

**City of Eastport, Maine**  
**Financial Statements and Supplemental Data**  
**With Independent Auditors' Reports**  
**June 30, 2015**

# City of Eastport, Maine

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**City of Eastport, Maine**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2015**

The Management Discussion & Analysis (MD&A) is a report of the City of Eastport for the fiscal year ending June 30, 2015. 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**

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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**

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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, 2015 was \$463,734.
- The City's long-term debt decreased by \$102,368 from \$935,283 to \$832,915.
- Under the government-wide basis of reporting, the City's total net position increased by \$144,112 to \$10,550,254.
- The governmental fund balance as reported on the City's governmental fund financial statements decreased by \$251,038 to \$746,481.

- On a budget basis, the City's actual expenditures and transfers-out exceeded its revenues and transfers-in by \$308,634. The City budgeted revenues, transfers-in, and special items of \$4,399,055, and expenditures and transfers out of \$4,606,974. Budgeted expenditures include \$136,291 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**

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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**

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### **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**

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### **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 15-40 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 (schedule of the city's proportionate share of the net pension liability, schedule of city contributions, and budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 41-44 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 45-58 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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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 \$10,550,254 as of June 30, 2015. However, of the \$10,550,254, only \$199,859 of governmental net position and (\$15,427) of sewer net position is unrestricted and uncommitted at June 30, 2015.

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, 98.25%, represents resources that are restricted. Unrestricted net position of \$184,432 or 1.75% 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 1,324,300	\$ 1,600,548	\$ 3,412	\$ 132,342	\$ 1,327,712	\$ 1,732,890
Capital assets	3,244,851	3,895,703	7,371,932	6,171,190	10,616,783	10,066,893
Total assets	4,569,151	5,496,251	7,375,344	6,303,532	11,944,495	11,799,783
Deferred outflows of resources	69,842	-	-	-	69,842	-
Current Liabilities	489,341	496,995	82,466	61,737	571,807	558,732
Noncurrent Liabilities	516,046	555,494	270,888	254,921	786,934	810,415
Total liabilities	1,005,387	1,052,489	353,354	316,658	1,358,741	1,369,147
Deferred inflows of resources	105,342	24,494	-	-	105,342	24,494
Net position:						
Net investment in capital assets	2,746,451	3,262,905	7,037,417	5,868,705	9,783,868	9,131,610
Restricted	581,954	455,978	-	-	581,954	455,978
Unrestricted	199,859	700,385	(15,427)	118,169	184,432	818,554
Total net position	\$ 3,528,264	\$ 4,419,268	\$ 7,021,990	\$ 5,986,874	\$ 10,550,254	\$ 10,406,142

As of June 30, 2015, 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 activities. The City was also able to report a positive balance in one category of its net position for the business-type activities, but had a negative balance in unrestricted net position.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

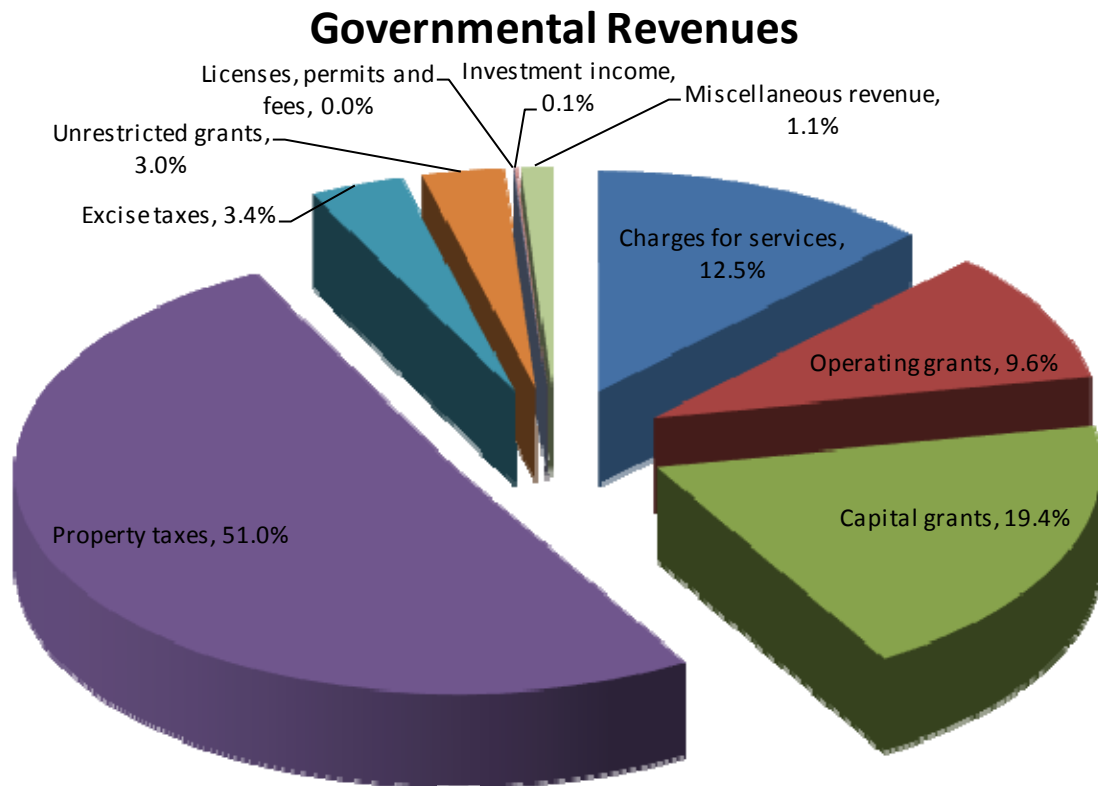
The following table presents a summary of the City's operations for the fiscal year ended June 30, 2015 with comparative totals for the fiscal year ended June 30, 2014.

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues						
Charges for services	\$ 691,325	\$ 846,364	\$ 437,906	\$ 432,916	\$ 1,129,231	\$ 1,279,280
Operating grants & contributions	532,708	925,444	52,886	51,157	585,594	976,601
Capital grants & contributions	1,077,675	433,486	142,648	-	1,220,323	433,486
General revenues						
Property taxes levied for general purposes	2,831,122	2,803,062	-	-	2,831,122	2,803,062
Excise taxes	188,024	188,589	-	-	188,024	188,589
Grants and contributions not restricted to specific programs	163,791	159,091	-	-	163,791	159,091
Licenses, permits and fees	1,624	1,243	-	-	1,624	1,243
Unrestricted investment income	4,777	1,922	-	-	4,777	1,922
Other	61,179	62,848	-	-	61,179	62,848
Transfers	(806,038)	(429,233)	806,038	429,233	-	-
Total revenues	<u>4,746,187</u>	<u>4,992,816</u>	<u>1,439,478</u>	<u>913,306</u>	<u>6,185,665</u>	<u>5,906,122</u>
Expenses:						
General government	957,065	956,924	-	-	957,065	956,924
Public safety	470,563	481,025	-	-	470,563	481,025
Public works	609,803	564,085	-	-	609,803	564,085
Culture and recreation	3,207	27,347	-	-	3,207	27,347
Health, welfare and sanitation	194,637	192,100	-	-	194,637	192,100
Cemeteries	23,609	23,477	-	-	23,609	23,477
Education	2,677,039	2,684,780	-	-	2,677,039	2,684,780
County tax	201,595	196,166	-	-	201,595	196,166
Unclassified	-	-	-	-	-	-
Interest on long-term debt	29,801	54,174	-	-	29,801	54,174
Sewer	-	-	555,783	553,479	555,783	553,479
Airport	-	-	63,880	30,054	63,880	30,054
School lunch program	-	-	104,651	103,283	104,651	103,283
Total expenses	<u>5,167,319</u>	<u>5,180,078</u>	<u>724,314</u>	<u>686,816</u>	<u>5,891,633</u>	<u>5,866,894</u>
Excess (deficiency) before special items	(421,132)	(187,262)	715,164	226,490	294,032	39,228
Special Items						
Debt forgiveness	-	-	-	490,114	-	490,114
Change in net position	(421,132)	(187,262)	715,164	716,604	294,032	529,342
Beginning net position	4,419,268	4,606,530	5,986,874	5,270,270	10,406,142	9,876,800
Prior period adjustment	(469,872)	-	319,952	-	(149,920)	-
Ending net position	<u>\$ 3,528,264</u>	<u>\$ 4,419,268</u>	<u>\$ 7,021,990</u>	<u>\$ 5,986,874</u>	<u>\$ 10,550,254</u>	<u>\$ 10,406,142</u>

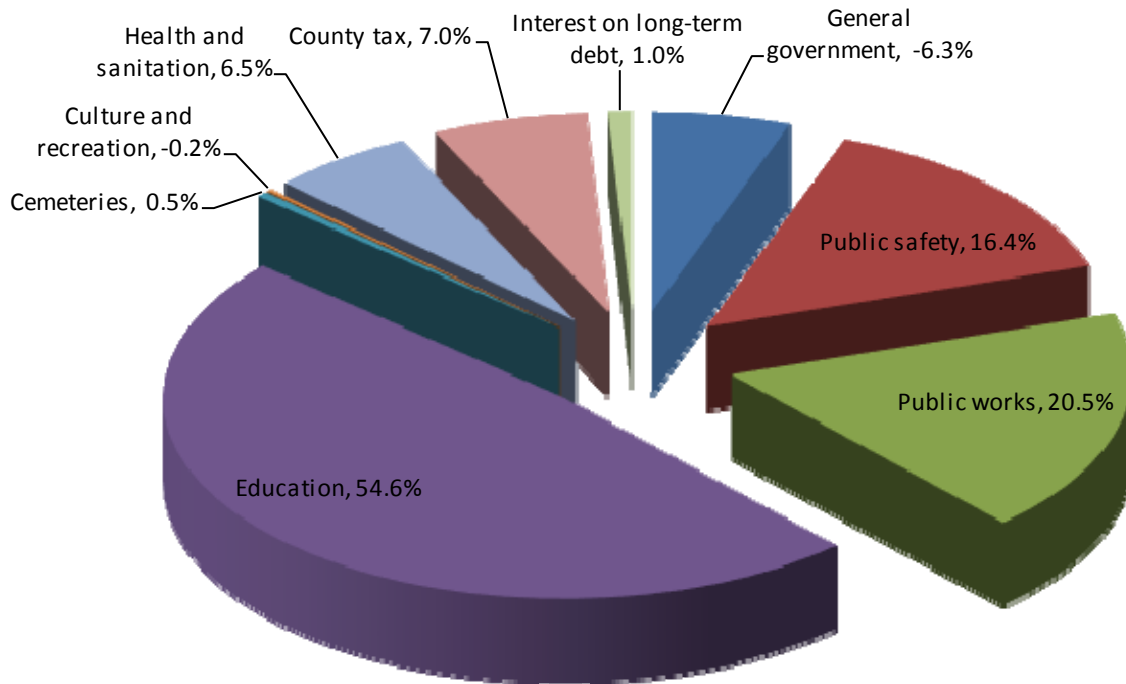
**Analysis of the City's Operations**

Overall the City had an increase in net position of \$144,112.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2015.



