

**City of Eastport, Maine**

**Independent Auditors' Report  
and  
Management's Financial Statements**

**June 30, 2017**

**Ron L. Beaulieu & Company**

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**CERTIFIED PUBLIC ACCOUNTANTS**

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## CITY OF EASTPORT, MAINE

JUNE 30, 2017

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CITY OF EASTPORT, MAINE

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# Ron L. Beaulieu & Company

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITORS' REPORT

To the City Council of  
City of Eastport, Maine  
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, 2017, and the related notes to the financial statements, which collectively comprise the City of Eastport, Maine's basic financial statements as listed in the table of contents.

#### *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 from 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Basis for Qualified Opinion on the Private Purpose Trust Funds*

Cash amounts in the Private Purpose Trust Funds were not audited because we could not obtain the necessary documents to test all of them. The amount of the cash could not be determined.

### *Qualified Opinion*

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Private Purpose Trust Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Private Purpose Trust Funds of the City of Eastport, Maine as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Unmodified 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 34 and 37 and pension schedules on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 01, 2018, 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 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

*Ron L. Beaulieu & Co.*

Portland, Maine  
May 01, 2018

CITY OF EASTPORT, MAINE  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 718,367	\$ 47,098	\$ 765,465
Investments	174,071	-	174,071
Accounts receivable, net	-	36,737	36,737
Taxes and fees receivable, net	345,879	-	345,879
Due from other funds	298,527	170,555	469,082
Receivable from other governments, net	60,352	-	60,352
Other receivables, net	74,410	-	74,410
Inventories	-	2,668	2,668
Prepays	-	-	-
Internal balances	-	-	-
Capital Assets:			
Land, and construction in progress	145,759	2,189,321	2,335,080
Other capital assets, net of depreciation	3,030,350	4,800,387	7,830,737
Total capital assets	3,176,109	6,989,708	10,165,817
<b>TOTAL ASSETS</b>	4,847,715	7,246,766	12,094,481
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	95,413	-	95,413
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	95,413	-	95,413
<b>LIABILITIES</b>			
Accounts payable	61,518	2,499	64,017
Due to other funds	414,482	56,525	471,007
Accrued expenses	185,756	4,913	190,669
Other payables	11,073	-	11,073
Payable to other governments	-	-	-
Long-term liabilities, current portion	210,833	84,831	295,664
Long-term liabilities, less current portion	649,230	183,727	832,957
<b>TOTAL LIABILITIES</b>	1,532,892	332,495	1,865,387
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid property taxes	37,043	-	37,043
Deferred inflows related to pensions	31,866	-	31,866
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	68,909	-	68,909
<b>NET POSITION</b>			
Net investment in capital assets	2,500,547	6,729,960	9,230,507
Restricted	420,109	-	420,109
Unrestricted	420,671	184,311	604,982
<b>TOTAL NET POSITION</b>	\$ 3,341,327	\$ 6,914,271	\$ 10,255,598

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

**CITY OF EASTPORT, MAINE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General government	\$ 1,394,243	\$ 3,778	\$ 649,432	\$ -	\$ (741,033)	\$ -	\$ (741,033)
Public safety	473,745	7,213	-	-	(466,532)	-	(466,532)
Public works	588,677	1,744	-	-	(586,933)	-	(586,933)
Health, welfare and sanitation	506,289	-	-	-	(506,289)	-	(506,289)
Culture and recreation	4,925	-	-	-	(4,925)	-	(4,925)
Cemeteries	3,965	6,139	-	-	2,174	-	2,174
Education	2,485,212	-	333	-	(2,484,879)	-	(2,484,879)
County tax	215,506	-	-	-	(215,506)	-	(215,506)
Principal retirement	4,590	-	-	-	(4,590)	-	-
Interest expense	20,021	-	-	-	(20,021)	-	(20,021)
Capital outlay	1	-	-	-	(1)	-	(1)
Total governmental activities	5,697,174	18,874	649,765	-	(5,028,535)	-	(5,028,535)
Business-type activities:							
Sewer	538,303	349,571	-	-	-	(188,732)	(188,732)
Airport	72,682	31,582	-	-	-	(41,100)	(41,100)
School Lunch	86,618	10,800	65,300	-	-	(10,518)	(10,518)
Total business-type activities	697,603	391,953	65,300	-	-	(240,350)	(240,350)
Total primary government	\$ 6,394,777	\$ 410,827	\$ 715,065	\$ -	(5,028,535)	(240,350)	(5,268,885)
General revenues:							
Property taxes					3,078,417	-	3,078,417
Excise Tax					206,835	-	206,835
Intergovernmental					594,383	-	594,383
Fees and fines					44,585	16,309	60,894
Licenses and permits					4,053	-	4,053
Investment earnings					6,251	-	6,251
Interest					-	2,633	2,633
Miscellaneous revenues					937,132	12,000	949,132
Transfers					(173,139)	173,139	-
Total general revenues and transfers					4,698,517	204,081	4,902,598
Change in net position					(330,018)	(36,269)	(366,287)
Net position - July 1 - original					3,719,327	6,950,540	10,669,867
Prior period adjustment					(47,982)	-	(47,982)
Net position - July 1 - revised					3,671,345	6,950,540	10,621,885
Net position - June 30					\$ 3,341,327	\$ 6,914,271	\$ 10,255,598

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

CITY OF EASTPORT, MAINE  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2017

