551,979 |
| Airport | - | - | 30,054 | 175,265 | 30,054 | 175,265 |
| School lunch program | - | - | 103,283 | 95,688 | 103,283 | 95,688 |
| Total expenses | <u>5,180,078</u> | <u>5,377,600</u> | <u>686,816</u> | <u>822,932</u> | <u>5,866,894</u> | <u>6,200,532</u> |
| Excess (deficiency) before special items | (187,262) | 60,197 | 226,490 | (211,196) | 39,228 | (150,999) |
| Special Items | | | | | | |
| Debt forgiveness | - | - | 490,114 | - | 490,114 | - |
| Change in net position | (187,262) | 60,197 | 716,604 | (211,196) | 529,342 | (150,999) |
| Beginning net position | 4,606,530 | 4,546,333 | 5,270,270 | 5,481,466 | 9,876,800 | 10,027,799 |
| Ending net position | <u>\$ 4,419,268</u> | <u>\$ 4,606,530</u> | <u>\$ 5,986,874</u> | <u>\$ 5,270,270</u> | <u>\$ 10,406,142</u> | <u>\$ 9,876,800</u> |

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

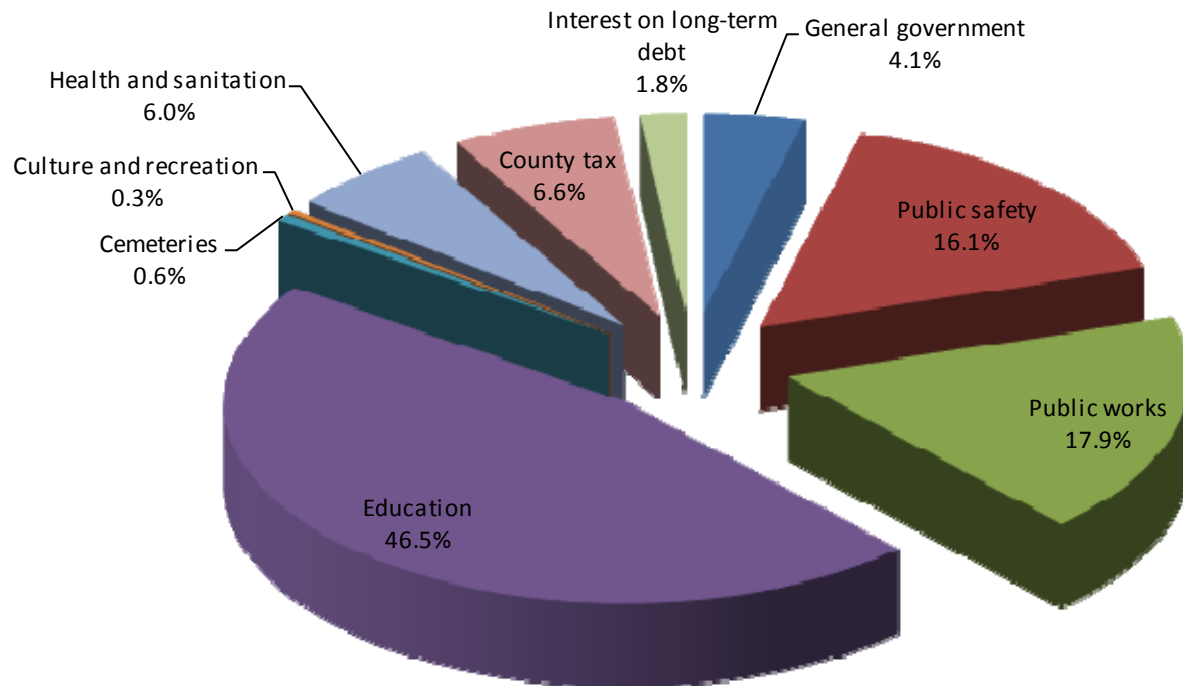
Analysis of the City's Operations

Overall the City had an increase in net position of \$529,342.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2014.



Governmental Activities



Governmental Activities

Governmental activities decreased its net position by \$187,262. Net investment in capital assets decreased by \$21,827, or 0.66%, due to a net change in additions, retirements, and depreciation. Unrestricted net position decreased by \$25,264, or 3.48%.

Total revenues for governmental activities decreased from the prior year by \$444,981. Of this amount, charges for services increased \$72,516, or 9.37% over prior year. Operating grants and contributions increased \$396,503, or 31.51% from the prior fiscal year; capital grants and contributions decreased \$295,750, or 41%, from the prior fiscal year. Property taxes decreased \$13,746, or 0.49%.

Expenses of governmental activities include depreciation expense of \$350,154, an increase of 7.86% over the prior fiscal year. Depreciation expense has been allocated and is included in the various function/program expenses of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following illustration presents the cost of each of the City's four largest programs – general government, public safety, public works, and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

| | Governmental Activities | | | |
|--------------------|-------------------------|---------------------|---------------------|---------------------|
| | Total Cost | | Net Cost | |
| | 2014 | 2013 | 2014 | 2013 |
| General government | \$ 956,924 | \$ 502,250 | \$ 120,708 | \$ 492,674 |
| Public Safety | 481,025 | 664,749 | 479,886 | 651,326 |
| Public Works | 564,085 | 289,965 | 532,581 | 264,345 |
| Education | 2,684,780 | 2,642,284 | 1,383,782 | 1,366,703 |
| | <u>\$ 4,686,814</u> | <u>\$ 4,099,248</u> | <u>\$ 2,516,957</u> | <u>\$ 2,775,048</u> |

Business-type Activities

Net position from business-type activities increased by \$716,604, 13.60%, from \$5,270,270 to \$5,986,874. This increase was primarily due to the forgiveness of debt issued during the fiscal year.

Charges for services increased \$17,570, or 4.23%, from the prior year, while expenses decreased \$136,116. Depreciation expense increased from \$264,736 to \$268,664, or \$3,928, from the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$997,519, \$224,051 lower than the previous year. Approximately (\$430,532) of this amount, or -43.16%, constitutes unassigned fund balance, an increase of \$97,569 over the previous year. The remainder of the fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued

Total governmental fund expenditures for the year were \$5,189,967, representing a decrease of \$136,132, or 2.6% from the previous fiscal year. The City paid \$148,088 in capital outlays which includes the acquisition of police vehicles, a street sweeper, fire station renovations as well as several other projects.

Proprietary Funds

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

Unrestricted net position of the proprietary funds was \$118,169 which represents a \$6,702 decrease from the previous year.

General Fund Budgetary Highlights

In the general fund, the City originally budgeted for a decrease in the fund balance on a budget basis of \$82,567. Budgeted expenditures included \$90,620 of carry forwards. Actual revenues were less than budgeted; in addition actual expenses were more than budgeted and transfers were more than budgeted, therefore, the actual fund balance decrease for fiscal year 2014 was \$119,523 on a budget basis.

Revenues from property taxes totaled \$2,826,362. Excise taxes accounted for \$188,589 and intergovernmental revenue accounted for \$461,917 of total revenue of \$4,287,679 on a budget basis. Revenues from property taxes decreased by \$22,054, revenues from charges for services decreased by \$14,826 and revenues from intergovernmental sources decreased by \$718,216 on a budget basis.

There were a few significant budget-to-actual variances. Of these intergovernmental revenues were more than budgeted due to grant activity. Public safety, public works, health and sanitation, and culture and recreation expenditures exceeded the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$10,066,893, net of accumulated depreciation. The investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. Major capital asset events during the current fiscal year include police vehicles, a street sweeper, and sewer improvements. The following summarizes capital assets at year end:

| | Capital Assets at Year-End (Net of Depreciation) | | | | | |
|--------------------------|---|---------------------|--------------------------|---------------------|----------------------|---------------------|
| | Governmental Activities | | Business-type Activities | | Totals | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land & improvements | \$ 113,461 | \$ 113,443 | \$ 153,966 | \$ 153,966 | \$ 267,427 | \$ 267,409 |
| Construction in Progress | 208,214 | 242,850 | 853,568 | - | 1,061,782 | 242,850 |
| Land improvements | 123,584 | 77,337 | 5,946,603 | 5,946,603 | 6,070,187 | 6,023,940 |
| Buildings & Improvements | 8,996,438 | 8,928,479 | 4,997,905 | 4,997,905 | 13,994,343 | 13,926,384 |
| Equipment | 2,139,707 | 2,071,207 | 151,391 | 121,815 | 2,291,098 | 2,193,022 |
| Infrastructure | 248,484 | 248,484 | - | - | 248,484 | 248,484 |
| Total capital assets | 11,829,888 | 11,681,800 | 12,103,433 | 11,220,289 | 23,933,321 | 22,902,089 |
| Accumulated depreciation | (7,934,185) | (7,584,031) | (5,932,243) | (5,663,579) | (13,866,428) | (13,247,610) |
| Capital assets, net | <u>\$ 3,895,703</u> | <u>\$ 4,097,769</u> | <u>\$ 6,171,190</u> | <u>\$ 5,556,710</u> | <u>\$ 10,066,893</u> | <u>\$ 9,654,479</u> |

Additional information on the City's capital assets can be found in Note 5 on pages 28-29 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Debt Administration

The City's debt consists of bonds and notes from various lending sources.

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Bonds Payable | \$ 577,115 | \$ 731,315 | \$ 302,485 | \$ 313,178 | \$ 879,600 | \$ 1,044,493 |
| Notes Payable | 55,683 | 81,722 | - | - | 55,683 | 81,722 |
| Totals | <u>\$ 632,798</u> | <u>\$ 813,037</u> | <u>\$ 302,485</u> | <u>\$ 313,178</u> | <u>\$ 935,283</u> | <u>\$ 1,126,215</u> |

A summary of the City's debt activity for the year ended June 30, 2014 is detailed in Note 6 on pages 30-31 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City mil rate remained stable from fiscal year 2013. Street paving will continue in fiscal year 2015, and an inventory of the condition of the City's heavy equipment will take place.

The State continues to cut Revenue Sharing, while unfunded state mandates continue to place an increased burden on taxpayers across Maine. Such pressures have increased sharing of resources with our neighbors in Washington County as each municipality attempts to provide more with less.

As we look to the future, there is much work to accomplish while making every effort to control expenditures and maintain the services we currently enjoy.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information concerning these financial reports, contact the City Manager, Attn: City Manager, 78 High Street, Eastport, ME 04631, telephone 207-853-2300.

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Eastport, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 City'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 City'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 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, each major fund, and the aggregate remaining fund information of the City of Eastport, Maine, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information on pages *i - xii* and 35 - 36 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 any assurance.