## Governmental Activities



### *Governmental Activities*

Governmental activities decreased its net position by \$891,004. Net investment in capital assets decreased by \$516,454, or 15.83%, due to a net change in additions, retirements, and depreciation. Unrestricted net position decreased by \$500,526, or 71.46%.

Total revenues for governmental activities decreased from the prior year by \$246,629. Of this amount, charges for services decreased \$155,039, or 18.32% over prior year. Operating grants and contributions decreased \$392,736, or 28.90% from the prior fiscal year; capital grants and contributions increased \$644,189, or 149%, from the prior fiscal year. Property taxes increased \$28,060, or 1.00%.

Expenses of governmental activities include depreciation expense of \$330,900, a decrease of -5.93% 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

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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	
	2015	2014	2015	2014
General government	\$ 957,065	\$ 956,924	\$ (181,439)	\$ 120,708
Public Safety	470,563	481,025	469,320	479,886
Public Works	609,803	564,085	586,459	532,581
Education	2,677,039	2,684,780	1,565,546	1,383,782
	<u>\$ 4,714,470</u>	<u>\$ 4,686,814</u>	<u>\$ 2,439,886</u>	<u>\$ 2,516,957</u>

### *Business-type Activities*

Net position from business-type activities increased by \$1,035,116, 17.29%, from \$5,986,874 to \$7,021,990. This increase was primarily due to an increase in capital assets.

Charges for services increased \$4,990, or 1.15%, from the prior year, while expenses increased \$37,498. Depreciation expense increased from \$288,616 (as restated) to \$294,579, or \$5,963, from the prior year.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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### *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 \$746,481, \$251,038 lower than the previous year. Approximately (\$813,573) of this amount, or -108.99%, constitutes unassigned fund balance, a decrease of \$383,041 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**

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Total governmental fund expenditures for the year were \$5,036,925, representing a decrease of \$153,042, or 2.9% from the previous fiscal year. The City did not have any capital outlays during the fiscal year.

### *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 (\$15,427) which represents a \$133,596 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 \$207,919. Budgeted expenditures included \$136,291 of carry forwards. Actual revenues were less than budgeted; in addition actual expenses were less than budgeted, therefore, the actual fund balance decrease for fiscal year 2015 was \$308,634 on a budget basis.

Revenues from property taxes totaled \$2,834,022. Excise taxes accounted for \$188,024 and intergovernmental revenue accounted for \$423,220 of total revenue of \$4,069,333 on a budget basis. Revenues from property taxes increased by \$7,660, revenues from charges for services increased by \$4,409 and revenues from intergovernmental sources decreased by \$38,697 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. General government, public works, health and sanitation, and debt service 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, 2015, amounts to \$10,616,783, 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 an airport weather observation system, a pump truck 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	
	2015	2014	2015	2014	2015	2014
Land & improvements	\$ 113,461	\$ 113,461	\$ 153,966	\$ 153,966	\$ 267,427	\$ 267,427
Construction in Progress	-	-	1,981,686	1,061,782	1,981,686	1,061,782
Land improvements	123,584	123,584	5,946,603	5,946,603	6,070,187	6,070,187
Buildings & Improvements	8,996,438	8,996,438	4,997,905	4,997,905	13,994,343	13,994,343
Equipment	2,008,017	2,008,017	538,546	283,081	2,546,563	2,291,098
Infrastructure	248,484	248,484	-	-	248,484	248,484
Total capital assets	11,489,984	11,489,984	13,618,706	12,443,337	25,108,690	23,933,321
Accumulated depreciation	(8,245,133)	(7,914,233)	(6,246,774)	(5,952,195)	(14,491,907)	(13,866,428)
Capital assets, net	<u>\$ 3,244,851</u>	<u>\$ 3,575,751</u>	<u>\$ 7,371,932</u>	<u>\$ 6,491,142</u>	<u>\$ 10,616,783</u>	<u>\$ 10,066,893</u>

\*As restated

Additional information on the City's capital assets can be found in Note 5 on pages 29-30 of this report.

## CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

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### Debt Administration

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

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Bonds Payable	\$ 469,951	\$ 577,115	\$ 247,124	\$ 302,485	\$ 717,075	\$ 879,600
Notes Payable	28,449	55,683	87,391	-	115,840	55,683
Totals	<u>\$ 498,400</u>	<u>\$ 632,798</u>	<u>\$ 334,515</u>	<u>\$ 302,485</u>	<u>\$ 832,915</u>	<u>\$ 935,283</u>

A summary of the City's debt activity for the year ended June 30, 2015 is detailed in Note 6 on pages 31-32 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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The City's mill rate has remained stable from fiscal year 2013 and the City's wastewater treatment user fees have remained stable since 2010.

The City has increased regionalization of services through the recycling program and shared resources between local police departments. Collaboration between municipalities results in less expensive and more effective levels of service.

An inventory of infrastructure and equipment has forced a 1.25 increase in the mill rate for fiscal year 2016. The City will continue to focus on storm water management, maintenance of equipment resources, street paving projects, and the replacement of failing infrastructure.

The City will continue to provide the services its residents expect and deserve while handling revenues and expenditures in a fiscally sound and responsible way.

### REQUEST FOR INFORMATION

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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, 2015, 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, 2015, 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, Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of City Contributions, and budgetary comparison information on pages *i – xii* and 41 through 44 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 proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, and the tax receivable schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial

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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 January 13, 2016 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*

January 13, 2016  
Bangor, Maine

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**City of Eastport, Maine**  
**STATEMENT OF NET POSITION**  
June 30, 2015

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 380,397	\$ 83,337	\$ 463,734
Investments	98,063	-	98,063
Taxes receivable, net	291,710	-	291,710
Other receivables, net	68,971	39,270	108,241
Internal balances	140,592	(140,592)	-
Due from fiduciary funds	1,150	-	1,150
Due from other governments	343,417	-	343,417
Inventories	-	21,397	21,397
Nondepreciable	113,461	2,135,652	2,249,113
Depreciable, net	3,131,390	5,236,280	8,367,670
Total assets	<u>4,569,151</u>	<u>7,375,344</u>	<u>11,944,495</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	69,842	-	69,842
Total deferred outflows of resources	<u>69,842</u>	<u>-</u>	<u>69,842</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	336,461	4,778	341,239
Due to other governments	815	-	815
Long-term liabilities			
Due within one year			
Bonds and notes payable	139,506	74,266	213,772
Accrued interest	6,197	2,240	8,437
Compensated absences	6,362	1,182	7,544
Due in more than one year			
Bonds and notes payable	358,894	260,249	619,143
Compensated absences	57,254	10,639	67,893
Pension	99,898	-	99,898
Total liabilities	<u>1,005,387</u>	<u>353,354</u>	<u>1,358,741</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid property taxes	50,943	-	50,943
Pensions	54,399	-	54,399
Total deferred inflows of resources	<u>105,342</u>	<u>-</u>	<u>105,342</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,746,451	7,037,417	9,783,868
Restricted for:			
Capital projects	397,608	-	397,608
Other purposes	184,346	-	184,346
Unrestricted	199,859	(15,427)	184,432
Total net position	<u>\$ 3,528,264</u>	<u>\$ 7,021,990</u>	<u>\$ 10,550,254</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, 2015

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
<b>Primary government</b>							
Governmental Activities:							
General government	\$ 957,065	\$ 52,434	\$ 8,395	\$ 1,077,675	\$ 181,439	\$ -	\$ 181,439
Public safety	470,563	1,243	-	-	(469,320)	-	(469,320)
Public works	609,803	2,148	21,196	-	(586,459)	-	(586,459)
Culture and recreation	3,207	-	10,066	-	6,859	-	6,859
Health, welfare and sanitation	194,637	8,010	273	-	(186,354)	-	(186,354)
Cemeteries	23,609	8,775	-	-	(14,834)	-	(14,834)
Education	2,677,039	618,715	492,778	-	(1,565,546)	-	(1,565,546)
County tax	201,595	-	-	-	(201,595)	-	(201,595)
Interest on long-term debt	29,801	-	-	-	(29,801)	-	(29,801)
Total governmental activities	<u>5,167,319</u>	<u>691,325</u>	<u>532,708</u>	<u>1,077,675</u>	<u>(2,865,611)</u>	<u>-</u>	<u>(2,865,611)</u>
Business-type activities:							
Sewer	555,783	386,367	-	-	-	(169,416)	(169,416)
Airport	63,880	45,478	-	142,648	-	124,246	124,246
School	104,651	6,061	52,886	-	-	(45,704)	(45,704)
Total business-type activities	<u>724,314</u>	<u>437,906</u>	<u>52,886</u>	<u>142,648</u>	<u>-</u>	<u>(90,874)</u>	<u>(90,874)</u>
Total primary government	<u>\$ 5,891,633</u>	<u>\$ 1,129,231</u>	<u>\$ 585,594</u>	<u>\$ 1,220,323</u>	<u>(2,865,611)</u>	<u>(90,874)</u>	<u>(2,956,485)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					2,831,122	-	2,831,122
Excise taxes					188,024	-	188,024
Grants and contributions not restricted to specific programs					163,791	-	163,791
Licenses, permits and fees					1,624	-	1,624
Unrestricted investment earnings (loss)					4,777	-	4,777
Miscellaneous revenue					61,179	-	61,179
Transfers					(806,038)	806,038	-
Total general revenues and special items					<u>2,444,479</u>	<u>806,038</u>	<u>3,250,517</u>
Change in net position					(421,132)	715,164	294,032
Net position - beginning					4,419,268	5,986,874	10,406,142
Prior period adjustments					(469,872)	319,952	(149,920)
Net position - ending					<u>\$ 3,528,264</u>	<u>\$ 7,021,990</u>	<u>\$ 10,550,254</u>