	Major	Major	Non-major	Total
	General	Special Grants Fund	Other Governmental Funds	Governmental Funds
ASSETS				
Cash	\$ 503,428	\$ -	\$ 214,939	\$ 718,367
Investments	-	-	174,071	174,071
Accounts receivable, net	-	-	-	-
Taxes and fees receivable, net	345,879	-	-	345,879
Receivable from other governments, net	60,352	-	-	60,352
Other receivables, net	79	-	74,330	74,409
Inventories	-	-	-	-
Prepays	-	-	-	-
Due from other funds	298,526	-	-	298,526
<b>TOTAL ASSETS</b>	<b>\$ 1,208,264</b>	<b>\$ -</b>	<b>\$ 463,340</b>	<b>\$ 1,671,604</b>
LIABILITIES				
Accounts payable	61,517	-	-	61,517
Accrued expenses	180,842	-	-	180,842
Other payables	11,077	-	-	11,077
Payable to other governments	-	-	-	-
Due to other funds	172,480	102,404	139,597	414,481
<b>TOTAL LIABILITIES</b>	<b>425,916</b>	<b>102,404</b>	<b>139,597</b>	<b>667,917</b>
DEFERRED INFLOW OF RESOURCES				
Prepaid property taxes	37,043	-	-	37,043
Deferred revenues	233,180	-	-	233,180
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>270,223</b>	<b>-</b>	<b>-</b>	<b>270,223</b>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	96,366	-	323,743	420,109
Committed	544,578	-	-	544,578
Assigned	-	-	-	-
Unassigned	(128,819)	(102,404)	-	(231,223)
<b>TOTAL FUND BALANCES</b>	<b>512,125</b>	<b>(102,404)</b>	<b>323,743</b>	<b>733,464</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,208,264</b>	<b>\$ -</b>	<b>\$ 463,340</b>	<b>\$ 1,671,604</b>

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



CITY OF EASTPORT, MAINE  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2017

Fund balances - total governmental funds	\$ 733,464
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets	3,176,109
Deferred outflow related to pension	95,413
Deferred revenues	233,180
Deferred inflow related to pension	(31,866)
Short-term liabilities	(210,833)
Long-term liabilities	(649,230)
Accrued interest	(4,910)
Net position of governmental activities	<u>\$ 3,341,327</u>

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

CITY OF EASTPORT, MAINE  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2017

	Major	Major	Non-major	Total
	General	Special Grants Fund	Other Governmental Funds	Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 3,074,137	\$ -	\$ -	\$ 3,074,137
Excise taxes	206,835	-	-	206,835
Fees and fines	44,585	-	-	44,585
Licenses and permits	4,053	-	-	4,053
Intergovernmental	540,802	53,582	-	594,384
Charges for services	18,874	-	-	18,874
Investment earnings	2,896	-	3,355	6,251
Grant revenue	-	649,765	-	649,765
Miscellaneous	885,890	25,939	25,303	937,132
<b>TOTAL REVENUES</b>	<b>4,778,072</b>	<b>729,286</b>	<b>28,658</b>	<b>5,536,016</b>
<b>EXPENDITURES</b>				
General government	477,555	681,385	155,462	1,314,402
Public safety	435,493	6,162	-	441,655
Public works	527,849	-	-	527,849
Health, welfare and sanitation	192,318	313,971	-	506,289
Culture and recreation	4,925	-	-	4,925
Cemeteries	3,965	-	-	3,965
Education	2,367,715	-	-	2,367,715
County tax	215,506	-	-	215,506
Debt service:				
Principal retirement	160,051	11,465	-	171,516
Interest expense	19,515	506	-	20,021
Capital outlay	97,060	-	48,454	145,514
<b>TOTAL EXPENDITURES</b>	<b>4,501,952</b>	<b>1,013,489</b>	<b>203,916</b>	<b>5,719,357</b>

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

## STATEMENT E (CONTINUED)

CITY OF EASTPORT, MAINE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	Major	Major	Non-major	Total
		Special Grants	Other	Governmental
	General	Fund	Funds	Funds
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 276,120	\$ (284,203)	\$ (175,258)	\$ (183,341)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	241,000	-	241,000
Transfers in	-	-	-	-
Transfers out	(173,139)	-	-	(173,139)
TOTAL OTHER FINANCING SOURCES (USES)	(173,139)	241,000	-	67,861
NET CHANGE IN FUND BALANCES	102,981	(43,203)	(175,258)	(115,480)
FUND BALANCES - JULY 1 - ORIGINAL	457,793	(59,201)	498,334	896,926
PRIOR PERIOD ADJUSTMENT	(48,649)	-	667	(47,982)
FUND BALANCE - JULY 1 - REVISED	409,144	(59,201)	499,001	848,944
FUND BALANCES - JUNE 30	\$ 512,125	\$ (102,404)	\$ 323,743	\$ 733,464

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

CITY OF EASTPORT, MAINE  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$ (115,480)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlays.	145,514
--	---------

This is the amount of contributed capital assets.	-
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This is the amount of depreciation expense.	(316,172)
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Expenses for accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	31,624
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Proceeds from capital leases and loans is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(241,000)
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Payments of capital leases and loans are expenditures in the governmental funds, but are a reduction of long-term liabilities in the statement of net position.	9,488
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	157,438
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Changes in net pension liability and related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(5,709)
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Change in deferred tax revenue	4,279
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Change in net position of governmental activities.	<u>\$ (330,018)</u>
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See accompanying independent auditors' report and management's notes to financial statements.