Other 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 proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, and tax receivable schedule, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, tax receivable schedule, and the schedule of expenditures of federal awards are the

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responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, tax receivable schedule, 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 May 19, 2015 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Roy & Associates, CPAs, P.A

May 19, 2015
Bangor, Maine

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City of Eastport, Maine
STATEMENT OF NET POSITION
June 30, 2014

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------------|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 696,766 | \$ 150,443 | \$ 847,209 |
| Investments | 98,966 | - | 98,966 |
| Taxes receivable, net | 240,472 | - | 240,472 |
| Other receivables, net | 64,460 | 30,837 | 95,297 |
| Internal balances | 76,207 | (76,207) | - |
| Due from fiduciary funds | 1,150 | - | 1,150 |
| Due from other governments | 422,527 | - | 422,527 |
| Inventories | - | 27,269 | 27,269 |
| Capital Assets | | | |
| Nondepreciable | 321,675 | 1,007,534 | 1,329,209 |
| Depreciable, net | 3,574,028 | 5,163,656 | 8,737,684 |
| Total assets | <u>5,496,251</u> | <u>6,303,532</u> | <u>11,799,783</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 348,649 | 5,510 | 354,159 |
| Due to other governments | 815 | - | 815 |
| Long-term liabilities | | | |
| Due within one year | | | |
| Bonds and notes payable | 133,354 | 55,361 | 188,715 |
| Accrued interest | 8,178 | - | 8,178 |
| Compensated absences | 5,999 | 866 | 6,865 |
| Due in more than one year | | | |
| Bonds and notes payable | 499,444 | 247,124 | 746,568 |
| Compensated absences | 56,050 | 7,797 | 63,847 |
| Total liabilities | <u>1,052,489</u> | <u>316,658</u> | <u>1,369,147</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid property taxes | 24,494 | - | 24,494 |
| Total deferred inflows of resources | <u>24,494</u> | <u>-</u> | <u>24,494</u> |
| NET POSITION | | | |
| Net investment in capital assets | 3,262,905 | 5,868,705 | 9,131,610 |
| Restricted for: | | | |
| Capital projects | 271,956 | - | 271,956 |
| Other purposes | 184,022 | - | 184,022 |
| Unrestricted | 700,385 | 118,169 | 818,554 |
| Total net position | <u>\$ 4,419,268</u> | <u>\$ 5,986,874</u> | <u>\$ 10,406,142</u> |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

| Functions/Programs | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 956,924 | \$ 142,978 | \$ 259,752 | \$ 433,486 | \$ (120,708) | \$ - | \$ (120,708) |
| Public safety | 481,025 | 1,139 | - | - | (479,886) | - | (479,886) |
| Public works | 564,085 | 8,392 | 23,112 | - | (532,581) | - | (532,581) |
| Culture and recreation | 27,347 | - | 17,006 | - | (10,341) | - | (10,341) |
| Health, welfare and sanitation | 192,100 | 8,550 | 3,701 | - | (179,849) | - | (179,849) |
| Cemeteries | 23,477 | 6,180 | - | - | (17,297) | - | (17,297) |
| Education | 2,684,780 | 679,125 | 621,873 | - | (1,383,782) | - | (1,383,782) |
| County tax | 196,166 | - | - | - | (196,166) | - | (196,166) |
| Interest on long-term debt | 54,174 | - | - | - | (54,174) | - | (54,174) |
| Total governmental activities | <u>5,180,078</u> | <u>846,364</u> | <u>925,444</u> | <u>433,486</u> | <u>(2,974,784)</u> | <u>-</u> | <u>(2,974,784)</u> |
| Business-type activities: | | | | | | | |
| Sewer | 553,479 | 382,539 | - | - | - | (170,940) | (170,940) |
| Airport | 30,054 | 43,089 | - | - | - | 13,035 | 13,035 |
| School | 103,283 | 7,288 | 51,157 | - | - | (44,838) | (44,838) |
| Total business-type activities | <u>686,816</u> | <u>432,916</u> | <u>51,157</u> | <u>-</u> | <u>-</u> | <u>(202,743)</u> | <u>(202,743)</u> |
| Total primary government | <u>\$ 5,866,894</u> | <u>\$ 1,279,280</u> | <u>\$ 976,601</u> | <u>\$ 433,486</u> | <u>(2,974,784)</u> | <u>(202,743)</u> | <u>(3,177,527)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 2,803,062 | - | 2,803,062 |
| Excise taxes | | | | | 188,589 | - | 188,589 |
| Grants and contributions not restricted to specific programs | | | | | 159,091 | - | 159,091 |
| Licenses, permits and fees | | | | | 1,243 | - | 1,243 |
| Unrestricted investment earnings (loss) | | | | | 1,922 | - | 1,922 |
| Miscellaneous revenue | | | | | 62,848 | - | 62,848 |
| Special items: | | | | | | | |
| Debt forgiveness | | | | | - | 490,114 | 490,114 |
| Transfers | | | | | (429,233) | 429,233 | - |
| Total general revenues and special items | | | | | <u>2,787,522</u> | <u>919,347</u> | <u>3,706,869</u> |
| Change in net position | | | | | (187,262) | 716,604 | 529,342 |
| Net position - beginning | | | | | <u>4,606,530</u> | <u>5,270,270</u> | <u>9,876,800</u> |
| Net position - ending | | | | | <u>\$ 4,419,268</u> | <u>\$ 5,986,874</u> | <u>\$ 10,406,142</u> |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine

BALANCE SHEET

Governmental Funds

June 30, 2014

| | General Fund | Micro Loan Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|--------------------------------|-----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 433,585 | \$ - | \$ 263,181 | \$ 696,766 |
| Investments | - | - | 98,966 | 98,966 |
| Taxes receivable, net | 240,472 | - | - | 240,472 |
| Due from other funds | 120,007 | 102,974 | 234,114 | 457,095 |
| Receivable from other governments | 422,527 | - | - | 422,527 |
| Other receivables, net | 27,468 | 36,992 | - | 64,460 |
| Total assets | <u>1,244,059</u> | <u>139,966</u> | <u>596,261</u> | <u>1,980,286</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | 182,353 | - | - | 182,353 |
| Due to other funds | 379,738 | - | - | 379,738 |
| Payable to other governments | 815 | - | - | 815 |
| Other accrued expenses | <u>166,067</u> | <u>-</u> | <u>-</u> | <u>166,067</u> |
| Total liabilities | <u>728,973</u> | <u>-</u> | <u>-</u> | <u>728,973</u> |
| Deferred inflows of resources: | | | | |
| Prepaid property taxes | 24,494 | - | - | 24,494 |
| Unavailable revenues | <u>229,300</u> | <u>-</u> | <u>-</u> | <u>229,300</u> |
| Total deferred inflows of resources | <u>253,794</u> | <u>-</u> | <u>-</u> | <u>253,794</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Permanent fund | - | - | 167,273 | 167,273 |
| Loans receivable | - | 36,992 | - | 36,992 |
| Restricted | 269,226 | - | 410,122 | 679,348 |
| Committed | 136,291 | - | 305,173 | 441,464 |
| Assigned | - | 102,974 | - | 102,974 |
| Unassigned | <u>(144,225)</u> | <u>-</u> | <u>(286,307)</u> | <u>(430,532)</u> |
| Total fund balances | <u>261,292</u> | <u>139,966</u> | <u>596,261</u> | <u>997,519</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,244,059</u> | <u>\$ 139,966</u> | <u>\$ 596,261</u> | <u>\$ 1,980,286</u> |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**
June 30, 2014

| | |
|--|------------|
| Total fund balance, governmental funds | \$ 997,519 |
|--|------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | |
|---|-----------|
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | 3,895,703 |
|---|-----------|

| | |
|---|---------|
| Deferred property tax revenue included in fund financial statements not included in governmental activities of the Statement of Net Position. | 229,300 |
|---|---------|

| | |
|--|---------------------|
| Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. | (703,254) |
| Net Position of Governmental Activities in the Statement of Net Position | <u>\$ 4,419,268</u> |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2014

| | <u>General Fund</u> | <u>Micro Loan Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|------------------------|---------------------------------|---------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 2,776,162 | \$ - | \$ - | \$ 2,776,162 |
| Excise and miscellaneous taxes | 188,589 | - | - | 188,589 |
| Fees and fines | 60,770 | - | - | 60,770 |
| Licenses and permits | 1,728 | - | - | 1,728 |
| Intergovernmental | 461,917 | - | 1,023,318 | 1,485,235 |
| Charges for services | 8,174 | - | - | 8,174 |
| Investment earnings | 3,085 | 421 | 2,491 | 5,997 |
| Grant revenue | 21,704 | - | - | 21,704 |
| Miscellaneous | 715,350 | - | 132,430 | 847,780 |
| Total revenues | <u>4,237,479</u> | <u>421</u> | <u>1,158,239</u> | <u>5,396,139</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 416,185 | - | 356,603 | 772,788 |
| Public safety | 476,661 | - | - | 476,661 |
| Public works | 549,631 | - | - | 549,631 |
| Health, welfare and sanitation | 192,100 | - | - | 192,100 |
| Culture and recreation | 27,347 | - | - | 27,347 |
| Cemeteries | 23,477 | - | - | 23,477 |
| Education | 2,230,079 | - | 347,395 | 2,577,474 |
| County tax | 196,166 | - | - | 196,166 |
| Debt Service: | | | | |
| Principal | 185,070 | - | - | 185,070 |
| Interest | 41,165 | - | - | 41,165 |
| Capital Outlay | 148,088 | - | - | 148,088 |
| Total expenditures | <u>4,485,969</u> | <u>-</u> | <u>703,998</u> | <u>5,189,967</u> |
| Excess (deficiency) of revenues over expenditures | <u>(248,490)</u> | <u>421</u> | <u>454,241</u> | <u>206,172</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Gain (loss) on investments | - | - | (990) | (990) |
| Transfers in | 86,992 | - | 62,888 | 149,880 |
| Transfers out | (62,888) | - | (516,225) | (579,113) |
| Total other financing sources and uses | <u>24,104</u> | <u>-</u> | <u>(454,327)</u> | <u>(430,223)</u> |
| Net change in fund balances | (224,386) | 421 | (86) | (224,051) |
| Fund balances - beginning | <u>485,678</u> | <u>139,545</u> | <u>596,347</u> | <u>1,221,570</u> |
| Fund balances - ending | <u>\$ 261,292</u> | <u>\$ 139,966</u> | <u>\$ 596,261</u> | <u>\$ 997,519</u> |

The accompanying notes are an integral part of the 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, 2014