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

# City of Eastport, Maine

## BALANCE SHEET

### Governmental Funds

June 30, 2015

	General Fund	Micro Loan Fund	Wastewater Treatment Plant Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 108,654	\$ -	\$ -	\$ 271,743	\$ 380,397
Investments	-	-	-	98,063	98,063
Taxes receivable, net	291,710	-	-	-	291,710
Due from other funds	166,896	111,226	-	316,111	594,233
Receivable from other governments	343,417	-	-	-	343,417
Other receivables, net	40,000	28,971	-	-	68,971
Total assets	<u>950,677</u>	<u>140,197</u>	<u>-</u>	<u>685,917</u>	<u>1,776,791</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	166,710	-	-	-	166,710
Due to other funds	396,815	-	55,676	-	452,491
Payable to other governments	815	-	-	-	815
Other accrued expenses	151,139	-	-	13,415	164,554
Other payables	5,197	-	-	-	5,197
Total liabilities	<u>720,676</u>	<u>-</u>	<u>55,676</u>	<u>13,415</u>	<u>789,767</u>
Deferred inflows of resources:					
Prepaid property taxes	50,943	-	-	-	50,943
Unavailable revenues	189,600	-	-	-	189,600
Total deferred inflows of resources	<u>240,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,543</u>
Fund balances:					
Nonspendable:					
Permanent fund	-	-	-	163,505	163,505
Loans receivable	-	28,971	-	-	28,971
Restricted	273,625	-	-	404,471	678,096
Committed	180,648	11,250	-	261,163	453,061
Assigned	-	99,976	-	136,445	236,421
Unassigned	(464,815)	-	(55,676)	(293,082)	(813,573)
Total fund balances	<u>(10,542)</u>	<u>140,197</u>	<u>(55,676)</u>	<u>672,502</u>	<u>746,481</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 950,677</u>	<u>\$ 140,197</u>	<u>\$ -</u>	<u>\$ 685,917</u>	<u>\$ 1,776,791</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, 2015

Total fund balance, governmental funds	\$ 746,481
--	------------

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.	3,244,851
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Deferred property tax revenue included in fund financial statements not included in governmental activities of the Statement of Net Position.	189,600
---	---------

Deferred outflows related to pensions are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	69,842
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Deferred inflows related to pensions are not due and payable in the current period and are not included in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	(54,399)
--	----------

Some liabilities, (such as Notes Payable, Net Pension Liability, 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.	(668,111)
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 3,528,264</u>
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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, 2015

	<b>General Fund</b>	<b>Micro Loan Fund</b>	<b>Wastewater Treatment Plant Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Property taxes	\$ 2,870,822	\$ -	\$ -	\$ -	\$ 2,870,822
Excise and miscellaneous taxes	188,024	-	-	-	188,024
Fees and fines	36,444	-	-	-	36,444
Licenses and permits	2,024	-	-	-	2,024
Intergovernmental	423,220	-	872,019	487,703	1,782,942
Charges for services	12,583	-	-	-	12,583
Investment earnings	5,613	231	-	2,412	8,256
Grant revenue	10,066	-	-	-	10,066
Miscellaneous	557,337	-	-	124,193	681,530
Total revenues	<u>4,106,133</u>	<u>231</u>	<u>872,019</u>	<u>614,308</u>	<u>5,592,691</u>
<b>EXPENDITURES</b>					
Current:					
General government	428,328	-	-	333,788	762,116
Public safety	459,153	-	-	-	459,153
Public works	588,951	-	-	-	588,951
Health, welfare and sanitation	194,637	-	-	-	194,637
Culture and recreation	3,207	-	-	-	3,207
Cemeteries	23,609	-	-	-	23,609
Education	2,312,307	-	-	325,170	2,637,477
County tax	201,595	-	-	-	201,595
Debt Service:					
Principal	139,142	-	-	-	139,142
Interest	27,038	-	-	-	27,038
Total expenditures	<u>4,377,967</u>	<u>-</u>	<u>-</u>	<u>658,958</u>	<u>5,036,925</u>
Excess (deficiency) of revenues over expenditures	<u>(271,834)</u>	<u>231</u>	<u>872,019</u>	<u>(44,650)</u>	<u>555,766</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Gain (loss) on investments	-	-	-	(766)	(766)
Transfers in	-	-	-	125,000	125,000
Transfers out	-	-	(931,038)	-	(931,038)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(931,038)</u>	<u>124,234</u>	<u>(806,804)</u>
Net change in fund balances	<u>(271,834)</u>	<u>231</u>	<u>(59,019)</u>	<u>79,584</u>	<u>(251,038)</u>
Fund balances - beginning	<u>261,292</u>	<u>139,966</u>	<u>3,343</u>	<u>592,918</u>	<u>997,519</u>
Fund balances - ending	<u>\$ (10,542)</u>	<u>\$ 140,197</u>	<u>\$ (55,676)</u>	<u>\$ 672,502</u>	<u>\$ 746,481</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, 2015

Net change in fund balances - total governmental funds:	\$ (251,038)
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, \$330,900, exceeded capital outlays, \$0, in the current period.	(330,900)
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.	(39,700)
Governmental funds report proceeds of 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 debt 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.	134,398
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	1,981
Accrued compensated absences	(1,338)
Pension expense	65,465
Change in net position of governmental activities	<u><u>\$ (421,132)</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, 2015

	Enterprise Funds			
	Sewer	Airport	School Lunch	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 43,563	\$ 39,774	\$ -	\$ 83,337
Accounts receivable, net	39,270	-	-	39,270
Due from other funds	24,800	-	-	24,800
Inventories	-	17,263	4,134	21,397
Total current assets	107,633	57,037	4,134	168,804
Non-current assets:				
Capital Assets				
Construction in progress	1,773,472	208,214	-	1,981,686
Nondepreciable	153,966	-	-	153,966
Depreciable, net	4,992,234	244,046	-	5,236,280
Total non-current assets	6,919,672	452,260	-	7,371,932
Total assets	7,027,305	509,297	4,134	7,540,736
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	-	355	-	355
Salaries payable	1,924	-	2,499	4,423
Accrued interest payable	2,240	-	-	2,240
Due to other funds	-	36,894	128,498	165,392
Compensated absences	1,182	-	-	1,182
Bonds, notes and loans payable	74,266	-	-	74,266
Total current liabilities	79,612	37,249	130,997	247,858
Non-current liabilities:				
Compensated absences	10,639	-	-	10,639
Bonds, notes and loans payable	260,249	-	-	260,249
Total non-current liabilities	270,888	-	-	270,888
Total liabilities	350,500	37,249	130,997	518,746
<b>NET POSITION</b>				
Net investment in capital assets	6,585,157	452,260	-	7,037,417
Unrestricted	91,648	19,788	(126,863)	(15,427)
Total net position	\$ 6,676,805	\$ 472,048	\$ (126,863)	\$ 7,021,990

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, 2015

	<b>Enterprise Funds</b>			
	<b>Sewer</b>	<b>Airport</b>	<b>School Lunch</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 52,886	\$ 52,886
Charges for services	355,507	45,478	6,061	407,046
Fees and fines	27,973	-	-	27,973
Total operating revenues	<u>383,480</u>	<u>45,478</u>	<u>58,947</u>	<u>487,905</u>
<b>OPERATING EXPENSES</b>				
Administration	112,697	-	35,088	147,785
Operations	80,811	-	69,563	150,374
Utilities	52,855	4,565	-	57,420
Repairs and maintenance	24,337	32,320	-	56,657
Other supplies and expenses	-	10,096	-	10,096
Depreciation	277,680	16,899	-	294,579
Total Operating Expenses	<u>548,380</u>	<u>63,880</u>	<u>104,651</u>	<u>716,911</u>
Operating income (loss)	<u>(164,900)</u>	<u>(18,402)</u>	<u>(45,704)</u>	<u>(229,006)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	2,887	-	-	2,887
Capital grants and contributions	-	142,648	-	142,648
Interest expense	(7,403)	-	-	(7,403)
Total non-operating revenue (expenses)	<u>(4,516)</u>	<u>142,648</u>	<u>-</u>	<u>138,132</u>
Income (loss) before contributions and transfer:	(169,416)	124,246	(45,704)	(90,874)
Transfers in	931,038	-	-	931,038
Transfers out	(125,000)	-	-	(125,000)
Change in net position	<u>636,622</u>	<u>124,246</u>	<u>(45,704)</u>	<u>715,164</u>
Total net position - beginning	6,040,183	27,850	(81,159)	5,986,874
Prior period adjustments	-	319,952	-	319,952
Total net position - ending	<u>\$ 6,676,805</u>	<u>\$ 472,048</u>	<u>\$ (126,863)</u>	<u>\$ 7,021,990</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, 2015