CITY OF EASTPORT, MAINE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

ASSETS	Enterprise Funds			
	Sewer	Airport	School Lunch	Total
CURRENT ASSETS:				
Cash	\$ 2,951	\$ 44,148	\$ -	\$ 47,099
Accounts receivable, net	36,737	-	-	36,737
Due from other funds	170,555	-	-	170,555
Inventories	-	-	2,668	2,668
TOTAL CURRENT ASSETS	210,243	44,148	2,668	257,059
NON-CURRENT ASSETS:				
Capital assets, net	6,513,639	476,069	-	6,989,708
TOTAL NON-CURRENT ASSETS	6,513,639	476,069	-	6,989,708
TOTAL ASSETS	6,723,882	520,217	2,668	7,246,767
LIABILITIES:				
CURRENT LIABILITIES				
Accounts payable	-	-	2,499	2,499
Due to other funds	-	45,838	10,687	56,525
Accrued expenses	4,582	332	-	4,914
Long-term liabilities, current portion	74,831	10,000	-	84,831
TOTAL CURRENT LIABILITIES	79,413	56,170	13,186	148,769
NON-CURRENT LIABILITIES:				
Long-term liabilities, less current portion	120,727	63,000	-	183,727
TOTAL NON-CURRENT LIABILITIES	120,727	63,000	-	183,727
TOTAL LIABILITIES	200,140	119,170	13,186	332,496
NET POSITION				
Net investment in capital assets	6,326,891	403,069	-	6,729,960
Restricted	-	-	-	-
Unrestricted	196,851	(2,022)	(10,518)	184,311
TOTAL NET POSITION	\$ 6,523,742	\$ 401,047	\$ (10,518)	\$ 6,914,271

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

CITY OF EASTPORT, MAINE  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2017

	Enterprise Funds			
	Sewer	Airport	School Lunch	Total
<b>OPERATING REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 65,300	\$ 65,300
Charges for services	349,571	31,582	10,800	391,953
Investment earnings	-	-	-	-
Grant revenue	-	-	-	-
Fees and fines	16,309	-	-	16,309
Miscellaneous	-	12,000	-	12,000
Total Operating Revenues	365,880	43,582	76,100	485,562
<b>OPERATING EXPENSES</b>				
Administrative	106,281	-	40,755	147,036
Operation	85,698	4,272	44,907	134,877
Utilities	22,177	3,382	-	25,559
Repairs and maintenance	23,329	30,387	-	53,716
Other supplies and expenses	-	-	956	956
Depreciation	295,117	33,295	-	328,412
Total Operating Expenses	532,602	71,336	86,618	690,556
Operating Income (Loss)	(166,722)	(27,754)	(10,518)	(204,994)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	2,633	-	-	2,633
Interest expense	(5,701)	(1,346)	-	(7,047)
Total Nonoperating Revenue (Expense)	(3,068)	(1,346)	-	(4,414)
Income (Loss) Before Contributions and Transfers	(169,790)	(29,100)	(10,518)	(209,408)
Capital Contributions	-	-	-	-
Transfers in	-	-	173,139	173,139
Transfers out	-	-	-	-
Change in Net Position	(169,790)	(29,100)	162,621	(36,269)
TOTAL NET POSITION - JULY 1	6,693,532	430,147	(173,139)	6,950,540
TOTAL NET POSITION - JUNE 30	\$ 6,523,742	\$ 401,047	\$ (10,518)	\$ 6,914,271

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

CITY OF EASTPORT, MAINE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	Enterprise Funds			
	Sewer	Aiport	School Lunch	Total
<b>OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 320,577	\$ 93,458	\$ 76,100	\$ 490,135
Payments to suppliers	(177,522)	7,797	(208,484)	(378,209)
Payments to employees	(65,234)	-	(40,755)	(105,989)
Internal activity - payments to other funds	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>77,821</b>	<b>101,255</b>	<b>(173,139)</b>	<b>5,937</b>
<b>INVESTING ACTIVITIES</b>				
Interest on investments	2,633	-	-	2,633
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>2,633</b>	<b>-</b>	<b>-</b>	<b>2,633</b>
<b>FINANCING ACTIVITIES (NON-CAPITAL)</b>				
Operating subsidies	-	-	-	-
Receipts to/from other funds	-	-	173,139	173,139
<b>NET CASH PROVIDED (USED) BY FINANCING ACITVITIES (NON-CAPITAL)</b>	<b>-</b>	<b>-</b>	<b>173,139</b>	<b>173,139</b>
<b>FINANCING ACTIVITIES (CAPITAL)</b>				
Purchases of capital assets	-	(90,399)	-	(90,399)
Principal paid on capital debt	(73,501)	(10,000)	-	(83,501)
Interest paid on capital debt	(5,701)	(1,346)	-	(7,047)
<b>NET CASH PROVIDED (USED) BY FINANCING ACITVITIES (CAPITAL)</b>	<b>(79,202)</b>	<b>(101,745)</b>	<b>-</b>	<b>(180,947)</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>1,252</b>	<b>(490)</b>	<b>-</b>	<b>762</b>
<b>CASH AND CASH EQUIVALENTS - JULY 1</b>	<b>1,699</b>	<b>44,638</b>	<b>-</b>	<b>46,337</b>
<b>CASH AND CASH EQUIVALENTS - JUNE 30</b>	<b>\$ 2,951</b>	<b>\$ 44,148</b>	<b>\$ -</b>	<b>\$ 47,099</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (166,722)	\$ (27,754)	\$ (10,518)	\$ (204,994)
<b>Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:</b>				
Depreciation expense	295,117	33,295	-	328,412
<b>Changes in operating assets and liabilities</b>				
Accounts receivable	9,541	-	-	9,541
Interfund receivables	(54,844)	49,876	-	(4,968)
Accrued compensated absences	(5,271)	-	-	(5,271)
Interfund payables	-	45,838	(162,621)	(116,783)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 77,821</b>	<b>\$ 101,255</b>	<b>\$ (173,139)</b>	<b>\$ 5,937</b>