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds: | \$ (224,051) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. | |
| This is the amount by which depreciation, \$350,154, exceeded capital outlays, \$148,088, in the current period. | (202,066) |
| Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. | 26,900 |
| Governmental funds report long-term debt as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term as an expenditure, in contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. | 180,239 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: | |
| Accrued interest not reflected on governmental funds | (8,178) |
| Accrued compensated absences | 39,894 |
| Change in net position of governmental activities | <u><u>\$ (187,262)</u></u> |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2014

| | Enterprise Funds | | | |
|----------------------------------|------------------|-----------|--------------|--------------|
| | Sewer | Airport | School Lunch | Total |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 109,665 | \$ 40,778 | \$ - | \$ 150,443 |
| Accounts receivable, net | 30,837 | - | - | 30,837 |
| Due from other funds | 42,650 | - | - | 42,650 |
| Inventories | - | 23,249 | 4,020 | 27,269 |
| Total current assets | 183,152 | 64,027 | 4,020 | 251,199 |
| Non-current assets: | | | | |
| Capital Assets | | | | |
| Construction in progress | 853,568 | - | - | 853,568 |
| Nondepreciable | 6,100,569 | - | - | 6,100,569 |
| Depreciable, net | (782,947) | - | - | (782,947) |
| Total non-current assets | 6,171,190 | - | - | 6,171,190 |
| Total assets | 6,354,342 | 64,027 | 4,020 | 6,422,389 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Salaries payable | 3,011 | - | 2,499 | 5,510 |
| Due to other funds | - | 36,177 | 82,680 | 118,857 |
| Compensated absences | 866 | - | - | 866 |
| Bonds, notes and loans payable | 55,361 | - | - | 55,361 |
| Total current liabilities | 59,238 | 36,177 | 85,179 | 180,594 |
| Non-current liabilities: | | | | |
| Compensated absences | 7,797 | - | - | 7,797 |
| Bonds, notes and loans payable | 247,124 | - | - | 247,124 |
| Total non-current liabilities | 254,921 | - | - | 254,921 |
| Total liabilities | 314,159 | 36,177 | 85,179 | 435,515 |
| NET POSITION | | | | |
| Net investment in capital assets | 5,868,705 | - | - | 5,868,705 |
| Unrestricted | 171,478 | 27,850 | (81,159) | 118,169 |
| Total net position | \$ 6,040,183 | \$ 27,850 | \$ (81,159) | \$ 5,986,874 |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
Proprietary Funds
For the year ended June 30, 2014

| | Enterprise Funds | | | |
|--|---------------------|------------------|--------------------|---------------------|
| | Sewer | Airport | School Lunch | Total |
| OPERATING REVENUES | | | | |
| Intergovernmental | \$ - | \$ - | \$ 51,157 | \$ 51,157 |
| Charges for services | 359,894 | 43,089 | 7,288 | 410,271 |
| Fees and fines | 17,720 | - | - | 17,720 |
| Total operating revenues | <u>377,614</u> | <u>43,089</u> | <u>58,445</u> | <u>479,148</u> |
| OPERATING EXPENSES | | | | |
| Administration | 131,740 | - | 30,193 | 161,933 |
| Operations | 78,020 | - | 73,090 | 151,110 |
| Utilities | 57,100 | 4,283 | - | 61,383 |
| Repairs and maintenance | 8,558 | 17,937 | - | 26,495 |
| Other supplies and expenses | - | 7,834 | - | 7,834 |
| Depreciation | 268,664 | - | - | 268,664 |
| Total Operating Expenses | <u>544,082</u> | <u>30,054</u> | <u>103,283</u> | <u>677,419</u> |
| Operating income (loss) | <u>(166,468)</u> | <u>13,035</u> | <u>(44,838)</u> | <u>(198,271)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest and investment revenue | 4,925 | - | - | 4,925 |
| Miscellaneous revenue | 490,114 | - | - | 490,114 |
| Interest expense | (9,397) | - | - | (9,397) |
| Total non-operating revenue (expenses) | <u>485,642</u> | <u>-</u> | <u>-</u> | <u>485,642</u> |
| Income (loss) before contributions and transfers | 319,174 | 13,035 | (44,838) | 287,371 |
| Transfers in | 429,233 | - | - | 429,233 |
| Change in net position | <u>748,407</u> | <u>13,035</u> | <u>(44,838)</u> | <u>716,604</u> |
| Total net position - beginning | 5,291,776 | 14,815 | (36,321) | 5,270,270 |
| Total net position - ending | <u>\$ 6,040,183</u> | <u>\$ 27,850</u> | <u>\$ (81,159)</u> | <u>\$ 5,986,874</u> |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine
STATEMENT OF CASH FLOWS
Proprietary Fund
For the year ended June 30, 2014

| | Enterprise Funds | | | |
|--|-------------------------|------------------|---------------------|-------------------|
| | Sewer | Airport | School Lunch | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Received from user charges | \$ 362,570 | \$ 6,912 | \$ 58,445 | \$ 427,927 |
| Payments for administrative services | (258,487) | 33,253 | (31,315) | (256,549) |
| Payments to employees | (15,456) | (27,130) | (27,130) | (69,716) |
| Net cash provided by operating activities | <u>88,627</u> | <u>13,035</u> | <u>-</u> | <u>101,662</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | (453,911) | - | - | (453,911) |
| Interest paid on debt | (9,397) | - | - | (9,397) |
| Proceeds from issuance of capital debt | 534,000 | | | 534,000 |
| Repayment of bonds and capital leases | (54,579) | - | - | (54,579) |
| Net cash used by capital activities | <u>16,113</u> | <u>-</u> | <u>-</u> | <u>16,113</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest on cash and investments | 4,925 | - | - | 4,925 |
| Net cash used by investing activities | <u>4,925</u> | <u>-</u> | <u>-</u> | <u>4,925</u> |
| Net increase in cash and cash equivalents | 109,665 | 13,035 | - | 122,700 |
| Cash and cash equivalents, beginning | - | 27,743 | - | 27,743 |
| Cash and cash equivalents, ending | <u>\$ 109,665</u> | <u>\$ 40,778</u> | <u>\$ -</u> | <u>\$ 150,443</u> |
| Reconciliation of operating income (loss) to net cash used by operating activities | | | | |
| Operating income (loss) | \$ (166,468) | \$ 13,035 | \$ (44,838) | \$ (198,271) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | | |
| Depreciaton | 268,664 | - | - | 268,664 |
| Changes in assets and liabilities | | | | |
| (Increase) decrease in receivable, net | 1,734 | - | - | 1,734 |
| (Increase) decrease in interfund receivables | (16,778) | (36,177) | - | (52,955) |
| Increase (decrease) in accounts payable | (10,199) | - | - | (10,199) |
| Increase (decrease) in interfund payables | - | 36,177 | 46,246 | 82,423 |
| Increase (decrease) in inventories | - | - | (1,408) | (1,408) |
| Increase (decrease) in accrued wages | 3,011 | - | - | 3,011 |
| Increase (decrease) in compensated absences | 8,663 | - | - | 8,663 |
| Net cash provided by operating activities | <u>\$ 88,627</u> | <u>\$ 13,035</u> | <u>\$ -</u> | <u>\$ 101,662</u> |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine
STATEMENT OF FIDUCIARY NET POSITION
Fiduciary Fund
June 30, 2014

| | <u>Fiduciary Funds</u> | <u>Agency Funds</u> |
|---|--------------------------|---------------------|
| | <u>Scholarships Fund</u> | <u>Agency Fund</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 70,547 | \$ 49,183 |
| Investments | 283,264 | 16,990 |
| Total assets | <u>353,811</u> | <u>66,173</u> |
| LIABILITIES | | |
| Due to other funds | 1,150 | - |
| Due to school groups | - | 66,173 |
| Total liabilities | <u>1,150</u> | <u>\$ 66,173</u> |
| NET POSITION | | |
| Net position held in trust for scholarships | 352,661 | |
| Unreserved | | |
| Total net position | <u>\$ 352,661</u> | |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiduciary Funds
For the year ended June 30, 2014

| | <u>Fiduciary Funds</u> |
|--|--------------------------|
| | |
| | <u>Scholarships Fund</u> |
| ADDITIONS | |
| Investment earnings: | |
| Net increase (decrease) in fair value of investments | \$ (522) |
| Interest | 8,437 |
| Investment activity expense | <u>(14)</u> |
| Total additions | <u>7,901</u> |
| DEDUCTIONS | |
| Scholarship expense | 8,722 |
| Trust transfer | <u>63,331</u> |
| Total deductions | <u>72,053</u> |
| Change in net position | (64,152) |
| Net position - beginning | <u>416,813</u> |
| Net position - ending | <u><u>\$ 352,661</u></u> |

The accompanying notes are an integral part of the financial statements.

City of Eastport, Maine
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Eastport (the “City”) was incorporated on March 18, 1893 under the laws of the State of Maine. The City operates under a Council-Manager form of government and provides the following services: general government services, public safety, public works, health and welfare, education, sewer and airport.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and the Financial Accounting Standards Board Standards, when applicable. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The City’s basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB’s *Codification of Governmental Accounting and Financial reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in its own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization’s board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, it was determined that no other entities should be included in the City’s financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity within the governmental and business-type activities columns, if applicable, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds and/or component units that are fiduciary in nature are not included in government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary and fiduciary activities. These statements present each major fund as a separate column on the fund financial statements, all non-major funds are aggregated and presented in a single column.

C. Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources.

The City has presented the following governmental funds:

General Fund – The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Governmental Funds - Continued

Capital Projects Funds – The capital projects 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 – The permanent fund is used to account for financial resources that are legally restricted to the extent that only the earnings, not the principal, may be used for purposes that support the governmental programs. The permanent fund will be used to account for the perpetual care endowment of the municipal cemetery.

D. Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the statement of net position.

There are two proprietary fund types. *Enterprise funds* report the activities for which fees are charged to external users for goods or services. *Internal service funds* provide goods or services to other agencies or funds of the City, rather than to the general public. The City does not have any internal service funds

The City has presented the following major enterprise funds:

Sewer Fund – The sewer fund is used to account for the operations of the waste water treatment plant. Activities of the fund includes administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt for the sewer fund. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Airport Fund – The airport fund is used to account for the operations of the Eastport Municipal Airport. Activities of the fund includes administration, operations and maintenance of the airport.

School Lunch Fund – The school lunch fund is used to account for the operations of the national school lunch program. Activities of the fund include the administration and operations of food services that provide healthful, nutritious meals to eligible children.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Proprietary Funds – Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Fiduciary Funds (Not included in the government-wide statements)

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 position and changes in net position. 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.

F. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Agency funds are also presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Measurement Focus/Basis of Accounting – Continued

The revenues susceptible to accrual are property taxes, intergovernmental revenues and charges for services. All other governmental fund revenues are recognized when received.

G. Fund Balance Restrictions

Fund balances for governmental funds have been classified in accordance with section 1800, Classification and Terminology, of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The City reported the following fund balance restrictions:

Nonspendable Fund Balance – indicates items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless those proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted Fund Balances – includes balances that are legally restricted for specific purposes due to constraints that are either externally imposed by creditors, grantors, contributors, or imposed by law through a constitutional provision or enabling legislation.

Committed Fund Balances – indicates assets that can be used only for specific purposes pursuant to constraints imposed by a formal action of a vote of the City Council, the City's highest level of decision-making authority. This formal action is the passage of the City budget, creating, modifying, or rescinding an appropriation.

Assigned Fund Balances – includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

Unassigned Fund Balance – is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

H. Revenues and Expenses

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g. general government, public safety, education, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Revenues and Expenses - Continued

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as restricted or unrestricted, which can further be classified as committed, assigned or unassigned. The City's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the City's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the governmental fund financial statements, expenditures are reported by function.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are sub-classified by object. The City uses the criteria prescribed in Section 2450 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, Cash Flows Statements, paragraphs .114 and .115 to determine operating revenues and expenses. Operating revenue includes sewer user fees, and all other revenues that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities. Operating expenses include salaries and wages, utilities, maintenance, depreciation of fixed assets, administrative expenses and all other expenses that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities.

I. Budgets and Budgetary Accounting

The City utilizes a formal budgetary accounting system to control revenues accounted for in the general fund and the enterprise fund. These budgets are established in accordance with the various laws which govern the City's operations.

Generally, appropriations for the general fund and the enterprise fund lapse at year end, except for balances approved to be carried forward by City Council.