	<b>Enterprise Funds</b>			
	<b>Sewer</b>	<b>Airport</b>	<b>School Lunch</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from user charges	\$ 392,897	\$ 45,478	\$ 58,947	\$ 497,322
Payments for administrative services	(248,073)	(39,923)	(34,356)	(322,352)
Payments to employees	(20,556)	-	(24,591)	(45,147)
Net cash provided by operating activities	<u>124,268</u>	<u>5,555</u>	<u>-</u>	<u>129,823</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(95,124)	(149,207)	-	(244,331)
Interest paid on debt	(5,163)	-	-	(5,163)
Proceeds from issuance of capital debt	87,913			87,913
Repayment of bonds and notes payable	(55,883)	-	-	(55,883)
Distribution to other fund	(125,000)	-	-	(125,000)
Proceeds from capital grants	-	142,648	-	142,648
Net cash used by capital activities	<u>(193,257)</u>	<u>(6,559)</u>	<u>-</u>	<u>(199,816)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on cash and investments	2,887	-	-	2,887
Net cash used by investing activities	<u>2,887</u>	<u>-</u>	<u>-</u>	<u>2,887</u>
Net increase in cash and cash equivalents	(66,102)	(1,004)	-	(67,106)
Cash and cash equivalents, beginning	109,665	40,778	-	150,443
Cash and cash equivalents, ending	<u>\$ 43,563</u>	<u>\$ 39,774</u>	<u>\$ -</u>	<u>\$ 83,337</u>
Reconciliation of operating income (loss) to net cash used by operating activities				
Operating income (loss)	\$ (164,900)	\$ (18,402)	\$ (45,704)	\$ (229,006)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciaton	277,680	16,899	-	294,579
Changes in assets and liabilities				
(Increase) decrease in receivable, net	(8,433)	-	-	(8,433)
(Increase) decrease in interfund receivables	17,850	-	-	17,850
Increase (decrease) in accounts payable	-	355	-	355
Increase (decrease) in interfund payables	-	717	45,818	46,535
Increase (decrease) in inventories	-	5,986	(114)	5,872
Increase (decrease) in accrued wages	(1,087)	-	-	(1,087)
Increase (decrease) in compensated absences	3,158	-	-	3,158
Net cash provided by operating activities	<u>\$ 124,268</u>	<u>\$ 5,555</u>	<u>\$ -</u>	<u>\$ 129,823</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, 2015

	<u>Fiduciary Funds</u>	<u>Agency Funds</u>
	<u>Scholarships Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 70,607	\$ 59,763
Investments	282,818	17,089
Total assets	<u>353,425</u>	<u>76,852</u>
<b>LIABILITIES</b>		
Due to other funds	1,150	-
Due to school groups	-	76,852
Total liabilities	<u>1,150</u>	<u>\$ 76,852</u>
<b>NET POSITION</b>		
Net position held in trust for scholarships	352,275	
Total net position	<u>\$ 352,275</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, 2015

	<u>Fiduciary Funds</u>
	<u>Scholarships Fund</u>
<b>ADDITIONS</b>	
Net increase (decrease) in fair value of investments	\$ 61
Interest	4,821
Investment activity expense	(429)
Total net investment earnings	<u>4,453</u>
<b>DEDUCTIONS</b>	
Scholarship expense	<u>4,839</u>
Total deductions	<u>4,839</u>
Change in net position	(386)
Net position - beginning	<u>352,661</u>
Net position - ending	<u><u>\$ 352,275</u></u>

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

City of Eastport, Maine  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**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 major 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**

*Microloan Fund* – The microloan fund is used to account for a revolving loan fund.

*Wastewater Treatment Plant Fund* – The wastewater treatment plant fund is used to account for grants from the State that are restricted for the purpose of upgrades to the City's wastewater treatment plant.

Additionally, the City reports the following fund types:

*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.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. Proprietary Funds – Continued**

*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.

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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**F. Measurement Focus/Basis of Accounting – Continued**

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.

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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**G. Fund Balance Restrictions – Continued**

*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.

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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

**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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 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.

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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

**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 23, 2014 the taxes were committed to the tax collector for collection. Taxes were due on October 31, 2014. Interest is assessed from November 3, 2014 at 7.00% per year on any amount unpaid as of November 3, 2014. 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 \$1.63 which represents the local assessment for county taxes and \$20.03 which represents the local assessment for Education. These taxes are collected by the City and forwarded as required by the taxing agency.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**R. Property Taxes – Continued**

The 2015 tax levy is summarized as follows:

Assessed Value	
Real property	\$ 120,003,800
Personal property	3,475,844
	<hr/> 123,479,644
Tax rate (per \$1,000)	23.00
Commitment	<hr/> 2,840,032
Supplementals	-
Less collections and abatements	2,632,797
	<hr/> \$ 207,235
Receivable at June 30, 2015	<hr/>
Collection rate	92.70%

**S. Deficit Fund Balances**

As of June 30, 2015 the following individual non-major funds had deficit fund balances:

<b>Fund</b>	<b>Deficit Balance</b>
Harbor	\$ 12,210
Eastport Art Center	1,808
Community Enterprise Façade Grant	968
Coastal Community Grant	10,712
Special Revenue - City	70,676
NCLB Title I Program Improvement	156,982
Title I Gear Up	1,914
Pre-School Handicapped	497
Special Ed Local Entitlement	7,010
Title IID	2,263
Title VI State Assessments & Enhanced Assessment Instruments	17,906
EEG Grant	1,412
FAME	146
Perloff/Alfond Grant	7,662
REAP Grant	916
Total	<hr/> \$ 293,082

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**T. Accounting Changes**

During fiscal year 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

**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 43 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	\$ (308,634)
Changes to deferred property taxes and allowance for uncollectible taxes are not budgeted	36,800
Net change in fund balances - GAAP basis	<u><u>\$ (271,834)</u></u>

The City also prepares its sewer fund and airport fund annual budget on a basis which differs from GAAP. The budget and all transactions on page 45 and 47, respectively, 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 and airport fund are 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	\$ (79,830)
Current year depreciation expense	(277,680)
Current year capital asset additions	938,771
Current year principal payments	55,361
Net change in net position - GAAP basis	<u><u>\$ 636,622</u></u>



## 2. BUDGET BASIS OF ACCOUNTING – CONTINUED

Adjustments necessary to convert the airport 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	\$ (8,062)
Current year depreciation expense	(16,899)
Current year capital asset additions	149,207
Net change in net position - GAAP basis	<u>\$ 124,246</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, 2015, the City reported deposits of \$594,104 with bank balances of \$1,101,492. Of the City's total bank balance of \$1,101,492, all was collateralized by underlying securities held by the related bank, which were not in the City's name.

Reported in governmental funds	\$ 380,397
Reported in proprietary funds	<u>83,337</u>
Total reported on the statement of net position	463,734
Reported in agency funds	59,763
Reported in private-purpose trust funds	<u>70,607</u>
Total Deposits	<u>\$ 594,104</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.

*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 \$397,970, 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.

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**B. Investments – Continued**

*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, 2015, 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, 2015 are:

	<u>AA</u>	<u>Not Rated</u>	<u>Total</u>
<i>Governmental and Business-Type Activities</i>			
US Instrumentalities	\$ 98,063	\$ -	\$ 98,063
<i>Private-Purpose Trusts and Agency Funds</i>			
US Instrumentalities	53,385	-	53,385
Mutual Funds	-	15,849	15,849
Certificates of Deposit	-	230,147	230,147
Money Market	-	526	526
Total	<u>151,448</u>	<u>\$ 246,522</u>	<u>\$ 397,970</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.

	<b>Maturities (in years)</b>		
	<b>Less than 1</b>	<b>1 - 5</b>	<b>Total</b>
<i>Governmental and Business-Type Activities</i>			
US Instrumentalities	\$ -	\$ 98,063	\$ 98,063
<i>Private-Purpose Trusts and Agency Funds</i>			
US Instrumentalities	-	53,385	53,385
Mutual Funds	15,849		15,849
Certificates of Deposit	73,780	156,367	230,147
Money Market	526		526
Total	<u>\$ 90,155</u>	<u>\$ 307,815</u>	<u>\$ 397,970</u>

Investments of \$397,970 have been reported as follows:

Reported in governmental funds	\$ 98,063
<i>Investments not included in government-wide statement</i>	
Reported in private-purpose trust funds	282,818
Reported in agency funds	17,089
	<u>299,907</u>
Total Investments	<u>\$ 397,970</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, 2015:

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
<b>Governmental Funds:</b>				
General Fund	\$ 317,883	\$ -	\$ (26,200)	\$ 291,683
Microloan Fund	-	28,971	-	28,971
Total Governmental Funds	317,883	28,971	<u>\$ (26,200)</u>	320,654
Allowance for Uncollectibles	(26,200)	-		
Net Receivables	<u>\$ 291,683</u>	<u>\$ 28,971</u>		<u>\$ 320,654</u>
<b>Proprietary Funds:</b>				
Sewer Fund	\$ 51,270	\$ -	<u>\$ (12,000)</u>	\$ 39,270
Allowance for Uncollectibles	(12,000)	-		
Net Receivables	<u>\$ 39,270</u>	<u>\$ -</u>		<u>\$ 39,270</u>

#### 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is summarized below.

	Balance * 06/30/14	Additions	Retirements	Balance 06/30/15
<b>Governmental Activities:</b>				
<i>Non-Depreciable Assets:</i>				
Land	\$ 113,461	\$ -	\$ -	\$ 113,461
Construction in Progress	-	-	-	-
Total Non-Depreciable Assets	<u>113,461</u>	<u>-</u>	<u>-</u>	<u>113,461</u>
<i>Depreciable Assets:</i>				
Land Improvements	123,584	-	-	123,584
Buildings and Improvements	8,996,438	-	-	8,996,438
Equipment and Vehicles	2,008,017	-	-	2,008,017
Infrastructure	248,484	-	-	248,484
Total Depreciable Assets	<u>11,376,523</u>	<u>-</u>	<u>-</u>	<u>11,376,523</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(87,523)	(4,007)	-	(91,530)
Buildings and Improvements	(6,101,012)	(203,961)	-	(6,304,973)
Equipment and Vehicles	(1,682,918)	(116,704)	-	(1,799,622)
Infrastructure	(42,780)	(6,228)	-	(49,008)
Total accumulated depreciation	<u>(7,914,233)</u>	<u>(330,900)</u>	<u>-</u>	<u>(8,245,133)</u>
Total capital assets being depreciated, net	<u>3,462,290</u>	<u>(330,900)</u>	<u>-</u>	<u>3,131,390</u>
Governmental activities capital assets, net	<u>\$ 3,575,751</u>	<u>\$ (330,900)</u>	<u>\$ -</u>	<u>\$ 3,244,851</u>