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

CITY OF EASTPORT, MAINE  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2017

	Private-Purpose Funds	Agency Funds
<b>ASSETS</b>		
Cash	\$ 241,855	\$ 86,081
Investments	113,638	-
Due from other funds	1,925	-
<b>TOTAL ASSETS</b>	<u><u>\$ 357,418</u></u>	<u><u>\$ 86,081</u></u>
<b>LIABILITIES</b>		
Accounts payable	-	-
Due to school groups	-	86,081
<b>TOTAL LIABILITIES</b>	<u><u>-</u></u>	<u><u>\$ 86,081</u></u>
<b>NET POSITION</b>		
Held in trust	<u><u>\$ 357,418</u></u>	

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



CITY OF EASTPORT, MAINE  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2017

	Private-Purpose Funds
ADDITIONS	
Investment earnings:	
Net increase (decrease) in fair value of investments	\$ 562
Investment earnings	4,040
Total investment earnings	4,602
Less investment expense	621
Net investment earnings	3,981
TOTAL ADDITIONS	3,981
DEDUCTIONS	
Scholarship expense	1,399
TOTAL DEDUCTIONS	1,399
CHANGE IN NET POSITION	2,582
NET POSITION - JULY 1	354,836
NET POSITION - JUNE 30	\$ 357,418

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

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Eastport, Maine (the City), was incorporated in 1853. The City operates under a Council-Manager form of government.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. REPORTING ENTITY**

These financial statements present the City (the primary government) and its component units, if any. As defined by GASB No. 14, component units are legally separate entities that are included in the City's reporting entity because of the significance of the operating or financial relationships with the City.

**B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, certain intergovernmental revenues, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net cost (by function or business-type activity) are normally covered by general revenue (property, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

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

The emphasis in fund financial statements is on the major funds in either governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

**1. Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

- a. The general fund is the City's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.
- b. The special grants fund is used to account for and report activities which includes special revenues.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Proprietary Funds:**

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City reports the following proprietary fund types:

- a.) Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The City has three enterprise funds.

**3. Fiduciary Funds:**

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

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

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**1. Accrual:**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

E. FINANCIAL STATEMENTS ACCOUNTS

1. Cash and cash equivalent:

The City has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposit, and cash with fiscal agent.

2. Inventories:

Inventories in the school lunch fund consist of expendable food and supplies and are carried at cost using the first-in, first-out method.

3. Receivables:

All receivables are reported net of estimated uncollectible amounts.

4. Capital assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more and over one year of useful life are reported at historical cost or estimated historical cost. General infrastructure assets capitalized have an original cost of \$25,000 or more and over one year of useful life. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The City reports all major general infrastructure assets constructed or acquired in fiscal years ending after June 30, 1980, or that received major renovations, restorations, or improvements during that period.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	10-50 years
Machinery and Equipment	5-30 years
Vehicles	5-30 years
Infrastructure	20-50 years

5. Deferred Outflows of Resources:

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. Deferred outflows of resources reported in this year's financial statements include (1) deferred outflows related to pensions. No deferred outflows of resources affect the governmental funds financial statements in the current year.

6. Deferred Inflows of Resources:

The City's statements of net position and its governmental fund balance sheet report a separate section for deferred inflow of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources reported in the City's statement of net position (1) prepaid property taxes, (2) deferred inflows related to pensions. In its governmental funds, the deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from prepaid property taxes and deferred property taxes are reported in the governmental funds balance sheet.

7. Property Tax Calendar and Revenues:

Taxes were committed on August 19th, 2016 based on the assessed valuation on April 1st. Taxes were due in installments on October 31, 2016. Taxes unpaid by the due date are assessed interest. The City records a lien on the property eight to twelve months after the committed 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.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Compensated Absences:

The City accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

9. Government-wide and Proprietary Fund Net Position:

Government-wide and proprietary fund net positions are divided into three components:

- Net investments in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (though restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City's parks endowment less related liabilities and deferred inflows of resources).
- Unrestricted – all other net position is reported in this category.

10. Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.
- Assigned – Amounts that are designated by the City Council for a particular purpose.
- Unassigned – All amounts not included in other spendable classifications.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's policy on minimum unassigned fund balance is as follows:

There is no policy requiring a minimum unassigned fund balance.

11. Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

12. Interfund Activity:

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 2 - CASH

The total amount of the City's cash consists of the following at June 30, 2017:

Cash	\$ 765,465
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The total amount of the City's deposits in financial institutions, per the bank statements, at June 30, 2017 was \$1,077,201 of which \$497,584 was covered by federal depository insurance. The remaining deposits of \$579,617 were collateralized by a bank.