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the special revenue funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the City's fiscal year.

The City prepares its general fund annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). Additional information is presented in Note 2.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Deposits and Investments

For purposes of the statement of cash flows, the proprietary and fiduciary funds consider all highly liquid investments, except for money market mutual funds, with a maturity of three months or less to be cash equivalents. Additional information is presented in Note 3.

Investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Additional information is presented in Note 3.

K. Inventories

Inventories of gasoline in the general fund are valued at the lower of cost or market value.

L. Interfund Receivables and Payables

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

M. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

N. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds, if applicable. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are stated at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Capital Assets - Continued

General fixed assets capitalized have an original cost of \$5,000 or more and over one year of useful life. General infrastructure assets capitalized have an original cost of \$25,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|---------------|
| Buildings and improvements | 10-50 (Years) |
| Machinery and equipment | 5-30 |
| Vehicles | 5-30 |
| Infrastructure | 20-50 |

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

O. Long-term Debt

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable and capital leases.

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

P. 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 governmental compensated absences is recorded in both the government-wide and fund financials. The proprietary funds report the liability as it is incurred, also in both the government-wide and fund financials.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Q. Net Position

Net position represent the difference between assets and liabilities. 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 assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

R. Property Taxes

Property taxes (real and personal, except vehicles) are assessed to the owner of record on April 1. On July 12, 2013 the taxes were committed to the tax collector for collection. Taxes were due on October 31, 2013. Interest is assessed from November 1, 2013 at 7.00% per year on any amount unpaid as of November 1, 2013. Tax liens on delinquent taxes may be placed on real property after eight months and within twelve months following the commitment date. The City may foreclose on property if the lien, interest and costs are not paid within eighteen months from the date the lien is filed.

The City is permitted by statute to levy taxes up to 105% of its net budgeted expenditures for the fiscal year.

Included in the City's tax assessment of \$23.00 per \$1,000 of assessed valuation is \$1.59 which represents the local assessment for county taxes and \$10.50 which represents the local assessment for Education. These taxes are collected by the City and forwarded as required by the taxing agency.

The 2014 tax levy is summarized as follows:

| | |
|---------------------------------|------------------------|
| Assessed Value | |
| Real property | \$ 119,801,000 |
| Personal property | 3,572,710 |
| | <hr/> 123,373,710 |
| Tax rate (per \$1,000) | 23.00 |
| Commitment | <hr/> 2,837,595 |
| Supplementals | 1,030 |
| Less collections and abatements | 2,674,325 |
| Receivable at June 30, 2014 | <hr/> <hr/> \$ 164,300 |
| Collection rate | 94.25% |

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

S. Deficit Fund Balances

As of June 30, 2014 the following individual non-major funds had deficit fund balances:

| Fund | Deficit Balance |
|--|----------------------------|
| Capital Projects | \$ 38,034 |
| Harbor | 12,210 |
| Eastport Art Center | 1,808 |
| Community Enterprise Façade Grant | 969 |
| Special Revenue - City | 78,808 |
| NCLB Title I Program Improvement | 123,112 |
| Title I Gear Up | 1,914 |
| Pre-School Handicapped | 177 |
| Special Ed Local Entitlement | 4,757 |
| Title IID | 2,263 |
| Title VI State Assessments & Enhanced Assessment Instruments | 6,376 |
| EEG Grant | 1,412 |
| FAME | 146 |
| Perloff/Alfond Grant | 7,662 |
| Total | <u>\$ 279,648</u> |

2. BUDGET BASIS OF ACCOUNTING

The City prepares its general fund annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions on page 35 are presented in accordance with the City's method (budget basis) in the Budget and Actual (with budget to GAAP differences) – General Fund to provide a meaningful comparison of actual results with the budget. The major difference between budget and GAAP basis in the general fund are deferred property taxes, the allowance for uncollectible property taxes, and capital outlays are recognized for GAAP basis only.

Adjustments necessary to convert the general fund's excess of revenues and other sources over expenditures and other uses on the budget basis to GAAP basis are provided below:

| | |
|--|---------------------|
| Net change in fund balances - budget basis | \$ (119,523) |
| Changes to deferred property taxes and allowance for uncollectible taxes are not budgeted | (50,200) |
| Capital outlay budgeted in expense lines | (141,655) |
| Transfer of funds related to capital outlay not budgeted | 86,992 |
| Net change in fund balances - GAAP basis | <u>\$ (224,386)</u> |

2. BUDGET BASIS OF ACCOUNTING – CONTINUED

The City also prepares its sewer fund annual budget on a basis which differs from GAAP. The budget and all transactions on page 37 are presented in accordance with the City's method (budget basis) in the Budget and Actual (with budget to GAAP differences) – Sewer Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the sewer fund is depreciation which is recognized for GAAP basis only and capital asset additions and principal payments which are recognized for budget basis only.

Adjustments necessary to convert the sewer fund's excess of revenues and other sources over expenditures and other uses on the budget basis to GAAP basis are provided below:

| | |
|---|-------------------|
| Net change in net position - budget basis | \$ 508,052 |
| Current year depreciation expense | (268,664) |
| Current year capital asset additions | 458,809 |
| Current year principal payments | 50,210 |
| Net change in net position - GAAP basis | <u>\$ 748,407</u> |

3. DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk: Custodial credit risk 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. As of June 30, 2014, the City reported deposits of \$966,939 with bank balances of \$1,172,236. Of the City's total bank balance of \$966,939, all was collateralized by underlying securities held by the related bank, which were not in the City's name.

| | |
|--|-------------------|
| Reported in governmental funds | \$ 696,766 |
| Reported in proprietary funds | <u>150,443</u> |
| Total reported on the statement of net position | 847,209 |
| Reported in agency funds | 49,183 |
| Reported in private-purpose trust funds | <u>70,547</u> |
| Total Deposits | <u>\$ 966,939</u> |

B. Investments

Maine statutes authorize the City to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the City can invest in direct debt securities obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks and bonds and certificates of deposit.

3. DEPOSITS AND INVESTMENTS – CONTINUED

B. Investments – Continued

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments. The City does not have an investment policy for custodial credit risk. The City's investments of \$399,220, invested in money market funds, U.S. Treasury notes, U.S. Agency notes, corporate bonds, stock mutual funds and common stock, are not exposed to custodial credit risk as the investments are in the City's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There is no concentration of credit risk policy for the City's investments. At June 30, 2014, there were no investments that represent five percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are excluded from this requirement.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. The City's total investments by credit quality rating as of June 30, 2014 are:

| | <u>AAA</u> | <u>Not Rated</u> | <u>Total</u> |
|--|-------------------|-------------------|-------------------|
| <i>Governmental and Business-Type Activities</i> | | | |
| US Instrumentalities | \$ 98,966 | | \$ 98,966 |
| <i>Private-Purpose Trusts and Agency Funds</i> | | | |
| US Instrumentalities | 53,581 | | 53,581 |
| Mutual Funds | | 15,754 | 15,754 |
| Certificates of Deposit | | 213,373 | 213,373 |
| Money Market | | 556 | 556 |
| Total | <u>\$ 152,547</u> | <u>\$ 229,683</u> | <u>\$ 382,230</u> |

3. DEPOSITS AND INVESTMENTS – CONTINUED

B. Investments – Continued

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City does not have a policy related to interest rate risk. The City is required to disclose the interest rate risk of its debt investments as follows.

| | Maturities (in years) | | |
|--|------------------------------|-------------------|-------------------|
| | Less than 1 | 1 - 5 | Total |
| <i>Governmental and Business-Type Activities</i> | | | |
| US Instrumentalities | \$ 33,212 | \$ 65,754 | \$ 98,966 |
| <i>Private-Purpose Trusts and Agency Funds</i> | | | |
| US Instrumentalities | 17,981 | 35,600 | 53,581 |
| Mutual Funds | 15,754 | | 15,754 |
| Certificates of Deposit | 74,142 | 139,231 | 213,373 |
| Money Market | 556 | | 556 |
| Total | <u>\$ 141,645</u> | <u>\$ 240,585</u> | <u>\$ 382,230</u> |

Investments of \$399,220 have been reported as follows:

| | |
|--|-------------------|
| Reported in governmental funds | \$ 98,966 |
| <i>Investments not included in government-wide statement</i> | |
| Reported in private-purpose trust funds | 283,264 |
| Reported in agency funds | 16,990 |
| | <u>300,254</u> |
| Total Investments | <u>\$ 399,220</u> |

4. RECEIVABLES

Receivable balances are segregated by type, and presented in the fund financial statements net of allowance for uncollectible amounts. The following table disaggregates amounts considered to be uncollectible by fund and type of receivable as of June 30, 2014:

| | Accounts | Loans | Allowance for Uncollectibles | Net Receivables |
|------------------------------|-------------------|------------------|---------------------------------|--------------------|
| Governmental Funds: | | | | |
| General Fund | \$ 263,772 | \$ - | \$ (23,300) | \$ 240,472 |
| Microloan Fund | - | 36,992 | - | 36,992 |
| Total Governmental Funds | 263,772 | 36,992 | <u>\$ (23,300)</u> | 277,464 |
| Allowance for Uncollectibles | (23,300) | - | | |
| Net Receivables | <u>\$ 240,472</u> | <u>\$ 36,992</u> | | <u>\$ 277,464</u> |
| Proprietary Funds: | | | | |
| Sewer Fund | \$ 39,497 | \$ - | <u>\$ (8,660)</u> | \$ 30,837 |
| Allowance for Uncollectibles | (8,660) | - | | |
| Net Receivables | <u>\$ 30,837</u> | <u>\$ -</u> | | <u>\$ 30,837</u> |

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is summarized below.

| | Balance 06/30/13 | Additions | Retirements | Balance 06/30/14 |
|---|---------------------|---------------------|--------------------|---------------------|
| Governmental Activities: | | | | |
| <i>Non-Depreciable Assets:</i> | | | | |
| Land | \$ 113,443 | \$ 18 | \$ - | \$ 113,461 |
| Construction in Progress | 242,850 | - | (34,636) | 208,214 |
| Total Non-Depreciable Assets | <u>356,293</u> | <u>18</u> | <u>(34,636)</u> | <u>321,675</u> |
| <i>Depreciable Assets:</i> | | | | |
| Land Improvements | 77,337 | 46,247 | - | 123,584 |
| Buildings and Improvements | 8,928,479 | 67,959 | - | 8,996,438 |
| Equipment and Vehicles | 2,071,207 | 68,500 | - | 2,139,707 |
| Infrastructure | 248,484 | - | - | 248,484 |
| Total Depreciable Assets | <u>11,325,507</u> | <u>182,706</u> | <u>-</u> | <u>11,508,213</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land Improvements | (77,337) | (10,186) | - | (87,523) |
| Buildings and Improvements | (5,895,018) | (205,994) | - | (6,101,012) |
| Equipment and Vehicles | (1,575,126) | (127,744) | - | (1,702,870) |
| Infrastructure | (36,550) | (6,230) | - | (42,780) |
| Total accumulated depreciation | <u>(7,584,031)</u> | <u>(350,154)</u> | <u>-</u> | <u>(7,934,185)</u> |
| Total capital assets being depreciated, net | <u>3,741,476</u> | <u>(167,448)</u> | <u>-</u> | <u>3,574,028</u> |
| Governmental activities capital assets, net | <u>\$ 4,097,769</u> | <u>\$ (167,430)</u> | <u>\$ (34,636)</u> | <u>\$ 3,895,703</u> |