\*As restated

**5. CAPITAL ASSETS – CONTINUED**

	Balance * 06/30/14	Additions	Retirements	Balance 06/30/15
<b>Business-type Activities:</b>				
<i>Non-Depreciable Assets:</i>				
Land	\$ 153,966	\$ -	\$ -	\$ 153,966
Construction in Process	1,061,782	919,904	-	1,981,686
Total Non-Depreciable Assets	<u>1,215,748</u>	<u>919,904</u>	<u>-</u>	<u>2,135,652</u>
<i>Depreciable Assets:</i>				
Land Improvements	5,946,603	-	-	5,946,603
Buildings and Improvements	4,997,905	-	-	4,997,905
Equipment and Vehicles	283,081	255,465	-	538,546
Total Depreciable Assets	<u>11,227,589</u>	<u>255,465</u>	<u>-</u>	<u>11,483,054</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(2,184,591)	(99,110)	-	(2,283,701)
Buildings and Improvements	(3,622,880)	(166,597)	-	(3,789,477)
Equipment and Vehicles	(144,724)	(28,872)	-	(173,596)
Infrastructure	-	-	-	-
Total accumulated depreciation	<u>(5,952,195)</u>	<u>(294,579)</u>	<u>-</u>	<u>(6,246,774)</u>
Total capital assets being depreciated, net	<u>5,275,394</u>	<u>(39,114)</u>	<u>-</u>	<u>5,236,280</u>
Business-type activities capital assets, net	<u>\$ 6,491,142</u>	<u>\$ 880,790</u>	<u>\$ -</u>	<u>\$ 7,371,932</u>
*As restated				

Depreciation expense for the year ended June 30, 2015 was charged as direct expense to programs as follows:

<i>Governmental Activities</i>	
General government	\$ 191,658
Public safety	18,843
Public works	15,372
Education	105,027
Total depreciation expense - Governmental activities	<u>\$ 330,900</u>

Total interest costs of \$37,204 were incurred during the year ending June 30, 2015. All interest was expensed.

City of Eastport, Maine  
Notes to Financial Statements – Continued  
June 30, 2015

**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, 2015:

	Original Amount	Principal Balance 06/30/14	Proceeds	Payments	Principal Balance 06/30/15	Due in 1 year
<b>Governmental Debt</b>						
<b>General Obligation Bonds Payable</b>						
2005 public improvement bond, due 2019, with annual principal payments and semiannual interest payments. Interest rate of 4.55%.	\$ 1,300,000	\$ 577,115	\$ -	\$ (107,164)	\$ 469,951	\$ 111,057
<b>General Obligation Notes Payable</b>						
<i>The First</i>						
2008 note due 2015, with annual payments of \$29,768 with interest at 4.5%.	175,000	55,683	-	(27,234)	28,449	28,449
Total General Obligation Bonds		<u>\$ 632,798</u>	<u>\$ -</u>	<u>\$ (134,398)</u>	<u>\$ 498,400</u>	<u>\$ 139,506</u>
<b>Business-type Debt</b>						
<b>Proprietary Fund Bonds Payable</b>						
<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	262,968	-	(50,988)	211,980	51,779
2013 treatment facility construction and improvement bond, due 2023 with annual principal and semi-annual interest. Interest at 0.100%.	534,000	39,517	-	(4,373)	35,144	4,378
<b>Proprietary Fund Notes Payable</b>						
<i>Mercedes-Benz Financial Services USA LLC</i>						
2015 note payable, due 2019 with annual principal and interest. Interest at 3.09%. Secured by equipment purchased with note.	87,391	-	87,391	-	87,391	18,109
Total Proprietary Fund Bonds		<u>302,485</u>	<u>87,391</u>	<u>(55,361)</u>	<u>334,515</u>	<u>74,266</u>
Total general obligation and proprietary fund bonds payable		<u>\$ 935,283</u>	<u>\$ 87,391</u>	<u>\$ (189,759)</u>	832,915	<u>\$ 213,772</u>
Less current portion					(213,772)	
					<u>\$ 619,143</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
2016	\$ 139,506	\$ 21,910	\$ 74,266	\$ 3,892	\$ 213,772	\$ 25,802
2017	116,217	15,451	73,501	4,656	189,718	20,107
2018	121,617	10,051	74,831	3,324	196,448	13,375
2019	121,060	4,401	76,191	1,965	197,251	6,366
2020	-	-	22,514	578	22,514	578
2021-2025	-	-	13,212	26	13,212	26
Totals	<u>\$ 498,400</u>	<u>\$ 51,813</u>	<u>\$ 334,515</u>	<u>\$ 14,441</u>	<u>\$ 832,915</u>	<u>\$ 66,254</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, 2015:

	Balance 06/30/14	Additions	Reductions	Balance 06/30/15	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 62,049	\$ 55,215	\$ 53,877	\$ 63,387	\$ 6,362
Pension	-	163,739	63,841	99,898	-
Total Governmental Activities	<u>\$ 62,049</u>	<u>\$ 218,954</u>	<u>\$ 117,718</u>	<u>\$ 163,285</u>	<u>\$ 6,362</u>
<b>Business-Type Activities</b>					
Compensated absences	\$ 8,663	\$ 4,616	\$ 1,458	\$ 11,821	\$ 1,182
Total Business-Type Activities	<u>\$ 8,663</u>	<u>\$ 4,616</u>	<u>\$ 1,458</u>	<u>\$ 11,821</u>	<u>\$ 1,182</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, 2015 are as follows:

	Due from Other Funds	Due to Other Funds	Transfers In	Transfers Out
General fund	\$ 166,896	\$ 396,815	\$ -	\$ -
Microloan Fund	111,226	-	-	-
WWTP	-	55,676	-	931,038
Other governmental funds	316,111	-	125,000	-
Fiduciary funds	-	1,150	-	-
Sewer Fund	24,800	-	931,038	125,000
Airport Fund	-	36,894	-	-
School Lunch Fund	-	128,498	-	-
	<u>\$ 619,033</u>	<u>\$ 619,033</u>	<u>\$ 1,056,038</u>	<u>\$ 1,056,038</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, 2015 are as follows:

General Fund:	
School grant funds	\$ 273,625
Total General Fund	<u>273,625</u>
Other Governmental Funds:	
Perpetual care	18,412
City grant funds	151,696
School grant funds	<u>234,363</u>
Total Other Governmental Funds	<u>404,471</u>
Total Restricted Fund Balance	<u>\$ 678,096</u>

Committed fund balances for the year ended June 30, 2015 are as follows:

General Fund:	
Capital reserves	\$ 80,000
GIS tax maps	3,229
Local road assistance	2,419
Police protection	25,000
Revaluation	60,000
Shed High School boiler replacement	<u>10,000</u>
Total General Fund	<u>180,648</u>
Other Governmental Funds:	
Microloan	11,250
Boat School	1,355
Guilford Mill Building	115,849
A&P Building	28,874
Economic Development	40,085
Boat Ramp	<u>75,000</u>
	<u>272,413</u>
Total Committed Fund Balance	<u>\$ 453,061</u>



## **8. FUND BALANCES – CONTINUED**

At June 30, 2015, the governmental fund assigned fund balances were comprised of the residual balance in governmental funds other than the general fund.

## **9. PENSION PLANS**

### **A. Defined Benefit Pension Plans**

The City contributed to the Maine Public Employees Retirement System (Maine PERS) State Employee and Teacher (SET) Plan for school employees. The SET Plan is a multiple-employer cost sharing plan with a special funding situation. As of June 30, 2014 there were 229 employers, including the State of Maine, participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

#### *Pension Benefits*

Benefit terms are established in Maine statute. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

#### *Contributions*

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. The City made matching contributions of \$44,708 and employees contributed \$86,590 for a total contribution of \$131,298 for school employees.

**9. PENSION PLANS – CONTINUED**

**B. Net Pension Liability**

The net pension liability was measured as of June 30, 2014 and 2013, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The following methods and assumptions applied to all period included in the measurement:

*Actuarial Assumptions*

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

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

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

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

The net pension liability of the SET Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2014 and June 30, 2013 are as follows:

*Investment Rate of Return* – 7.125% per annum for the year ended June 30, 2014 and 7.25% for the year ended June 30, 2013, compounded annually.

*Salary Increases, Merit and Inflation* – 3.5% to 13.5% per year

*Mortality Rates* – RP2000 tables projected forward to 2015 using Scale AA with ages set back two years

*Cost of Living Benefit Increases* – 2.55% per annum

**9. PENSION PLANS – CONTINUED**

**B. Net Pension Liability – Continued**

Actuarial Assumptions – Continued

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equities	20%	2.5%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.0%

Discount Rate

The discount rate used to measure the collective total pension liability was 7.125% for 2014 and 7.25% for 2013 for the SET Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**9. PENSION PLANS – CONTINUED**

**C. Changes in the Net Pension Liability**

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2014 with the following exceptions.

*Differences Between Expected and Actual Experience* – The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2014, this was 3 years for the SET Plan.

*Differences Between Projected and Actual Investment Earnings* – Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

*Changes in Assumptions* – Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For the SET Plan, the change in the discount rate from 7.25% to 7.125% was the only change in assumption in the 2014 valuation.

*Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions* – Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

**9. PENSION PLANS – CONTINUED**

**C. Changes in the Net Pension Liability – Continued**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following table shows how the net pension liability/(asset) as of June 30, 2014 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	<b>1% Decrease (6.125%)</b>	<b>Current Discount Rate (7.125%)</b>	<b>1% Increase (8.125%)</b>
City's net pension liability	\$ 191,346	\$ 99,898	\$ 23,377

*Pension Plan Fiduciary Net Position*

Additional financial and actuarial information with respect to the plan can be found in the MainePERS 2014 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207)512-3100.