NOTE 3 - INVESTMENTS

Investments are reported at their fair value at year end. Although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at year end.



CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 3 – INVESTMENTS (CONTINUED)

The fair value measurement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy has three levels which are described below.

*Level 1 Fair Value Measurements*

The fair value of stocks is based on quoted prices of the shares held by the City at year-end. The fair values of common stock, corporate bonds, and U.S. Government securities are based on the closing price reported on the active market where the individual securities are traded.

*Level 2 Fair Value Measurements*

Investments in certain preferred stocks are valued on the market approach using the quoted market price of the issuer's unrestricted common stock less an appropriate discount.

*Level 3 Fair Value Measurements*

The fair value of certain investments is not actively traded and significant other observable inputs are not available. In this case, management decides what the best valuation technique to use is.

The investments of the City consisted of the following as of:

Description	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant un- observable inputs (Level 3)
U.S. Government securities	\$ 151,496	\$ 151,496	\$ -	\$ -
Corporate bonds	-	-	-	-
Common stock	-	-	-	-
Money market	22,575	22,575	-	-
Total	<u>\$ 174,071</u>	<u>\$ 174,071</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 3 – INVESTMENTS (CONTINUED)

The investments valued using the net asset value (NAV) method had no unfunded commitments. They are redeemable at quarterly intervals and a notice of 30-60 days is required.

The ratings of the treasuries and bonds consisted of the following:

S&P Rating	U.S.	
	Government Securities	Money Market
AAA	\$ -	\$ -
AA+	-	-
AA	151,496	-
AA-	-	-
A+	-	-
A	-	-
A-	-	-
BBB+	-	-
BBB	-	-
Unrated	-	22,575
	<u>\$ 151,496</u>	<u>\$ 22,575</u>

Investment Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value if its investment or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk.

Credit Risk

The City has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments in obligations of any state or political subdivision or in obligations of the State of Maine or political subdivision.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 4 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The allowance for uncollectible accounts at June 30, 2017 is estimated to be:

	Accounts Receivable	Taxes and Fees Receivable	Other Receivables	Due from Other Governments
General Fund	\$ -	\$ 28,200	\$ -	\$ -
Special Grants Fund	-	-	-	-
Other Governmental Funds	-	-	-	-
Sewer Fund	9,000	-	-	-
Airport Fund	-	-	-	-
School Lunch Fund	-	-	-	-
Governmental Activities	<u>\$ 9,000</u>	<u>\$ 28,200</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 - CAPITAL ASSETS**

The following is a summary of changes in capital assets:

**GOVERNMENTAL ACTIVITIES**

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Capital assets not being depreciated:				
Land	\$ 113,461	\$ -	\$ -	\$ 113,461
Construction in progress	13,772	18,526	-	32,298
Total capital assets not being depreciated	<u>127,233</u>	<u>18,526</u>	<u>-</u>	<u>145,759</u>
Other capital assets:				
Land Improvements	123,584	-	-	123,584
Buildings and Improvements	9,066,215	54,042	-	9,120,257
Equipment and Vehicles	2,282,870	23,000	-	2,305,870
Infrastructure	293,684	49,945	-	343,629
Total other capital assets at historical cost	<u>11,766,353</u>	<u>126,987</u>	<u>-</u>	<u>11,893,340</u>
Less accumulated depreciation for:				
Land Improvements	(95,535)	(4,007)	-	(99,542)
Buildings and Improvements	(6,510,487)	(209,351)	-	(6,719,838)
Equipment and Vehicles	(1,885,560)	(90,401)	-	(1,975,961)
Infrastructure	(55,236)	(12,413)	-	(67,649)
Total Accumulated depreciation	<u>(8,546,818)</u>	<u>(316,172)</u>	<u>-</u>	<u>(8,862,990)</u>
Other capital assets, net:	<u>3,219,535</u>	<u>(189,185)</u>	<u>-</u>	<u>3,030,350</u>
Governmental activities capital assets, net	<u>\$ 3,346,768</u>	<u>\$ (170,659)</u>	<u>\$ -</u>	<u>\$ 3,176,109</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 111,465
Public Safety	32,090
Public Works	60,829
Education	111,788
	<u>\$ 316,172</u>

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

	Balance 07/01/16	Additons	Deletions	Balance 06/30/17
Capital assets not being depreciated:				
Land	\$ 153,966	\$ -	\$ -	\$ 153,966
Construction in progress	1,944,956	90,399	-	2,035,355
Total capital assets not being depreciated	2,098,922	90,399	-	2,189,321
Other capital assets:				
Land Improvements	6,154,817	-	-	6,154,817
Buildings and Improvements	4,997,905	-	-	4,997,905
Equipment and Vehicles	549,767	-	-	549,767
Infrastructure	-	-	-	-
Total other capital assets at historical cost	11,702,489	-	-	11,702,489
Less accumulated depreciation for:				
Land Improvements	(2,388,016)	(104,315)	-	(2,492,331)
Buildings and Improvements	(3,956,074)	(166,597)	-	(4,122,671)
Equipment and Vehicles	(229,600)	(57,500)	-	(287,100)
Infrastructure	-	-	-	-
Total Accumulated depreciation	(6,573,690)	(328,412)	-	(6,902,102)
Other capital assets, net:	5,128,799	(328,412)	-	4,800,387
Business-type activities capital assets, net	\$ 7,227,721	\$ (238,013)	\$ -	\$ 6,989,708