5. CAPITAL ASSETS – CONTINUED

| | Balance 06/30/13 | Additions | Retirements | Balance 06/30/14 |
|--|---------------------|------------|-------------|---------------------|
| Business-type Activities: | | | | |
| <i>Non-Depreciable Assets:</i> | | | | |
| Land | \$ 153,966 | \$ - | \$ - | \$ 153,966 |
| Construction in Process | - | 853,568 | - | 853,568 |
| Total Non-Depreciable Assets | 153,966 | 853,568 | - | 1,007,534 |
| <i>Depreciable Assets:</i> | | | | |
| Land Improvements | 5,946,603 | - | - | 5,946,603 |
| Buildings and Improvements | 4,997,905 | - | - | 4,997,905 |
| Equipment and Vehicles | 121,815 | 29,576 | - | 151,391 |
| Total Depreciable Assets | 11,066,323 | 29,576 | - | 11,095,899 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land Improvements | (2,085,481) | (99,110) | - | (2,184,591) |
| Buildings and Improvements | (3,456,283) | (166,597) | - | (3,622,880) |
| Equipment and Vehicles | (121,815) | (2,957) | - | (124,772) |
| Infrastructure | - | - | - | - |
| Total accumulated depreciation | (5,663,579) | (268,664) | - | (5,932,243) |
| Total capital assets being depreciated, net | 5,402,744 | (239,088) | - | 5,163,656 |
| Business-type activities capital assets, net | \$ 5,556,710 | \$ 614,480 | \$ - | \$ 6,171,190 |

Depreciation expense for the year ended June 30, 2014 was charged as direct expense to programs as follows:

| | |
|---|-------------------|
| <i>Governmental Activities</i> | |
| General government | \$ 208,835 |
| Public safety | 18,923 |
| Public works | 15,090 |
| Education | 107,306 |
| Total depreciation expense - Governmental activities | <u>\$ 350,154</u> |

Total interest costs of \$63,571 were incurred during the year ending June 30, 2014. All interest was expensed.

City of Eastport, Maine
Notes to Financial Statements – Continued
June 30, 2014

6. LONG-TERM DEBT

General obligation and proprietary fund bonds payable

The following is a summary of general obligation and proprietary fund bonds payable transactions of the City for the year ended June 30, 2014:

| | Original Amount | Principal Balance 06/30/13 | Proceeds | Payments | Principal Balance 06/30/14 | Due in 1 year |
|---|--------------------|-------------------------------|-------------------|---------------------|-------------------------------|-------------------|
| Governmental Debt | | | | | | |
| General Obligation Bonds Payable | | | | | | |
| <i>The First</i> | | | | | | |
| 2003 tax anticipation note, due 2014, with annual principal payments and semiannual interest payments. Interest rate of 4.16%. | \$ 500,000 | \$ 52,785 | \$ - | \$ (52,785) | \$ - | \$ - |
| 2005 public improvement bond, due 2019, with annual principal payments and semiannual interest payments. Interest rate of 4.55%. | 1,300,000 | 678,530 | - | (101,415) | 577,115 | 106,127 |
| General Obligation Notes Payable | | | | | | |
| <i>The First</i> | | | | | | |
| 2008 note due 2015, with annual payments of \$29,768 with interest at 4.5%. | 175,000 | 81,722 | - | (26,039) | 55,683 | 27,227 |
| Total General Obligation Bonds | | <u>\$ 813,037</u> | <u>\$ -</u> | <u>\$ (180,239)</u> | <u>\$ 632,798</u> | <u>\$ 133,354</u> |
| Business-type Debt | | | | | | |
| Proprietary Fund Bonds Payable | | | | | | |
| <i>Maine Municipal Bond Bank</i> | | | | | | |
| 2003 treatment facility construction bond, due 2019 with annual principal and semi-annual interest. Interest at 1.550%. | 775,000 | 313,178 | - | (50,210) | 262,968 | 50,988 |
| 2013 treatment facility construction and improvement bond, due 2023 with annual principal and semi-annual interest. Interest at 0.100%. | 534,000 | - | 534,000 | (494,483) | 39,517 | 4,373 |
| Total Proprietary Fund Bonds | | <u>313,178</u> | <u>534,000</u> | <u>(544,693)</u> | <u>302,485</u> | <u>55,361</u> |
| Total general obligation and proprietary fund bonds payable | | <u>\$ 1,126,215</u> | <u>\$ 534,000</u> | <u>\$ (724,932)</u> | 935,283 | <u>\$ 188,715</u> |
| Less current portion | | | | | (188,715) | |
| | | | | | <u>\$ 746,568</u> | |

6. LONG-TERM DEBT – CONTINUED

Future maturities of general obligation and proprietary fund bonds payable are as follows:

| Year ended June 30 | General Obligations | | Proprietary Obligations | | Totals | |
|-----------------------|---------------------|------------------|-------------------------|------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 133,354 | \$ 28,082 | \$ 55,361 | \$ 4,116 | \$ 188,715 | \$ 32,198 |
| 2016 | 139,525 | 21,910 | 56,157 | 3,322 | 195,682 | 25,232 |
| 2017 | 116,217 | 15,451 | 56,963 | 2,515 | 173,180 | 17,966 |
| 2018 | 121,617 | 10,051 | 57,782 | 1,694 | 179,399 | 11,745 |
| 2019 | 122,085 | 4,401 | 58,615 | 862 | 180,700 | 5,263 |
| 2020-2024 | | | 17,607 | 44 | 17,607 | 44 |
| Totals | <u>\$ 632,798</u> | <u>\$ 79,895</u> | <u>\$ 302,485</u> | <u>\$ 12,553</u> | <u>\$ 935,283</u> | <u>\$ 92,448</u> |

Other Long-Term Debt

The following is a summary of other long-term debt transactions of the City for the fiscal year ended June 30, 2014:

| | Balance 06/30/13 | Additions | Reductions | Balance 06/30/14 | Due Within One Year |
|---------------------------------|---------------------|------------------|------------------|---------------------|------------------------|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 102,172 | \$ 52,323 | \$ 92,446 | \$ 62,049 | \$ 5,999 |
| Total Governmental Activities | <u>\$ 102,172</u> | <u>\$ 52,323</u> | <u>\$ 92,446</u> | <u>\$ 62,049</u> | <u>\$ 5,999</u> |
| Business-Type Activities | | | | | |
| Compensated absences | \$ - | \$ 14,174 | \$ 5,511 | \$ 8,663 | \$ 866 |
| Total Business-Type Activities | <u>\$ -</u> | <u>\$ 14,174</u> | <u>\$ 5,511</u> | <u>\$ 8,663</u> | <u>\$ 866</u> |

7. INTERFUND TRANSACTIONS

Interfund balances of amounts due to/from other funds and operating transfers by fund at and for the year ended June 30, 2014 are as follows:

| | Due from Other Funds | Due to Other Funds | Transfers In | Tranfers Out |
|--------------------------|-------------------------|-----------------------|-------------------|-------------------|
| General fund | \$ 120,007 | \$ 379,738 | \$ 86,992 | \$ 62,888 |
| Microloan Fund | 102,974 | - | - | - |
| Other governmental funds | 234,114 | - | 62,888 | 516,225 |
| Fiduciary funds | - | 1,150 | - | - |
| Sewer Fund | 42,650 | - | 429,233 | - |
| Airport Fund | - | 36,177 | - | - |
| School Lunch Fund | - | 82,680 | - | - |
| | <u>\$ 499,745</u> | <u>\$ 499,745</u> | <u>\$ 579,113</u> | <u>\$ 579,113</u> |

7. INTERFUND TRANSACTIONS – CONTINUED

Transfers are used to (1) move revenues that are collected in accordance with the budget to the appropriate fund to expend and (2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorization.

8. FUND BALANCES

The City's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council; (3) assigned purposes, which includes residual amounts within the funds that are neither restricted nor committed.

Restricted fund balances for the year ended June 30, 2014 are as follows:

| | |
|--------------------------------|--------------------------|
| General Fund: | |
| School grant funds | \$ 269,226 |
| Total General Fund | <u>269,226</u> |
| Other Governmental Funds: | |
| Perpetual care | 17,073 |
| City grant funds | 165,004 |
| School grant funds | <u>228,045</u> |
| Total Other Governmental Funds | <u>410,122</u> |
| Total Restricted Fund Balance | <u><u>\$ 679,348</u></u> |

Committed fund balances for the year ended June 30, 2014 are as follows:

| | |
|------------------------------|--------------------------|
| General Fund: | |
| Capital reserves | \$ 80,000 |
| Local road assistance | 31,291 |
| Police protection | <u>25,000</u> |
| Total General Fund | <u>136,291</u> |
| Other Governmental Funds: | |
| Boat School | 1,355 |
| Guilford Mill Building | 98,885 |
| A&P Building | 25,456 |
| Economic Development | 104,477 |
| Boat Ramp | <u>75,000</u> |
| | <u>305,173</u> |
| Total Committed Fund Balance | <u><u>\$ 441,464</u></u> |

8. FUND BALANCES – CONTINUED

At June 30, 2014, the governmental fund assigned fund balances were comprised of the residual balance in governmental funds other than the general fund.

9. PENSION PLANS

Defined Benefit Pension Plans

The City has contributed to the Maine Public Employees Retirement System (Maine PERS), a cost-sharing multiple-employer defined benefit plan. The City's payroll for the year ended June 30, 2014 for employees covered by this plan was \$1,151,217.

Full-time school employees are eligible to participate in the MainePERS. Employees are eligible for normal retirement upon reaching the age of 60, and are eligible for early retirement after completing 25 or more years of credited service. The MainePERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. A copy of the most recent financial report for the plan may be obtained from the MainePERS by calling 1-800-451-9800.

Funding Status and Progress

All school teachers, plus other qualified educators, participate in the MainePERS 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 the fiscal year ended June 30, 2014, employee retirement contributions totaled \$88,068. Total grant funded compensation totaled \$106,057 for the year ended June 30, 2014, and employer contributions totaled \$14,616 (13.78% of grant funded compensation).

Individual Retirement Accounts

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 up to 3% of gross wages to each IRA. The City's contribution for the year ended June 30, 2014 was \$13,485.

10. PARTICIPATION IN PUBLIC ENTITY RISK POOL

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’s compensation coverage and develop a comprehensive loss control program. The City pays an annual premium to the Fund for its worker’s 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 Cities for claims in excess of \$400,000 with an excess limit of \$2,000,000.

The City is also a member of the Maine Municipal Association – Property and Casualty Pool (“Pool”). As with the Fund above, 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.

11. CONTINGENCIES

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.

12. RELATED PARTY LIABILITY GUARANTEE

The City is a joint co-signer of a loan that DownEast EMS Ambulance Service has with The First Bank. The loan totals \$540,000, and the City’s liability is limited to a maximum one-third (\$180,000) 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.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 19, 2015, the date on which the financial statements were available to be issued.