**D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense of (\$20,757). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 499
Net difference between projected and actual investment earnings on pension plan investments	-	42,750
Changes of assumptions	6,880	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,254	11,150
	<u>\$ 25,134</u>	<u>\$ 54,399</u>

**9. PENSION PLANS – CONTINUED**

**D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued**

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>		
2016	\$	(3,945)
2017		(3,944)
2018		(10,688)
2019		(10,688)

**E. 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, 2015 was \$18,699.

**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. INSURANCE RECOVERY**

The City has recorded \$439,920 for an insurance recovery related to fire damage. All insurance proceeds were used to restore the property damaged by the fire. The insurance recovery is reported net of the loss of property.

**14. PRIOR PERIOD ADJUSTMENTS**

Governmental activities net position decreased by \$319,952 and business-type activities and the airport fund net position increased by the same amount. The change in net position is related to capital assets for the airport fund being recorded in governmental activities in the prior year. The airport capital assets and related accumulated depreciation is more appropriately recorded in the airport fund.

Governmental activities net position also had a decrease of \$149,920 to reflect the net effect of net pension liability and deferred outflows of resources related to the implementation of Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*.

**15. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 13, 2016, the date on which the financial statements were available to be issued.

City of Eastport, Maine  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
 Last Fiscal Year\*

	<u>2015</u>
City's proportion of the net pension liability (asset)	0.009247%
City's proportionate share of the net pension liability (asset)	\$ 99,898
City's covered-employee payroll	\$ 1,133,867
City's proportional share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.81%
Plan fiduciary net position as a percentage of the total pension liability	83.91%

\* The amounts presented for each fiscal year were determined as of 6/30.



City of Eastport, Maine  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
 Last Fiscal Year\*

	2015
Contractually required contribution	\$ 44,708
Contributions in relation to the contractually required contribution	<u>(44,708)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,133,867
Contributions as a percentage of covered-employee payroll	3.94%

\* The amounts presented for each fiscal year were determined as of 6/30.

**City of Eastport, Maine**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**General Fund**  
For the year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Budget to GAAP Differences</b>	<b>Actual Amounts, GAAP Basis</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Property Taxes	\$ 2,914,191	\$ 2,914,191	\$ 2,834,022	\$ 36,800	\$ 2,870,822
Excise and miscellaneous taxes	155,000	155,000	188,024	-	188,024
Fees and fines	43,500	43,500	36,444	-	36,444
Licenses and permits	1,410	1,410	2,024	-	2,024
Intergovernmental	229,573	229,573	423,220	-	423,220
Charges for services	21,000	21,000	12,583	-	12,583
Investment earnings	1,500	1,500	5,613	-	5,613
Miscellaneous	1,032,881	1,032,881	567,403	-	567,403
Total revenues	4,399,055	4,399,055	4,069,333	36,800	4,106,133
<b>EXPENDITURES</b>					
Current:					
General government	426,225	426,225	428,328	-	428,328
Public Safety	498,065	498,065	459,153	-	459,153
Public Works	575,740	575,740	588,951	-	588,951
Health, welfare and sanitation	190,500	190,500	194,637	-	194,637
Culture and recreation	4,000	4,000	3,207	-	3,207
Cemeteries	25,426	25,426	23,609	-	23,609
Education	2,439,387	2,439,387	2,312,307	-	2,312,307
County Tax	201,595	201,595	201,595	-	201,595
Debt Service:					
Principal	166,036	166,036	139,142	-	139,142
Interest	-	-	27,038	-	27,038
Capital Outlay	80,000	80,000	-	-	-
Total Expenditures	4,606,974	4,606,974	4,377,967	-	4,377,967
Net change in fund balances	(207,919)	(207,919)	(308,634)	36,800	(271,834)
<b>Fund balances - beginning</b>	261,292	261,292	261,292	-	261,292
<b>Fund balances - ending</b>	<u>\$ 53,373</u>	<u>\$ 53,373</u>	<u>\$ (47,342)</u>	<u>\$ 36,800</u>	<u>\$ (10,542)</u>

**City of Eastport, Maine**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**General Fund**  
For the year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property Taxes	\$ 2,914,191	\$ 2,914,191	\$ 2,834,022	\$ (80,169)
Excise and miscellaneous taxes	155,000	155,000	188,024	33,024
Fees and fines	43,500	43,500	36,444	(7,056)
Licenses and permits	1,410	1,410	2,024	614
Intergovernmental	229,573	229,573	423,220	193,647
Charges for services	21,000	21,000	12,583	(8,417)
Investment earnings	1,500	1,500	5,613	4,113
Miscellaneous	1,032,881	1,032,881	567,403	(465,478)
Total revenues	<u>4,399,055</u>	<u>4,399,055</u>	<u>4,069,333</u>	<u>(329,722)</u>
<b>EXPENDITURES</b>				
Current:				
General government	426,225	426,225	428,328	(2,103)
Public safety	498,065	498,065	459,153	38,912
Public Works	575,740	575,740	588,951	(13,211)
Health, welfare and sanitation	190,500	190,500	194,637	(4,137)
Culture and recreation	4,000	4,000	3,207	793
Cemeteries	25,426	25,426	23,609	1,817
Education	2,439,387	2,439,387	2,312,307	127,080
County tax	201,595	201,595	201,595	-
Debt Service:				
Principal	166,036	166,036	139,142	26,894
Interest	-	-	27,038	(27,038)
Capital Outlay	80,000	80,000	-	80,000
Total Expenditures	<u>4,606,974</u>	<u>4,606,974</u>	<u>4,377,967</u>	<u>229,007</u>
Net change in fund balances	(207,919)	(207,919)	(308,634)	<u>\$ (100,715)</u>
<b>Fund balances - beginning</b>	261,292	261,292	261,292	
<b>Fund balances - ending</b>	<u>\$ 53,373</u>	<u>\$ 53,373</u>	<u>\$ (47,342)</u>	

**City of Eastport, Maine**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**Sewer Fund**  
For the year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Budget to GAAP Differences</b>	<b>Actual Amounts, GAAP Basis</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Charges for services	\$ 361,469	\$ 361,469	\$ 355,507	\$ -	\$ 355,507
Fees and fines	6,696	6,696	27,973	-	27,973
Total revenues	<u>368,165</u>	<u>368,165</u>	<u>383,480</u>	<u>-</u>	<u>383,480</u>
<b>EXPENDITURES</b>					
Current:					
Administration	134,708	134,708	112,697	-	112,697
Operations	93,700	93,700	80,811	-	80,811
Repairs and Maintenance	17,000	17,000	32,070	(7,733)	24,337
Utilities	48,870	48,870	52,855	-	52,855
Depreciation	-	-	-	277,680	277,680
Total Expenditures	<u>294,278</u>	<u>294,278</u>	<u>278,433</u>	<u>269,947</u>	<u>548,380</u>
Excess (deficiency) of revenues over expenditures	<u>73,887</u>	<u>73,887</u>	<u>105,047</u>	<u>(269,947)</u>	<u>(164,900)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Debt Service:					
Principal	(65,890)	(65,890)	(55,361)	55,361	-
Interest	(10,000)	(10,000)	(7,403)	-	(7,403)
Investment earnings	2,000	2,000	2,887	-	2,887
Total other financing sources and uses	<u>(73,890)</u>	<u>(73,890)</u>	<u>(59,877)</u>	<u>55,361</u>	<u>(4,516)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	931,038	931,038
Transfers out	-	-	(125,000)	-	(125,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>931,038</u>	<u>806,038</u>
Change in net position	(3)	(3)	(79,830)	716,452	636,622
<b>Net position - beginning</b>	6,040,183	6,040,183	6,040,183	-	6,040,183
<b>Net position - ending</b>	<u>\$ 6,040,180</u>	<u>\$ 6,040,180</u>	<u>\$ 5,960,353</u>	<u>\$ 716,452</u>	<u>\$ 6,676,805</u>

**City of Eastport, Maine**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**Sewer Fund**  
For the year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 361,469	\$ 361,469	\$ 355,507	\$ (5,962)
Fees and fines	6,696	6,696	27,973	21,277
Total revenues	<u>368,165</u>	<u>368,165</u>	<u>383,480</u>	<u>15,315</u>
<b>EXPENDITURES</b>				
Current:				
Administration	134,708	134,708	112,697	22,011
Operations	93,700	93,700	80,811	12,889
Repairs and Maintenance	17,000	17,000	32,070	(15,070)
Utilities	<u>48,870</u>	<u>48,870</u>	<u>52,855</u>	<u>(3,985)</u>
Total Expenditures	<u>294,278</u>	<u>294,278</u>	<u>278,433</u>	<u>15,845</u>
Excess (deficiency) of revenues over expenditures	<u>73,887</u>	<u>73,887</u>	<u>105,047</u>	<u>31,160</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Service:				
Principal	(65,890)	(65,890)	(55,361)	10,529
Interest	(10,000)	(10,000)	(7,403)	2,597
Investment earnings	2,000	2,000	2,887	887
Transfers out	-	-	(125,000)	(125,000)
Total other financing sources and uses	<u>(73,890)</u>	<u>(73,890)</u>	<u>(184,877)</u>	<u>(110,987)</u>
Change in net position	(3)	(3)	(79,830)	<u>\$ (79,827)</u>
<b>Net position - beginning</b>	6,040,183	6,040,183	6,040,183	
<b>Net position - ending</b>	<u>\$ 6,040,180</u>	<u>\$ 6,040,180</u>	<u>\$ 5,960,353</u>	