Depreciation was charged to business-type functions as follows:

Sewer	\$ 295,117
Airport	33,295
	<u>\$ 328,412</u>

NOTE 6 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANs or TANs).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs) or grant anticipation notes (GANs).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 6 - SHORT-TERM FINANCING (CONTINUED)**

Details related to the short-term debt activity for the fiscal year ended June 30, 2017, is as follows:

Type	Purpose	Rate	Due Date	Balance 07/01/16	Issued	Retired	Balance at 06/30/17
TAN	Cash flow	N/A	N/A	\$ -	\$ -	\$ -	\$ -
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 7 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17	Current Portion
<b>Governmental Activities</b>					
Bonds and notes payable:					
2005 General Obligation Bond	\$ 358,475	\$ -	\$ (116,217)	\$ 242,258	\$ 121,617
2015 Note Payable	29,105	-	(11,465)	17,640	11,700
2015 Note Payable	173,007	-	(29,756)	143,251	30,490
2017 Note Payable	-	241,000	-	241,000	37,229
Total bonds and notes payable	<u>560,587</u>	<u>241,000</u>	<u>(157,438)</u>	<u>644,149</u>	<u>201,036</u>
Other liabilities:					
Capital lease	40,901	-	(9,488)	31,413	9,797
Compensated absences	69,544	-	(31,624)	37,920	-
Pension	123,914	22,666	-	146,580	-
Total other liabilities	<u>234,359</u>	<u>22,666</u>	<u>(41,112)</u>	<u>215,913</u>	<u>9,797</u>
Governmental activities long-term liabilities	<u>\$ 794,946</u>	<u>\$ 263,666</u>	<u>\$ (198,550)</u>	<u>\$ 860,062</u>	<u>\$ 210,833</u>
<b>Business Type Activities</b>					
Bonds and notes payable:					
2003 MMBB	\$ 160,201	\$ -	\$ (52,581)	\$ 107,620	\$ 53,396
2013 MMBB	30,766	-	(4,382)	26,384	4,386
2015 Note Payable	69,282	-	(16,538)	52,744	17,049
2016 Note Payable	83,000	-	(10,000)	73,000	10,000
Total bonds and notes payable	<u>343,249</u>	<u>-</u>	<u>(83,501)</u>	<u>259,748</u>	<u>84,831</u>
Other liabilities:					
Compensated absences	\$ 14,081	\$ -	\$ (5,271)	\$ 8,810	\$ -
Total other liabilities	<u>14,081</u>	<u>-</u>	<u>(5,271)</u>	<u>8,810</u>	<u>-</u>
Business type activities long-term liabilities	<u>\$ 357,330</u>	<u>\$ -</u>	<u>\$ (88,772)</u>	<u>\$ 268,558</u>	<u>\$ 84,831</u>

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

The annual principal and interest requirements to maturity for bonds and notes payable are as follows:

	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2018	\$ 201,036	\$ 19,653	\$ 84,831	\$ 4,508
2019	203,610	11,094	139,191	2,987
2020	71,952	35,298	22,514	577
2021	73,537	3,512	4,400	13
2022	58,257	1,882	4,404	8
2023-2027	35,757	847	4,408	5
	<u>\$ 644,149</u>	<u>\$ 72,286</u>	<u>\$ 259,748</u>	<u>\$ 8,098</u>

The following is a summary of outstanding long-term liabilities at June 30, 2017:

**GOVERNMENTAL ACTIVITY**

\$1,300,000 General Obligation Bond Payable, issued 2005, due through 2019, with semi-annual principal and interest installments of \$65,834. Interest charged at 4.55%	\$ 242,258
\$34,750 Note Payable, issued 2015, due through 2018, with quarterly principal and interest installments of \$2,993. Interest charged at 2.01%	17,640
\$187,609 Note Payable, issued 2015, due through 2021, with semi-annual principal and interest intallments of \$16,910. Interest charged at 2.42%	143,251
\$241,000 Note Payable, issued 2016, due through 2022, with annual principal and interest installements of \$43,230. Interest charged at 1.97%	241,000
Total governmental activity long-term liabilities	<u>\$ 644,149</u>

**BUSINESS-TYPE ACTIVITY**

\$775,000 Maine Municipal Bond, issued 2003, due through 2019, with annual principal and semi-annual interest installments that varies. Interest charged at 1.550%	\$ 107,620
\$534,000 Maine Municipal Bond, issued 2013, due through 2023, with annual principal and semi-annual interest installments that varies. Interest charged at 0.100%	26,384
\$87,391 Note Payable, issued 2015, due annually through 2019, with annual principal and interest installments of \$18,679. Interest charged at 3.09%. Secured by equipment purchased with note.	52,744
\$83,000 Note Payable, issued 2016, due anuually through 2019, with annual principal installments of \$10,000 and interest that varies. Interest charged at 1.6%	73,000
Total business-type activity long-term liabilities	<u>\$ 259,748</u>

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 8 - CAPITAL LEASES

The City leases various assets under non-cancelable leasing arrangements. The liabilities under the capital leases are recorded at the present value of the minimum lease payments.

	Payment
2018	\$ 10,787
2019	10,787
2020	10,787
2021	-
2022	-
	<hr/>
Total Minimum Lease Payments	32,361
	<hr/>
Less Amount Representing Interest	948
	<hr/>
Present Value of Future Minimum Lease Payments	<u>\$ 31,413</u>

Amortization of assets held under capital leases is included with depreciation expense.