City of Eastport, Maine
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
General Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Budget to GAAP Differences | Actual Amounts, GAAP Basis |
|---|-------------------------|--------------|--|---|---|
| | Original | Final | | | |
| REVENUES | | | | | |
| Property Taxes | \$ 2,837,595 | \$ 2,836,595 | \$ 2,826,362 | \$ (50,200) | \$ 2,776,162 |
| Excise and miscellaneous taxes | 150,000 | 150,000 | 188,589 | - | 188,589 |
| Fees and fines | 43,750 | 43,750 | 60,770 | - | 60,770 |
| Licenses and permits | 1,410 | 1,410 | 1,728 | - | 1,728 |
| Intergovernmental | 349,184 | 349,184 | 461,917 | - | 461,917 |
| Charges for services | 21,925 | 21,925 | 8,174 | - | 8,174 |
| Investment earnings | 1,500 | 1,500 | 3,085 | - | 3,085 |
| Miscellaneous | 901,982 | 901,982 | 737,054 | - | 737,054 |
| Total revenues | 4,307,346 | 4,306,346 | 4,287,679 | (50,200) | 4,237,479 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 417,297 | 417,297 | 417,185 | (1,000) | 416,185 |
| Public Safety | 472,383 | 472,383 | 476,661 | - | 476,661 |
| Public Works | 533,939 | 533,939 | 555,064 | (5,433) | 549,631 |
| Health, welfare and sanitation | 181,000 | 181,000 | 192,100 | - | 192,100 |
| Culture and recreation | 5,000 | 5,000 | 27,347 | - | 27,347 |
| Cemeteries | 31,631 | 31,631 | 23,477 | - | 23,477 |
| Education | 2,319,237 | 2,319,237 | 2,230,079 | - | 2,230,079 |
| County Tax | 196,166 | 196,166 | 196,166 | - | 196,166 |
| Debt Service: | | | | | |
| Principal | 232,260 | 232,260 | 185,070 | - | 185,070 |
| Interest | - | - | 41,165 | - | 41,165 |
| Capital Outlay | - | - | - | 148,088 | 148,088 |
| Total Expenditures | 4,388,913 | 4,388,913 | 4,344,314 | 141,655 | 4,485,969 |
| Excess (deficiency) of revenues over expenditures | (81,567) | (82,567) | (56,635) | (191,855) | (248,490) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | 86,992 | 86,992 |
| Transfers out | - | - | (62,888) | - | (62,888) |
| Total other financing sources and uses | - | - | (62,888) | 86,992 | 24,104 |
| Net change in fund balances | (81,567) | (82,567) | (119,523) | (104,863) | (224,386) |
| Fund balances - beginning | 485,678 | 485,678 | 485,678 | - | 485,678 |
| Fund balances - ending | \$ 404,111 | \$ 403,111 | \$ 366,155 | \$ (104,863) | \$ 261,292 |

City of Eastport, Maine
BUDGET AND ACTUAL (WITH VARIANCES)
General Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|-------------------|--|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 2,837,595 | \$ 2,836,595 | \$ 2,826,362 | \$ (10,233) |
| Excise and miscellaneous taxes | 150,000 | 150,000 | 188,589 | 38,589 |
| Fees and fines | 43,750 | 43,750 | 60,770 | 17,020 |
| Licenses and permits | 1,410 | 1,410 | 1,728 | 318 |
| Intergovernmental | 349,184 | 349,184 | 461,917 | 112,733 |
| Charges for services | 21,925 | 21,925 | 8,174 | (13,751) |
| Investment earnings | 1,500 | 1,500 | 3,085 | 1,585 |
| Miscellaneous | 901,982 | 901,982 | 737,054 | (164,928) |
| Total revenues | <u>4,307,346</u> | <u>4,306,346</u> | <u>4,287,679</u> | <u>(18,667)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 417,297 | 417,297 | 417,185 | 112 |
| Public safety | 472,383 | 472,383 | 476,661 | (4,278) |
| Public Works | 533,939 | 533,939 | 555,064 | (21,125) |
| Health, welfare and sanitation | 181,000 | 181,000 | 192,100 | (11,100) |
| Culture and recreation | 5,000 | 5,000 | 27,347 | (22,347) |
| Cemeteries | 31,631 | 31,631 | 23,477 | 8,154 |
| Education | 2,319,237 | 2,319,237 | 2,230,079 | 89,158 |
| County tax | 196,166 | 196,166 | 196,166 | - |
| Debt Service: | | | | |
| Principal | 232,260 | 232,260 | 185,070 | 47,190 |
| Interest | - | - | 41,165 | (41,165) |
| Total Expenditures | <u>4,388,913</u> | <u>4,388,913</u> | <u>4,344,314</u> | <u>44,599</u> |
| Excess (deficiency) of revenues over expenditures | <u>(81,567)</u> | <u>(82,567)</u> | <u>(56,635)</u> | <u>25,932</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (62,888) | (62,888) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>(62,888)</u> | <u>(62,888)</u> |
| Net change in fund balances | (81,567) | (82,567) | (119,523) | <u>\$ (36,956)</u> |
| Fund balances - beginning | 485,678 | 485,678 | 485,678 | |
| Fund balances - ending | <u>\$ 404,111</u> | <u>\$ 403,111</u> | <u>\$ 366,155</u> | |

City of Eastport, Maine
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
Sewer Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Budget to GAAP Differences | Actual Amounts, GAAP Basis |
|---|-------------------------|---------------------|--|---|---|
| | Original | Final | | | |
| REVENUES | | | | | |
| Charges for services | \$ 361,469 | \$ 361,469 | \$ 359,894 | \$ - | \$ 359,894 |
| Fees and fines | 6,696 | 6,696 | 17,720 | - | 17,720 |
| Total revenues | <u>368,165</u> | <u>368,165</u> | <u>377,614</u> | <u>-</u> | <u>377,614</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration | 127,705 | 127,705 | 131,740 | - | 131,740 |
| Operations | 95,700 | 95,700 | 78,020 | - | 78,020 |
| Repairs and Maintenance | 22,000 | 22,000 | 38,134 | (29,576) | 8,558 |
| Utilities | 48,870 | 48,870 | 57,100 | - | 57,100 |
| Depreciation | - | - | - | 268,664 | 268,664 |
| Total Expenditures | <u>294,275</u> | <u>294,275</u> | <u>304,994</u> | <u>239,088</u> | <u>544,082</u> |
| Excess (deficiency) of revenues over expenditures | <u>73,890</u> | <u>73,890</u> | <u>72,620</u> | <u>(239,088)</u> | <u>(166,468)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Debt Service: | | | | | |
| Principal | (65,890) | (65,890) | (50,210) | 50,210 | - |
| Interest | (10,000) | (10,000) | (9,397) | - | (9,397) |
| Investment earnings | 2,000 | 2,000 | 4,925 | - | 4,925 |
| Miscellaneous revenue | - | - | 490,114 | - | 490,114 |
| Total other financing sources and uses | <u>(73,890)</u> | <u>(73,890)</u> | <u>435,432</u> | <u>50,210</u> | <u>485,642</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | 429,233 | 429,233 |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>429,233</u> | <u>429,233</u> |
| Change in net position | - | - | 508,052 | 240,355 | 748,407 |
| Net position - beginning | <u>5,291,776</u> | <u>5,291,776</u> | <u>5,291,776</u> | <u>-</u> | <u>5,291,776</u> |
| Net position - ending | <u>\$ 5,291,776</u> | <u>\$ 5,291,776</u> | <u>\$ 5,799,828</u> | <u>\$ 240,355</u> | <u>\$ 6,040,183</u> |

City of Eastport, Maine
BUDGET AND ACTUAL (WITH VARIANCES)
Sewer Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|--|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 361,469 | \$ 361,469 | \$ 359,894 | \$ (1,575) |
| Fees and fines | 6,696 | 6,696 | 17,720 | 11,024 |
| Total revenues | <u>368,165</u> | <u>368,165</u> | <u>377,614</u> | <u>9,449</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administration | 127,705 | 127,705 | 131,740 | (4,035) |
| Operations | 95,700 | 95,700 | 78,020 | 17,680 |
| Repairs and Maintenance | 22,000 | 22,000 | 38,134 | (16,134) |
| Utilities | 48,870 | 48,870 | 57,100 | (8,230) |
| Total Expenditures | <u>294,275</u> | <u>294,275</u> | <u>304,994</u> | <u>(10,719)</u> |
| Excess (deficiency) of revenues over expenditures | <u>73,890</u> | <u>73,890</u> | <u>72,620</u> | <u>(1,270)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Debt Service: | | | | |
| Principal | (65,890) | (65,890) | (50,210) | 15,680 |
| Interest | (10,000) | (10,000) | (9,397) | 603 |
| Investment earnings | 2,000 | 2,000 | 4,925 | 2,925 |
| Miscellaneous revenue | - | - | 490,114 | 490,114 |
| Total other financing sources and uses | <u>(73,890)</u> | <u>(73,890)</u> | <u>435,432</u> | <u>509,322</u> |
| Change in net position | - | - | 508,052 | <u>\$ 508,052</u> |
| Net position - beginning | 5,291,776 | 5,291,776 | 5,291,776 | |
| Net position - ending | <u>\$ 5,291,776</u> | <u>\$ 5,291,776</u> | <u>\$ 5,799,828</u> | |

City of Eastport, Maine
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
Airport Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Budget to GAAP Differences | Actual Amounts, GAAP Basis |
|---------------------------------|-------------------------|---------------|--|---|---|
| | Original | Final | | | |
| REVENUES | | | | | |
| Charges for services | \$ 30,400 | \$ 30,400 | \$ 31,089 | \$ - | \$ 31,089 |
| Other | - | - | 12,000 | - | 12,000 |
| Total revenues | <u>30,400</u> | <u>30,400</u> | <u>43,089</u> | <u>-</u> | <u>43,089</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Operations | 10,650 | 10,650 | 7,834 | - | 7,834 |
| Inventory purchases | 30,000 | 30,000 | 17,937 | - | 17,937 |
| Utilities | 4,240 | 4,240 | 4,283 | - | 4,283 |
| Total Expenditures | <u>44,890</u> | <u>44,890</u> | <u>30,054</u> | <u>-</u> | <u>30,054</u> |
| Change in net position | (14,490) | (14,490) | 13,035 | - | 13,035 |
| Net position - beginning | <u>14,815</u> | <u>14,815</u> | <u>14,815</u> | <u>-</u> | <u>14,815</u> |
| Net position - ending | <u>\$ 325</u> | <u>\$ 325</u> | <u>\$ 27,850</u> | <u>\$ -</u> | <u>\$ 27,850</u> |

City of Eastport, Maine
BUDGET AND ACTUAL (WITH VARIANCES)
Airport Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---------------------------------|-------------------------|---------------|--|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 30,400 | \$ 30,400 | \$ 31,089 | \$ 689 |
| Other | - | - | 12,000 | 12,000 |
| Total revenues | <u>30,400</u> | <u>30,400</u> | <u>43,089</u> | <u>12,689</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Operations | 10,650 | 10,650 | 7,834 | 2,816 |
| Inventory purchases | 30,000 | 30,000 | 17,937 | 12,063 |
| Utilities | <u>4,240</u> | <u>4,240</u> | <u>4,283</u> | <u>(43)</u> |
| Total Expenditures | <u>44,890</u> | <u>44,890</u> | <u>30,054</u> | <u>14,836</u> |
| Change in net position | (14,490) | (14,490) | 13,035 | <u>\$ 27,525</u> |
| Net position - beginning | <u>14,815</u> | <u>14,815</u> | <u>14,815</u> | |
| Net position - ending | <u>\$ 325</u> | <u>\$ 325</u> | <u>\$ 27,850</u> | |