City of Eastport, Maine  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**Airport Fund**  
For the year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Budget to GAAP Differences</b>	<b>Actual Amounts, GAAP Basis</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Charges for services	\$ 20,400	\$ 20,400	\$ 34,478	\$ -	\$ 34,478
Other	-	-	11,000	-	11,000
Total revenues	<u>20,400</u>	<u>20,400</u>	<u>45,478</u>	<u>-</u>	<u>45,478</u>
<b>EXPENDITURES</b>					
Current:					
Operations	11,150	11,150	10,096	-	10,096
Inventory purchases	20,000	20,000	32,320	-	32,320
Utilities	4,340	4,340	4,565	-	4,565
Depreciation	-	-	-	16,899	16,899
Total Expenditures	<u>35,490</u>	<u>35,490</u>	<u>46,981</u>	<u>16,899</u>	<u>63,880</u>
Excess (deficiency) of revenues over expenditures	<u>(15,090)</u>	<u>(15,090)</u>	<u>(1,503)</u>	<u>(16,899)</u>	<u>(18,402)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Miscellaneous expense	-	-	(149,207)	149,207	-
Capital grants	-	-	142,648	-	142,648
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(6,559)</u>	<u>149,207</u>	<u>142,648</u>
Change in net position	(15,090)	(15,090)	(8,062)	132,308	124,246
<b>Net position - beginning</b>	27,850	27,850	27,850	-	27,850
<b>Net position - ending</b>	<u>\$ 12,760</u>	<u>\$ 12,760</u>	<u>\$ 19,788</u>	<u>\$ 132,308</u>	<u>\$ 152,096</u>

City of Eastport, Maine  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**Airport Fund**  
For the year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 20,400	\$ 20,400	\$ 34,478	\$ 14,078
Other	-	-	11,000	11,000
Total revenues	<u>20,400</u>	<u>20,400</u>	<u>45,478</u>	<u>25,078</u>
<b>EXPENDITURES</b>				
Current:				
Operations	11,150	11,150	10,096	1,054
Inventory purchases	20,000	20,000	32,320	(12,320)
Utilities	<u>4,340</u>	<u>4,340</u>	<u>4,565</u>	<u>(225)</u>
Total Expenditures	<u>35,490</u>	<u>35,490</u>	<u>46,981</u>	<u>(11,491)</u>
Excess (deficiency) of revenues over expenditures	<u>(15,090)</u>	<u>(15,090)</u>	<u>(1,503)</u>	<u>13,587</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Miscellaneous expense	-	-	(149,207)	(149,207)
Capital grants	<u>-</u>	<u>-</u>	<u>142,648</u>	<u>142,648</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(6,559)</u>	<u>(6,559)</u>
Change in net position	(15,090)	(15,090)	(8,062)	<u>\$ 7,028</u>
<b>Net position - beginning</b>	<u>27,850</u>	<u>27,850</u>	<u>27,850</u>	
<b>Net position - ending</b>	<u>\$ 12,760</u>	<u>\$ 12,760</u>	<u>\$ 19,788</u>	

City of Eastport, Maine  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**School Lunch Fund**  
For the year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Budget to GAAP Differences</b>	<b>Actual Amounts, GAAP Basis</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Intergovernmental	\$ 24,000	\$ 24,000	\$ 52,886	\$ -	\$ 52,886
Charges for services	-	-	6,061	-	6,061
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>58,947</u>	<u>-</u>	<u>58,947</u>
<b>EXPENDITURES</b>					
Current:					
Administration	32,529	32,529	35,088	-	35,088
Operations	<u>1,000</u>	<u>1,000</u>	<u>69,563</u>	<u>-</u>	<u>69,563</u>
Total Expenditures	<u>33,529</u>	<u>33,529</u>	<u>104,651</u>	<u>-</u>	<u>104,651</u>
Excess (deficiency) of revenues over expenditures	<u>(9,529)</u>	<u>(9,529)</u>	<u>(45,704)</u>	<u>-</u>	<u>(45,704)</u>
Change in net position	(9,529)	(9,529)	(45,704)	-	(45,704)
<b>Net position - beginning</b>	(81,159)	(81,159)	(81,159)	-	(81,159)
<b>Net position - ending</b>	<u>\$ (90,688)</u>	<u>\$ (90,688)</u>	<u>\$ (126,863)</u>	<u>\$ -</u>	<u>\$ (126,863)</u>



City of Eastport, Maine  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**School Lunch Fund**  
For the year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 24,000	\$ 24,000	\$ 52,886	\$ 28,886
Charges for services	-	-	6,061	6,061
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>58,947</u>	<u>34,947</u>
<b>EXPENDITURES</b>				
Current:				
Administration	32,529	32,529	35,088	(2,559)
Operations	<u>1,000</u>	<u>1,000</u>	<u>69,563</u>	<u>(68,563)</u>
Total Expenditures	<u>33,529</u>	<u>33,529</u>	<u>104,651</u>	<u>(71,122)</u>
Change in net position	(9,529)	(9,529)	(45,704)	<u>\$ (36,175)</u>
<b>Net position - beginning</b>	(81,159)	(81,159)	(81,159)	
<b>Net position - ending</b>	<u>\$ (90,688)</u>	<u>\$ (90,688)</u>	<u>\$ (126,863)</u>	

City of Eastport, Maine  
**COMBINING BALANCE SHEET**  
**Other Governmental Funds**  
June 30, 2015

	<b>Capital Projects</b>	<b>Special Revenue - City Funds</b>	<b>Special Revenue - School Funds</b>	<b>Permanent Fund</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 189,564	\$ -	\$ -	\$ 82,179	\$ 271,743
Investments	-	-	-	98,063	98,063
Due from other funds	208,044	55,322	51,070	1,675	316,111
Total assets	<u>397,608</u>	<u>55,322</u>	<u>51,070</u>	<u>181,917</u>	<u>685,917</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	-	-	-	-	-
Other accrued expenses	-	-	13,415	-	13,415
Total liabilities	<u>-</u>	<u>-</u>	<u>13,415</u>	<u>-</u>	<u>13,415</u>
Fund balances:					
Nonspendable:					
Permanent fund	-	-	-	163,505	163,505
Restricted	-	151,696	234,363	18,412	404,471
Committed	261,163	-	-	-	261,163
Assigned	136,445	-	-	-	136,445
Unassigned	-	(96,374)	(196,708)	-	(293,082)
Total fund balances	<u>397,608</u>	<u>55,322</u>	<u>37,655</u>	<u>181,917</u>	<u>672,502</u>
Total liabilities and fund balances	<u>\$ 397,608</u>	<u>\$ 55,322</u>	<u>\$ 51,070</u>	<u>\$ 181,917</u>	<u>\$ 685,917</u>

City of Eastport, Maine  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Other Governmental Funds**  
For the year ended June 30, 2015

	<u>Capital Projects</u>	<u>Special Revenue - City Funds</u>	<u>Special Revenue - School Funds</u>	<u>Permanent Fund</u>	<u>Total Other Governmental Funds</u>
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ 214,051	\$ 273,652	\$ -	\$ 487,703
Investment earnings	-	-	-	2,412	2,412
Miscellaneous	108,587	-	15,606	-	124,193
Total revenues	<u>108,587</u>	<u>214,051</u>	<u>289,258</u>	<u>2,412</u>	<u>614,308</u>
<b>EXPENDITURES</b>					
Current:					
General government	103,118	226,595	-	4,075	333,788
Education	-	-	325,170	-	325,170
Total Expenditures	<u>103,118</u>	<u>226,595</u>	<u>325,170</u>	<u>4,075</u>	<u>658,958</u>
Excess (deficiency) of revenues over expenditures	<u>5,469</u>	<u>(12,544)</u>	<u>(35,912)</u>	<u>(1,663)</u>	<u>(44,650)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Gain (loss) on investments	-	-	-	(766)	(766)
Transfers in	125,000	-	-	-	125,000
Total other financing sources and uses	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>(766)</u>	<u>124,234</u>
Net change in fund balances	130,469	(12,544)	(35,912)	(2,429)	79,584
Fund balances - beginning	<u>267,139</u>	<u>67,866</u>	<u>73,567</u>	<u>184,346</u>	<u>592,918</u>
Fund balances - ending	<u>\$ 397,608</u>	<u>\$ 55,322</u>	<u>\$ 37,655</u>	<u>\$ 181,917</u>	<u>\$ 672,502</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, 2015

	Boat School	Guilford Mill Building	A&P Building	Economic Developpent	Capital Projects	Total Non-Major Capital Projects Funds
<b>REVENUES</b>						
Miscellaneous	\$ -	\$ 97,000	\$ 11,500	\$ 87	\$ -	\$ 108,587
Total revenues	-	97,000	11,500	87	-	108,587
<b>EXPENDITURES</b>						
Current:						
General Government	-	80,036	8,082	15,000	-	103,118
Total Expenditures	-	80,036	8,082	15,000	-	103,118
Excess (deficiency) of revenues over expenditures	-	16,964	3,418	(14,913)	-	5,469
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	125,000	125,000
Total other financing sources and uses	-	-	-	-	125,000	125,000
Net change in fund balances	-	16,964	3,418	(14,913)	125,000	130,469
Fund balances - beginning	1,355	98,885	25,456	179,477	(38,034)	267,139
Fund balances - ending	<u>\$ 1,355</u>	<u>\$ 115,849</u>	<u>\$ 28,874</u>	<u>\$ 164,564</u>	<u>\$ 86,966</u>	<u>\$ 397,608</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, 2015