The following is an analysis of the leased assets included in Capital Assets.

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Total capital assets	\$ 50,588	\$ -	\$ -	\$ 50,588
Accumulated depreciation	(4,216)	(10,118)	-	(14,334)
Net capital assets	<u>\$ 46,372</u>	<u>\$ (10,118)</u>	<u>\$ -</u>	<u>\$ 36,254</u>

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017, consisted of the following individual fund receivables and payables:

	Due From						
	General Fund	Special Grants Fund	Other Governmental Funds	Airport Fund	Sewer Fund	School Lunch Fund	Total
Due to General Fund	\$ -	\$ -	\$ -	\$ -	\$ 170,555	\$ -	\$ 170,555
Special Grants Fund	102,404	-	-	-	-	-	102,404
Other Governmental Funds	139,597	-	-	-	-	-	139,597
Airport Fund	45,838	-	-	-	-	-	45,838
Sewer Fund	-	-	-	-	-	-	-
School Lunch Fund	10,687	-	-	-	-	-	10,687
Total	<u>\$ 298,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,555</u>	<u>\$ -</u>	<u>\$ 469,081</u>

Interfund balances represent amounts for pooled cash.

Interfund transfers at June 30, 2017 consisted of the following:

	Transfer In						
	General Fund	Special Grants Fund	Other Governmental Funds	Airport Fund	Sewer Fund	School Lunch Fund	Total
Transfer out General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,139	\$ 173,139
Special Grants Fund	-	-	-	-	-	-	-
Other Governmental Funds	-	-	-	-	-	-	-
Airport Fund	-	-	-	-	-	-	-
Sewer Fund	-	-	-	-	-	-	-
School Lunch Fund	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,139</u>	<u>\$ 173,139</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.



CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 10 - FUND BALANCE COMPONENTS**

At June 30, 2017, the components of fund balances consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund				
School Department	\$ -	\$ -	\$ 544,578	\$ -
School Grants	-	96,366	-	-
Other Governmental Funds				
Capital Projects	-	7,902	-	-
Micro Loan	-	140,096	-	-
Perpetual Care	-	175,745	-	-
Total	<u>\$ -</u>	<u>\$ 420,109</u>	<u>\$ 544,578</u>	<u>\$ -</u>

**NOTE 11 - EMPLOYEE BENEFIT PLANS**

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**A. Plan Description**

School employees contribute to the Maine Public Employees Retirement System (MEPERS) State Employee and Teacher Plan, a cost-sharing multiple-employer contributory defined benefit public employee pension plan (The Plan) that acts as a common investment and administrator for its participants.

The MEPERS provides retirement, annual cost-of-living adjustments, and death and disability benefits to members and beneficiaries. These benefit provisions and all other requirements are established by state statute. The MEPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine, 04333-0046.

**B. Funding Policy**

The contribution requirements of plan members are established and may be amended by the state statute. This year, members contributed 7.65% of gross earnings. The School is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by the statute.

The Plan's fiduciary net position uses the same basis as the plan. The Plan uses the accrual basis of accounting, and benefits and refunds are recognized when due and payable. Plan investments are measured at fair value.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Net Pension Liability assumptions:

- 1) Investment rate of return 6.875%
- 2) Price inflation 2.75%
- 3) Salary increases 2.75% - 9.0%
- 4) Mortality source was the RP-2014 mortality table
- 5) Experience studies were from 2012-2015

Discount rate assumptions:

- 1) Rate equals investment rate of return
- 2) Projected cash flows assume required contributions
- 3) Long-term expected rate of return equals investment rate of return and is applied to all periods
- 4) Asset allocation is as follows: 30% domestic equity, 20% international equity, 25% fixed income, and 25% real assets

Net Pension Liability Sensitivity:

- 1) Discount rate 1% higher: \$73,123
- 2) Discount rate 1% lower: \$234,712

The proportion of total liability was determined by taking the School's actual contributions divided by the Plan's actual contributions. The proportion decreased by 0.000881% from the prior measurement date of June 30, 2015 to the current measurement date of June 30, 2016. The actuarial valuation date is June 30, 2016.

Pension expense recognized during June 30, 2017 was \$51,477.

The following is the composition of deferred outflows related to pension:

Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Contributions to Plan Subsequent to Measurement	Total Deferred Outflows Related to Pension
\$2,835	\$46,806	\$-	\$-	\$45,772	\$95,413

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 11 - EMPLOYEE BENEFIT PLANS (CONTINUED)**

Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows Related to Pension
(\$277)	(\$19,179)	(\$3,765)	(\$8,645)	(\$31,866)

The following is a 5 year schedule of changes in Deferred Outflows and Deferred Inflows related to pensions:

	2018	2019	2020	2021	2022
Deferred Outflows and (Inflows)	(\$1,730)	(\$934)	\$13,183	\$7,257	\$-

**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a member of the Maine Municipal Association (MMA) Property and Casualty Pool. The pools provide coverage for worker's compensation, unemployment insurance, and property liability insurance.

The pool agreement permits the pool to make additional assessments to members should there be deficiency in pool assets to meet its liabilities. At this time, the pool foresees no likelihood of an additional assessment for past years.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective agents; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

CITY OF EASTPORT, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 14 – 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.