City of Eastport, Maine
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
School Lunch Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Budget to GAAP Differences | Actual Amounts, GAAP Basis |
|---------------------------------|-------------------------|--------------------|--|---|---|
| | Original | Final | | | |
| REVENUES | | | | | |
| Intergovernmental | \$ 24,000 | \$ 24,000 | \$ 51,157 | \$ - | \$ 51,157 |
| Charges for services | - | - | 7,288 | - | 7,288 |
| Total revenues | <u>24,000</u> | <u>24,000</u> | <u>58,445</u> | <u>-</u> | <u>58,445</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration | 30,260 | 30,260 | 30,193 | - | 30,193 |
| Operations | 1,000 | 1,000 | 73,090 | - | 73,090 |
| Total Expenditures | <u>31,260</u> | <u>31,260</u> | <u>103,283</u> | <u>-</u> | <u>103,283</u> |
| Change in net position | (7,260) | (7,260) | (44,838) | - | (44,838) |
| Net position - beginning | (36,321) | (36,321) | (36,321) | - | (36,321) |
| Net position - ending | <u>\$ (43,581)</u> | <u>\$ (43,581)</u> | <u>\$ (81,159)</u> | <u>\$ -</u> | <u>\$ (81,159)</u> |

City of Eastport, Maine
BUDGET AND ACTUAL (WITH VARIANCES)
School Lunch Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---------------------------------|-------------------------|--------------------|--|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 24,000 | \$ 24,000 | \$ 51,157 | \$ 27,157 |
| Charges for services | - | - | 7,288 | 7,288 |
| Total revenues | <u>24,000</u> | <u>24,000</u> | <u>58,445</u> | <u>34,445</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administration | 30,260 | 30,260 | 30,193 | 67 |
| Operations | <u>1,000</u> | <u>1,000</u> | <u>73,090</u> | <u>(72,090)</u> |
| Total Expenditures | <u>31,260</u> | <u>31,260</u> | <u>103,283</u> | <u>(72,023)</u> |
| Change in net position | (7,260) | (7,260) | (44,838) | <u>\$ (37,578)</u> |
| Net position - beginning | (36,321) | (36,321) | (36,321) | |
| Net position - ending | <u>\$ (43,581)</u> | <u>\$ (43,581)</u> | <u>\$ (81,159)</u> | |

City of Eastport, Maine
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2014

| | Capital Projects | Special Revenue - City | Special Revenue - School | Permanent Fund | Total Other Governmental Funds |
|--------------------------------------|-------------------------|-----------------------------------|-------------------------------------|-----------------------|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 179,476 | \$ - | \$ - | \$ 83,705 | \$ 263,181 |
| Investments | - | - | - | 98,966 | 98,966 |
| Due from other funds | 87,663 | 71,209 | 73,567 | 1,675 | 234,114 |
| Total assets | <u>267,139</u> | <u>71,209</u> | <u>73,567</u> | <u>184,346</u> | <u>596,261</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Permanent fund | - | - | - | 167,273 | 167,273 |
| Restricted | - | 165,004 | 228,045 | 17,073 | 410,122 |
| Committed | 305,173 | - | - | - | 305,173 |
| Unassigned | (38,034) | (93,795) | (154,478) | - | (286,307) |
| Total fund balances | <u>267,139</u> | <u>71,209</u> | <u>73,567</u> | <u>184,346</u> | <u>596,261</u> |
| Total liabilities and fund balances | <u>\$ 267,139</u> | <u>\$ 71,209</u> | <u>\$ 73,567</u> | <u>\$ 184,346</u> | <u>\$ 596,261</u> |

City of Eastport, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended June 30, 2014

| | Capital Projects | Special Revenue - City | Special Revenue - School | Permanent Fund | Total Other Governmental Funds |
|--|-------------------|---------------------------|-----------------------------|-------------------|--------------------------------------|
| REVENUES | | | | | |
| Intergovernmental | \$ - | \$ 691,540 | \$ 331,778 | \$ - | \$ 1,023,318 |
| Investment earnings | - | - | - | 2,491 | 2,491 |
| Miscellaneous | 101,024 | - | 31,406 | - | 132,430 |
| Total revenues | <u>101,024</u> | <u>691,540</u> | <u>363,184</u> | <u>2,491</u> | <u>1,158,239</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 95,033 | 260,393 | - | 1,177 | 356,603 |
| Education | - | - | 347,395 | - | 347,395 |
| Total Expenditures | <u>95,033</u> | <u>260,393</u> | <u>347,395</u> | <u>1,177</u> | <u>703,998</u> |
| Excess (deficiency) of revenues over expenditures | <u>5,991</u> | <u>431,147</u> | <u>15,789</u> | <u>1,314</u> | <u>454,241</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Gain (loss) on investments | - | - | - | (990) | (990) |
| Transfers in | 62,888 | - | - | - | 62,888 |
| Transfers out | (73,696) | (442,529) | - | - | (516,225) |
| Total other financing sources and uses | <u>(10,808)</u> | <u>(442,529)</u> | <u>-</u> | <u>(990)</u> | <u>(454,327)</u> |
| Net change in fund balances | (4,817) | (11,382) | 15,789 | 324 | (86) |
| Fund balances - beginning | <u>271,956</u> | <u>82,591</u> | <u>57,778</u> | <u>184,022</u> | <u>596,347</u> |
| Fund balances - ending | <u>\$ 267,139</u> | <u>\$ 71,209</u> | <u>\$ 73,567</u> | <u>\$ 184,346</u> | <u>\$ 596,261</u> |

City of Eastport, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Non-Major Capital Projects Funds
For the year ended June 30, 2014

| | Boat School | Guilford Mill Building | A&P Building | Economic Developpment | Capital Projects | Total Non-Major Capital Projects Funds |
|---|-----------------|------------------------|------------------|-----------------------|--------------------|--|
| REVENUES | | | | | | |
| Miscellaneous | \$ 1,425 | \$ 75,500 | \$ 12,000 | \$ 12,099 | \$ - | \$ 101,024 |
| Total revenues | <u>1,425</u> | <u>75,500</u> | <u>12,000</u> | <u>12,099</u> | <u>-</u> | <u>101,024</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government | 70 | 89,327 | 5,636 | - | - | 95,033 |
| Total Expenditures | <u>70</u> | <u>89,327</u> | <u>5,636</u> | <u>-</u> | <u>-</u> | <u>95,033</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,355</u> | <u>(13,827)</u> | <u>6,364</u> | <u>12,099</u> | <u>-</u> | <u>5,991</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | 62,888 | 62,888 |
| Transfers out | - | - | - | (73,696) | - | (73,696) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>(73,696)</u> | <u>62,888</u> | <u>(10,808)</u> |
| Net change in fund balances | 1,355 | (13,827) | 6,364 | (61,597) | 62,888 | (4,817) |
| Fund balances - beginning | <u>-</u> | <u>112,712</u> | <u>19,092</u> | <u>241,074</u> | <u>(100,922)</u> | <u>271,956</u> |
| Fund balances - ending | <u>\$ 1,355</u> | <u>\$ 98,885</u> | <u>\$ 25,456</u> | <u>\$ 179,477</u> | <u>\$ (38,034)</u> | <u>\$ 267,139</u> |

City of Eastport, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Non-Major Special Revenue - City Funds
For the year ended June 30, 2014

| | Harbor | FEMA | Small Harbor Grant | Overlook Park | Eastport Art Center | Tides Institute |
|---|--------------------|-----------------|-----------------------|-----------------|------------------------|------------------|
| REVENUES | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | 168,850 |
| Total revenues | - | - | - | - | - | 168,850 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government | 3,130 | - | - | - | - | 168,060 |
| Total Expenditures | 3,130 | - | - | - | - | 168,060 |
| Excess (deficiency) of revenues over expenditures | (3,130) | - | - | - | - | 790 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources and uses | - | - | - | - | - | - |
| Net change in fund balances | (3,130) | - | - | - | - | 790 |
| Fund balances - beginning | (9,080) | 8,941 | 42,404 | 4,133 | (1,808) | 50,000 |
| Fund balances - ending | <u>\$ (12,210)</u> | <u>\$ 8,941</u> | <u>\$ 42,404</u> | <u>\$ 4,133</u> | <u>\$ (1,808)</u> | <u>\$ 50,790</u> |

(Continued)

City of Eastport, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Non-Major Special Revenue - City Funds
For the year ended June 30, 2014

| | Community Enterprise Façade Grant | Fire Station | WWTP | Special Revenue - City | Total Non-Major Special Revenue - City Funds |
|---|---|--------------|-----------|---------------------------|--|
| REVENUES | | | | | |
| Intergovernmental | 89,204 | 13,296 | 420,190 | \$ - | \$ 691,540 |
| Total revenues | 89,204 | 13,296 | 420,190 | - | 691,540 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 89,203 | - | - | - | 260,393 |
| Total Expenditures | 89,203 | - | - | - | 260,393 |
| Excess (deficiency) of revenues over expenditures | 1 | 13,296 | 420,190 | - | 431,147 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers out | - | (13,296) | (429,233) | - | (442,529) |
| Total other financing sources and uses | - | (13,296) | (429,233) | - | (442,529) |
| Net change in fund balances | 1 | - | (9,043) | - | (11,382) |
| Fund balances - beginning | (970) | 47,261 | 12,386 | (78,808) | 74,459 |
| Fund balances - ending | \$ (969) | \$ 47,261 | \$ 3,343 | \$ (78,808) | \$ 63,077 |

City of Eastport, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Non-Major Special Revenue - School Funds
For the year ended June 30, 2014

| | NCLB Title I Disadvantaged | NCLB Title I Program Improvement | Title I ARRA | Adult Education | Title I Gear Up | MALMAC Grant |
|-----------------------------|---------------------------------------|---|---------------------|------------------------|------------------------|---------------------|
| REVENUES | | | | | | |
| Intergovernmental | \$ 126,199 | \$ 131,403 | \$ - | \$ - | \$ - | \$ - |
| Other revenue | - | - | - | - | - | 13,807 |
| Total revenues | <u>126,199</u> | <u>131,403</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,807</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Education | <u>126,199</u> | <u>129,775</u> | <u>-</u> | <u>3,000</u> | <u>-</u> | <u>7,954</u> |
| Total Expenditures | <u>126,199</u> | <u>129,775</u> | <u>-</u> | <u>3,000</u> | <u>-</u> | <u>7,954</u> |
| Net change in fund balances | - | 1,628 | - | (3,000) | - | 5,853 |
| Fund balances - beginning | <u>110,190</u> | <u>(124,740)</u> | <u>35,873</u> | <u>13,712</u> | <u>(1,914)</u> | <u>6,307</u> |
| Fund balances - ending | <u>\$ 110,190</u> | <u>\$ (123,112)</u> | <u>\$ 35,873</u> | <u>\$ 10,712</u> | <u>\$ (1,914)</u> | <u>\$ 12,160</u> |