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

(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, 2015

	Community Enterprise Façade Grant	Fire Station	Millenium Marine	Micro- enterprise	Coastal Community Grant	Special Revenue - City	Total Non- Major Special Revenue - City Funds
<b>REVENUES</b>							
Intergovernmental	\$ 8,395	\$ -	\$ 200,000	\$ 5,656	\$ -	\$ -	\$ 214,051
Total revenues	<u>8,395</u>	<u>-</u>	<u>200,000</u>	<u>5,656</u>	<u>-</u>	<u>-</u>	<u>214,051</u>
<b>EXPENDITURES</b>							
Current:							
General Government	8,394	-	200,000	5,655	10,712	-	224,761
Public Safety	-	1,834	-	-	-	-	1,834
Total Expenditures	<u>8,394</u>	<u>1,834</u>	<u>200,000</u>	<u>5,655</u>	<u>10,712</u>	<u>-</u>	<u>226,595</u>
Excess (deficiency) of revenues over expenditures	<u>1</u>	<u>(1,834)</u>	<u>-</u>	<u>1</u>	<u>(10,712)</u>	<u>-</u>	<u>(12,544)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1</u>	<u>(1,834)</u>	<u>-</u>	<u>1</u>	<u>(10,712)</u>	<u>-</u>	<u>(12,544)</u>
Fund balances - beginning	<u>(969)</u>	<u>47,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,676)</u>	<u>67,866</u>
Fund balances - ending	<u>\$ (968)</u>	<u>\$ 45,427</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (10,712)</u>	<u>\$ (70,676)</u>	<u>\$ 55,322</u>

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, 2015

	<b>NCLB Title I Disadvantaged</b>	<b>NCLB Title I Program Improvement</b>	<b>Title I ARRA</b>	<b>Adult Education</b>	<b>Title I Gear Up</b>	<b>MALMAC Grant</b>	<b>Pre-School Handicapped</b>
<b>REVENUES</b>							
Intergovernmental	\$ 93,265	\$ 112,755	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenue	-	-	-	-	-	13,339	-
Total revenues	<u>93,265</u>	<u>112,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,339</u>	<u>-</u>
<b>EXPENDITURES</b>							
Current:							
Education	<u>93,265</u>	<u>146,625</u>	<u>-</u>	<u>1,267</u>	<u>-</u>	<u>14,045</u>	<u>320</u>
Total Expenditures	<u>93,265</u>	<u>146,625</u>	<u>-</u>	<u>1,267</u>	<u>-</u>	<u>14,045</u>	<u>320</u>
Net change in fund balances	-	(33,870)	-	(1,267)	-	(706)	(320)
Fund balances - beginning	<u>110,190</u>	<u>(123,112)</u>	<u>35,873</u>	<u>10,712</u>	<u>(1,914)</u>	<u>12,160</u>	<u>(177)</u>
Fund balances - ending	<u>\$ 110,190</u>	<u>\$ (156,982)</u>	<u>\$ 35,873</u>	<u>\$ 9,445</u>	<u>\$ (1,914)</u>	<u>\$ 11,454</u>	<u>\$ (497)</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, 2015

	Special Ed Local Entitlement	Title II A Improving Teacher Quality State Grants	Title IID	Title VI State Assessments & Enhanced Assessment Instruments	Literacy Grant	EEG Grant	Education Jobs Fund Program
<b>REVENUES</b>							
Intergovernmental	\$ 43,039	\$ 13,441	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>43,039</u>	<u>13,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>							
Current:							
Education	<u>45,292</u>	<u>-</u>	<u>-</u>	<u>11,530</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>45,292</u>	<u>-</u>	<u>-</u>	<u>11,530</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,253)	13,441	-	(11,530)	-	-	-
Fund balances - beginning	<u>(4,757)</u>	<u>36,278</u>	<u>(2,263)</u>	<u>(6,376)</u>	<u>2,588</u>	<u>(1,412)</u>	<u>12,436</u>
Fund balances - ending	<u><u>\$ (7,010)</u></u>	<u><u>\$ 49,719</u></u>	<u><u>\$ (2,263)</u></u>	<u><u>\$ (17,906)</u></u>	<u><u>\$ 2,588</u></u>	<u><u>\$ (1,412)</u></u>	<u><u>\$ 12,436</u></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, 2015

	<b>FAME</b>	<b>Perloff/Alfond Grant</b>	<b>Transition Grant HS Diploma</b>	<b>REAP Grant</b>	<b>Language &amp; Culture</b>	<b>Total Non-Major Special Revenue - School Funds</b>
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 3,302	\$ 7,850	\$ 273,652
Other revenue	-	-	2,267	-	-	15,606
Total revenues	-	-	2,267	3,302	7,850	289,258
<b>EXPENDITURES</b>						
Current:						
Education	-	-	758	4,218	7,850	325,170
Total Expenditures	-	-	758	4,218	7,850	325,170
Net change in fund balances	-	-	1,509	(916)	-	(35,912)
Fund balances - beginning	(146)	(7,662)	1,149	-	-	73,567
Fund balances - ending	\$ (146)	\$ (7,662)	\$ 2,658	\$ (916)	\$ -	\$ 37,655

City of Eastport, Maine  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**Agency Fund**  
For the year ended June 30, 2015

	<b>Balance</b> <b>June 30, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b> <b>June 30, 2015</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 49,183	\$ 95,414	\$ 84,834	\$ 59,763
Investments	16,990	99		17,089
Total assets	<u>\$ 66,173</u>	<u>\$ 95,513</u>	<u>\$ 84,834</u>	<u>\$ 76,852</u>
<b>LIABILITIES</b>				
Due to school groups	\$ 66,173	\$ 95,513	\$ 84,834	\$ 76,852
Total liabilities	<u>\$ 66,173</u>	<u>\$ 95,513</u>	<u>\$ 84,834</u>	<u>\$ 76,852</u>

City of Eastport, Maine  
**TAXES RECEIVABLE, TAX LIENS AND TAX ACQUIRED PROPERTY**  
**General Fund**  
June 30, 2015

Taxes receivable	
2015	\$ 207,235
2014	369
2013	368
Total taxes receivable	<u>207,972</u>
Tax Liens	
2014	95,893
2013	10,398
2012	3,129
2011	518
Total tax liens	<u>109,938</u>
Allowance for uncollectible taxes	<u>(26,200)</u>
Total taxes receivable and tax liens	<u><u>\$ 291,710</u></u>

City of Eastport, Maine  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**Eastport School Department - General Fund**  
For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>REVENUES</b>					
Local assessments	\$ 1,334,227	\$ 1,334,227	\$ 1,334,227	\$ -	\$ 1,334,227
Intergovernmental	204,308	204,308	223,582	-	223,582
Tuition	627,880	627,880	574,547	-	574,547
Miscellaneous	293,391	293,391	24,106	-	24,106
Total revenues	2,459,806	2,459,806	2,156,462	-	2,156,462
<b>EXPENDITURES</b>					
Current:					
Elementary programs	336,995	336,995	354,069	-	354,069
Secondary programs	453,342	453,342	464,159	-	464,159
Special education	621,376	621,376	572,357	-	572,357
Other public instruction	82,880	82,880	85,140	-	85,140
Health services	2,950	2,950	4,138	-	4,138
Guidance and counseling	57,005	57,005	56,853	-	56,853
Superintendent's office	29,688	29,688	30,088	-	30,088
School committee	24,617	24,617	6,530	-	6,530
Principals' office	266,800	266,800	232,784	-	232,784
Operations and maintenance	369,379	369,379	347,047	-	347,047
Transportation	125,440	125,440	128,091	-	128,091
Other expenses	68,915	68,915	31,051	-	31,051
Total Expenditures	2,439,387	2,439,387	2,312,307	-	2,312,307
Net change in fund balances*	20,419	20,419	(155,845)	-	(155,845)
<b>Fund balances - beginning</b>	417,932	417,932	417,932	-	417,932
<b>Fund balances - ending</b>	<u>\$ 438,351</u>	<u>\$ 438,351</u>	<u>\$ 262,087</u>	<u>\$ -</u>	<u>\$ 262,087</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, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Local assessments	\$ 1,334,227	\$ 1,334,227	\$ 1,334,227	\$ -
Intergovernmental	204,308	204,308	223,582	19,274
Tuition	627,880	627,880	574,547	(53,333)
Miscellaneous	293,391	293,391	24,106	(269,285)
Total revenues	<u>2,459,806</u>	<u>2,459,806</u>	<u>2,156,462</u>	<u>(303,344)</u>
<b>EXPENDITURES</b>				
Current:				
Elementary programs	336,995	336,995	354,069	(17,074)
Secondary programs	453,342	453,342	464,159	(10,817)
Special education	621,376	621,376	572,357	49,019
Other public instruction	82,880	82,880	85,140	(2,260)
Health services	2,950	2,950	4,138	(1,188)
Guidance and counseling	57,005	57,005	56,853	152
Superintendent's office	29,688	29,688	30,088	(400)
School committee	24,617	24,617	6,530	18,087
Principals' office	266,800	266,800	232,784	34,016
Operations and maintenance	369,379	369,379	347,047	22,332
Transportation	125,440	125,440	128,091	(2,651)
Other expenses	68,915	68,915	31,051	37,864
Total Expenditures	<u>2,439,387</u>	<u>2,439,387</u>	<u>2,312,307</u>	<u>127,080</u>
Net change in fund balances*	20,419	20,419	(155,845)	<u>\$ (176,264)</u>
<b>Fund balances - beginning</b>	417,932	417,932	417,932	
<b>Fund balances - ending</b>	<u>\$ 438,351</u>	<u>\$ 438,351</u>	<u>\$ 262,087</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, 2015

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>School Lunch</u>	<u>Total</u>
June 30 Balance per MEDMS Financial System	\$ 523,729	\$ (125,751)	\$ (30,523)	\$ 367,455
Revenue Adjustments:				
Accounts receivable	(98,593)	(16,008)	(5,483)	(120,084)
Due from the City	(414,438)	-	-	(414,438)
Due from Special Revenue Funds	-	(23)	-	(23)
Cash	-	-	(20,130)	(20,130)
Expenditure Adjustments:				
Accrued summer salaries	286,746	38,262	7,640	332,648
Accounts payable	186,294	1,777	-	188,071
Due to City	-	-	(159,270)	(159,270)
Inventory	-	-	(1,350)	(1,350)
Out of balance adjustment	(221,651)	139,398	82,253	-
Audited GAAP Basis Fund Balance June 30	<u>\$ 262,087</u>	<u>\$ 37,655</u>	<u>\$ (126,863)</u>	<u>\$ 172,879</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, 2015, and issued our report thereon dated January 13, 2016.

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  
January 13, 2016

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