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$48,649 was recorded to Other Payables in order to correct payroll withholding balances at June 30, 2016. This decreased Fund Balance by the same amount. Additionally, a prior period of adjustment of \$667 was recorded to Cash in order to increase the micro loan cash balance as of June 30, 2016. This increased Fund Balance by the same amount.

**NOTE 16 – MANAGEMENT REVIEW**

Management has reviewed subsequent events as of May 01, 2018, the date the financial statements were available to be issued. At that time, there were no material subsequent events.

CITY OF EASTPORT, MAINE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED JUNE 30, 2017

	Proposed Budget	Approved Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 3,074,137	\$ 3,074,137
Excise taxes	183,000	183,000	206,835	23,835
Fees and fines	44,400	44,400	44,585	185
Licenses and permits	3,420	3,420	4,053	633
Intergovernmental	289,703	289,703	540,802	251,099
Charges for services	38,050	38,050	18,874	(19,176)
Investment earnings	1,500	1,500	2,896	1,396
Grant revenue	-	-	-	-
Miscellaneous	745,849	745,849	885,890	140,041
<b>TOTAL REVENUES</b>	<b>1,305,922</b>	<b>1,305,922</b>	<b>4,778,072</b>	<b>3,472,150</b>
<b>EXPENDITURES</b>				
Current:				
General government	456,805	456,805	477,555	(20,750)
Public safety	447,618	447,618	435,493	12,125
Public works	543,515	543,515	527,849	15,666
Health, welfare and sanitation	214,837	214,837	192,318	22,519
Culture and recreation	4,000	4,000	4,925	(925)
Cemeteries	5,830	5,830	3,965	1,865
Education	2,409,690	2,409,690	2,367,715	41,975
County tax	215,506	215,506	215,506	-
Debt service:			-	
Principal retirement	170,288	170,288	160,051	10,237
Interest expense	-	-	19,515	(19,515)
Capital outlay	-	-	97,060	(97,060)
<b>TOTAL EXPENDITURES</b>	<b>4,468,089</b>	<b>4,468,089</b>	<b>4,501,952</b>	<b>(33,863)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,162,167)</b>	<b>(3,162,167)</b>	<b>276,120</b>	<b>3,438,287</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior year surplus utilization	-	-	-	-
Issuance of debt	-	-	-	-
Proceeds from loans	-	-	-	-
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(173,139)	(173,139)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(173,139)</b>	<b>(173,139)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (3,162,167)</b>	<b>\$ (3,162,167)</b>	<b>\$ 102,981</b>	<b>\$ 3,265,148</b>

See accompanying independent auditors' report and management's notes to the required supplementary information.

CITY OF EASTPORT, MAINE  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 LAST TEN YEARS  
 JUNE 30, 2017

	2017	2016	2015	2014	2013
Proportion of the net pension liability	0.008297%	0.009178%	0.092470%	*	*
Proportionate share of net pension liability	\$ 146,580	\$ 123,914	\$ 99,898	*	*
Covered-employee payroll	\$ 1,075,009	\$ 1,094,979	\$ 1,133,867	*	*
Proportionate share of the net pension liability as a percentage of covered-employee payroll	13.64%	11.32%	8.81%	*	*
Plan fiduciary net position as a percentage of the total pension liability	76.21%	88.27%	83.91%	*	*

  

	2012	2011	2010	2009	2008
Proportion of the net pension liability	*	*	*	*	*
Proportionate share of net pension liability	*	*	*	*	*
Covered-employee payroll	*	*	*	*	*
Proportionate share of the net pension liability as a percentage of covered-employee payroll	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	*	*	*	*	*

See accompanying independent auditors' report and management's notes to the required supplementary information.

CITY OF EASTPORT, MAINE  
SCHEDULE OF CONTRIBUTIONS  
LAST TEN YEARS  
JUNE 30, 2017

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 45,772	\$ 47,124	\$ 44,708	*	*
Contributions in relation to the actuarially determined contribution	(45,772)	(47,124)	(44,708)	*	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
Covered-employee payroll	\$ 1,075,009	\$ 1,094,979	\$ 1,133,867	*	*
Contributions as a percentage of covered-employee payroll	4.26%	4.30%	3.94%	*	*

	2012	2011	2010	2009	2008
Actuarially determined contribution	*	*	*	*	*
Contributions in relation to the actuarially determined contribution	*	*	*	*	*
Contribution deficiency (excess)	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Covered-employee payroll	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	*	*	*	*	*

See accompanying independent auditors' report and management's notes to the required supplementary information.

CITY OF EASTPORT, MAINE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The City is required to have a budget for the General Fund. The City is not required to adopt an annual budget for its special revenue fund.

Basis of Accounting

The modified accrual basis of accounting is used in preparing budgets except when non-cash items are involved. In that case, the non-cash items are omitted from the budget.

NOTE 2 – ACTUAL (BUDGET BASIS) TO GAAP BASIS RECONCILIATION

Revenues:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 4,778,072
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Differences - budget to GAAP:

None	<u>-</u>
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Total revenues as reported on the statement of revenues,	<u><u>\$ 4,778,072</u></u>
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Expenditures:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 4,501,952
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Differences - budget to GAAP:

None	<u>-</u>
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Total expenditures as reported on the statement of revenues,	<u><u>\$ 4,501,952</u></u>
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NOTE 3 – OVERSPENT APPROPRIATIONS

There are no materially overspent appropriations