(Continued)

City of Eastport, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Non-Major Special Revenue - School Funds
For the year ended June 30, 2014

| | Pre-School Handicapped | Special Ed Local Entitlement | Title II A Improving Teacher Quality State Grants | Title IID | Title VI State Assessments & Enhanced Assessment Instruments | Literacy Grant |
|-----------------------------|---------------------------|---------------------------------|--|-------------------|--|-----------------|
| REVENUES | | | | | | |
| Intergovernmental | \$ - | \$ 35,337 | \$ 36,633 | \$ - | \$ - | \$ - |
| Other revenue | - | - | - | - | - | - |
| Total revenues | - | 35,337 | 36,633 | - | - | - |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Education | - | 35,337 | 12,290 | - | 6,376 | - |
| Total Expenditures | - | 35,337 | 12,290 | - | 6,376 | - |
| Net change in fund balances | - | - | 24,343 | - | (6,376) | - |
| Fund balances - beginning | (177) | (4,757) | 11,935 | (2,263) | - | 2,588 |
| Fund balances - ending | <u>\$ (177)</u> | <u>\$ (4,757)</u> | <u>\$ 36,278</u> | <u>\$ (2,263)</u> | <u>\$ (6,376)</u> | <u>\$ 2,588</u> |

(Continued)

City of Eastport, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Non-Major Special Revenue - School Funds
For the year ended June 30, 2014

| | EEG Grant | Education Jobs Fund Program | FAME | Perloff/Alfond Grant | Transition Grant HS Diploma | REAP Grant | Total Non-Major Special Revenue - School Funds |
|-----------------------------|-------------------|--------------------------------|-----------------|-------------------------|--------------------------------|-------------|--|
| REVENUES | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ 2,206 | \$ - | \$ - | \$ - | \$ 331,778 |
| Other revenue | - | - | - | 13,200 | 1,149 | 3,250 | 31,406 |
| Total revenues | - | - | 2,206 | 13,200 | 1,149 | 3,250 | 363,184 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Education | - | - | 2,352 | 20,862 | - | 3,250 | 347,395 |
| Total Expenditures | - | - | 2,352 | 20,862 | - | 3,250 | 347,395 |
| Net change in fund balances | - | - | (146) | (7,662) | 1,149 | - | 15,789 |
| Fund balances - beginning | (1,412) | 12,436 | - | - | - | - | 39,428 |
| Fund balances - ending | <u>\$ (1,412)</u> | <u>\$ 12,436</u> | <u>\$ (146)</u> | <u>\$ (7,662)</u> | <u>\$ 1,149</u> | <u>\$ -</u> | <u>\$ 55,217</u> |

City of Eastport, Maine
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Agency Fund
For the year ended June 30, 2014

| | Balance June 30, 2013 | Additions | Deductions | Balance June 30, 2014 |
|---------------------------|--|------------------|-------------------|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 57,651 | \$ 80,270 | \$ 88,738 | \$ 49,183 |
| Investments | 16,781 | 209 | | 16,990 |
| Total assets | <u>\$ 74,432</u> | <u>\$ 80,479</u> | <u>\$ 88,738</u> | <u>\$ 66,173</u> |
| LIABILITIES | | | | |
| Due to school groups | \$ 74,432 | \$ 80,479 | \$ 88,738 | \$ 66,173 |
| Total liabilities | <u>\$ 74,432</u> | <u>\$ 80,479</u> | <u>\$ 88,738</u> | <u>\$ 66,173</u> |

City of Eastport, Maine
TAXES RECEIVABLE, TAX LIENS AND TAX ACQUIRED PROPERTY
General Fund
June 30, 2014

| | |
|--------------------------------------|-------------------|
| Taxes receivable | |
| 2014 | \$ 2,504 |
| 2013 | 904 |
| 2012 | (25) |
| 2011 | (1) |
| Total taxes receivable | <u>3,382</u> |
| Tax Liens | |
| 2014 | 139,415 |
| 2013 | 88,376 |
| 2012 | 5,403 |
| 2011 | 3,046 |
| 2010 | 699 |
| 2009 | 151 |
| Total tax liens | <u>237,090</u> |
| Total taxes receivable and tax liens | <u>\$ 240,472</u> |

City of Eastport, Maine
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
Eastport School Department - General Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Budget to GAAP Differences | Actual Amounts, GAAP Basis |
|----------------------------------|-------------------|-------------------|--|----------------------------------|----------------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Local assessments | \$ 1,294,096 | \$ 1,294,096 | \$ 1,294,096 | \$ - | \$ 1,294,096 |
| Intergovernmental | 230,249 | 230,249 | 258,689 | - | 258,689 |
| Tuition | 696,553 | 696,553 | 650,777 | - | 650,777 |
| Miscellaneous | 16,000 | 16,000 | 28,348 | - | 28,348 |
| Total revenues | 2,236,898 | 2,236,898 | 2,231,910 | - | 2,231,910 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Elementary programs | 338,260 | 338,260 | 345,918 | - | 345,918 |
| Secondary programs | 439,844 | 439,844 | 387,265 | - | 387,265 |
| Special education | 554,765 | 554,765 | 594,484 | - | 594,484 |
| Other public instruction | 89,880 | 89,880 | 89,090 | - | 89,090 |
| Health services | 2,450 | 2,450 | 6,008 | - | 6,008 |
| Guidance and counseling | 55,550 | 55,550 | 56,005 | - | 56,005 |
| Superintendent's office | 23,130 | 23,130 | 26,269 | - | 26,269 |
| School committee | 25,174 | 25,174 | 9,251 | - | 9,251 |
| Principals' office | 256,002 | 256,002 | 258,550 | - | 258,550 |
| Operations and maintenance | 353,754 | 353,754 | 294,832 | - | 294,832 |
| Transportation | 121,105 | 121,105 | 127,060 | - | 127,060 |
| Other expenses | 59,323 | 59,323 | 35,347 | - | 35,347 |
| Total Expenditures | 2,319,237 | 2,319,237 | 2,230,079 | - | 2,230,079 |
| Net change in fund balances* | (82,339) | (82,339) | 1,831 | - | 1,831 |
| Fund balances - beginning | 416,101 | 416,101 | 416,101 | - | 416,101 |
| Fund balances - ending | <u>\$ 333,762</u> | <u>\$ 333,762</u> | <u>\$ 417,932</u> | <u>\$ -</u> | <u>\$ 417,932</u> |

*Net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

City of Eastport, Maine
BUDGET AND ACTUAL (WITH VARIANCES)
Eastport School Department - General Fund
For the year ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|----------------------------------|-------------------------|-------------------|--|---|
| | Original | Final | | |
| REVENUES | | | | |
| Local assessments | \$ 1,294,096 | \$ 1,294,096 | \$ 1,294,096 | \$ - |
| Intergovernmental | 230,249 | 230,249 | 258,689 | 28,440 |
| Tuition | 696,553 | 696,553 | 650,777 | (45,776) |
| Miscellaneous | 16,000 | 16,000 | 28,348 | 12,348 |
| Total revenues | <u>2,236,898</u> | <u>2,236,898</u> | <u>2,231,910</u> | <u>(4,988)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Elementary programs | 338,260 | 338,260 | 345,918 | (7,658) |
| Secondary programs | 439,844 | 439,844 | 387,265 | 52,579 |
| Special education | 554,765 | 554,765 | 594,484 | (39,719) |
| Other public instruction | 89,880 | 89,880 | 89,090 | 790 |
| Health services | 2,450 | 2,450 | 6,008 | (3,558) |
| Guidance and counseling | 55,550 | 55,550 | 56,005 | (455) |
| Superintendent's office | 23,130 | 23,130 | 26,269 | (3,139) |
| School committee | 25,174 | 25,174 | 9,251 | 15,923 |
| Principals' office | 256,002 | 256,002 | 258,550 | (2,548) |
| Operations and maintenance | 353,754 | 353,754 | 294,832 | 58,922 |
| Transportation | 121,105 | 121,105 | 127,060 | (5,955) |
| Other expenses | 59,323 | 59,323 | 35,347 | 23,976 |
| Total Expenditures | <u>2,319,237</u> | <u>2,319,237</u> | <u>2,230,079</u> | <u>89,158</u> |
| Net change in fund balances* | (82,339) | (82,339) | 1,831 | <u>\$ 84,170</u> |
| Fund balances - beginning | 416,101 | 416,101 | 416,101 | |
| Fund balances - ending | <u>\$ 333,762</u> | <u>\$ 333,762</u> | <u>\$ 417,932</u> | |

*Net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

City of Eastport, Maine
RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
SUBMITTED TO THE MEDMS FINANCIAL SYSTEM
For the year ended June 30, 2014

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>School Lunch</u> | <u>Total</u> |
|--|-------------------------|--------------------------------------|-------------------------|-------------------|
| June 30 Balance per MEDMS Financial System | \$ 443,724 | \$ 12,654 | \$ 51,730 | \$ 508,108 |
| Revenue Adjustments: | | | | |
| Accounts receivable | 99,083 | (24,504) | (5,484) | 69,095 |
| Due from the City | - | - | - | - |
| Due from Special Revenue Funds | - | 85,417 | - | 85,417 |
| Cash | - | - | (20,130) | (20,130) |
| Expenditure Adjustments: | | | | |
| Accrued summer salaries | (8,792) | - | - | (8,792) |
| Accounts payable | (87,919) | - | - | (87,919) |
| Due to City | (28,164) | - | (82,680) | (110,844) |
| Inventory | - | - | (1,408) | (1,408) |
| Out of balance adjustment | - | - | (23,187) | (23,187) |
| Audited GAAP Basis Fund Balance June 30 | <u>\$ 417,932</u> | <u>\$ 73,567</u> | <u>\$ (81,159)</u> | <u>\$ 410,340</u> |

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH MAINE STATE STATUTE REQUIREMENTS**

City Council
City of Eastport, Maine

We have audited the financial statements of the City of Eastport, Maine School Department as of and for the year ended June 30, 2014, and issued our report thereon dated May 19, 2015.

The management of the City of Eastport, Maine School Department is responsible for the department's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the department's compliance with laws and regulations, noncompliance with which could have a material effect on the financial statements of the City of Eastport, Maine School Department.

Title 20-A Sec. 6051 requires certain written assurances with respect to school audits. Any audit of compliance with the laws and regulations consisted of, at a minimum, the following:

1. A determination of whether or not the school has complied with budget content requirements pursuant to section 15693.
2. A determination of whether or not the school has complied with transfer limitations between budget cost centers pursuant to section 1485.
3. A determination of whether or not the school has exceeded its authority to expend funds.
4. A determination of whether or not the annual financial data submitted to the department is correct.
5. A determination of whether or not the district was in compliance with applicable provisions of the Essential Programs and Services Funding Act.

The results of our tests indicate that, for the items listed, the City of Eastport, Maine School Department complied with those provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for the items not tested, the City of Eastport, Maine School Department was not in compliance with Maine laws and regulations.

Roy & Associates, CPA's P.A

Bangor, Maine
May 19, 2015

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