

City of Eastport, Maine

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

June 30, 2018

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF EASTPORT, MAINE

JUNE 30, 2018

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CITY OF EASTPORT, MAINE

JUNE 30, 2018

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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 City of Eastport, Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise 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 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 City of Eastport, Maine, as of June 30, 2018, 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 39 and 43 and post-employment benefit schedules on pages 40 through 42 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 29, 2019, on our consideration of 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 City of Eastport, Maine's internal control over financial reporting and compliance

Ron L. Beaulieu & Co.

Portland, Maine
May 29, 2019

CITY OF EASTPORT, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash | \$ 869,250 | \$ 55,288 | \$ 924,538 |
| Investments | 166,419 | - | 166,419 |
| Accounts receivable, net | - | 39,671 | 39,671 |
| Taxes and fees receivable, net | 313,303 | - | 313,303 |
| Receivable from other governments, net | 115,469 | - | 115,469 |
| Other receivables, net | 74,262 | - | 74,262 |
| Inventories | 1,941 | - | 1,941 |
| Capital Assets: | | | |
| Land, and construction in progress | 107,264 | 2,391,855 | 2,499,119 |
| Other capital assets, net of depreciation | 2,953,398 | 4,471,975 | 7,425,373 |
| Total capital assets | 3,060,662 | 6,863,830 | 9,924,492 |
| TOTAL ASSETS | 4,601,306 | 6,958,789 | 11,560,095 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pension | 92,881 | - | 92,881 |
| Deferred outflows related to OPEB | 3,808 | - | 3,808 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 96,689 | - | 96,689 |
| LIABILITIES | | | |
| Accounts payable | 97,837 | - | 97,837 |
| Due to other funds | 102,043 | (100,043) | 2,000 |
| Accrued expenses | 180,232 | 4,898 | 185,130 |
| Other payables | 5,434 | - | 5,434 |
| Bond anticipation note | - | 185,561 | 185,561 |
| Long-term liabilities, current portion | 228,041 | 138,957 | 366,998 |
| Long-term liabilities, less current portion | 525,589 | 43,767 | 569,356 |
| TOTAL LIABILITIES | 1,139,176 | 273,140 | 1,412,316 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid property taxes | 69,090 | - | 69,090 |
| Deferred inflows related to pensions | 45,506 | - | 45,506 |
| Deferred inflows related to OPEB | 120 | - | 120 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 114,716 | - | 114,716 |
| NET POSITION | | | |
| Net investment in capital assets | 2,495,520 | 6,689,147 | 9,184,667 |
| Restricted for: | | | |
| School Department | 819,817 | - | 819,817 |
| School Grants | 48,251 | - | 48,251 |
| Micro Loan | 141,056 | - | 141,056 |
| Perpetual Care | 168,094 | - | 168,094 |
| Unrestricted | (228,635) | (3,498) | (232,133) |
| TOTAL NET POSITION | \$ 3,444,103 | \$ 6,685,649 | \$ 10,129,752 |

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

**CITY OF EASTPORT, MAINE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| 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 |
| PRIMARY GOVERNMENT | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 1,068,036 | \$ 40,833 | \$ 157,336 | \$ - | \$ (869,867) | \$ - |
| Public safety | 478,680 | 90 | - | - | (478,590) | - |
| Public works | 645,293 | 1,882 | - | - | (643,411) | - |
| Health, welfare and sanitation | 186,515 | - | - | - | (186,515) | - |
| Culture and recreation | 5,925 | - | - | - | (5,925) | - |
| Cemeteries | 25,885 | 4,400 | - | - | (21,485) | - |
| Education | 2,650,011 | 733,768 | 10,240 | - | (1,906,003) | - |
| County tax | 234,629 | - | - | - | (234,629) | - |
| Principal retirement | - | - | - | - | - | - |
| Interest expense | 22,833 | - | - | - | (22,833) | - |
| Capital outlay | 12,459 | - | - | - | (12,459) | - |
| Total governmental activities | 5,330,266 | 780,973 | 167,576 | - | (4,381,717) | - |
| Business-type activities: | | | | | | |
| Sewer | 586,141 | 353,601 | - | - | - | (232,540) |
| Airport | 75,392 | 37,939 | - | - | - | (37,453) |
| School Lunch | - | - | - | - | - | - |
| Total business-type activities | 661,533 | 391,540 | - | - | (269,993) | (269,993) |
| Total primary government | \$ 5,991,799 | \$ 1,172,513 | \$ 167,576 | \$ - | (4,381,717) | (4,651,710) |
| General revenues: | | | | | | |
| Property taxes | | | | | 3,188,986 | - |
| Excise Tax | | | | | 207,377 | - |
| Intergovernmental | | | | | 778,188 | - |
| Fees and fines | | | | | 58,666 | 12,612 |
| Licenses and permits | | | | | 5,457 | - |
| Investment earnings | | | | | 7,812 | - |
| Interest | | | | | - | 2,242 |
| Miscellaneous revenues | | | | | 279,983 | 16,000 |
| Transfers | | | | | - | - |
| Total general revenues and transfers | | | | | 4,526,469 | 30,854 |
| Change in net position | | | | | 144,752 | (239,139) |
| Net position - July 1 - original | | | | | 3,339,564 | 6,914,270 |
| Prior period adjustment | | | | | (40,213) | 10,518 |
| Net position - July 1 - revised | | | | | 3,299,351 | 6,924,788 |
| Net position - June 30 | | | | | \$ 3,444,103 | \$ 6,685,649 |
| | | | | | | \$ 10,129,752 |

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

CITY OF EASTPORT, MAINE
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

| | Major | Major Special Grants Fund | Non-major Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------------------------|---|--------------------------------|
| ASSETS | | | | |
| Cash | \$ 634,738 | \$ 122,194 | \$ 112,318 | \$ 869,250 |
| Investments | - | - | 166,419 | 166,419 |
| Accounts receivable, net | - | - | - | - |
| Taxes and fees receivable, net | 313,303 | - | - | 313,303 |
| Receivable from other governments, net | 115,469 | - | - | 115,469 |
| Other receivables, net | 13,350 | - | 60,912 | 74,262 |
| Inventories | 1,941 | - | - | 1,941 |
| Prepays | - | - | - | - |
| Due from other funds | 298,194 | - | - | 298,194 |
| TOTAL ASSETS | \$ 1,376,995 | \$ 122,194 | \$ 339,649 | \$ 1,838,838 |
| LIABILITIES | | | | |
| Accounts payable | \$ 97,837 | \$ - | \$ - | \$ 97,837 |
| Accrued expenses | 173,872 | - | - | 173,872 |
| Other payables | 5,434 | - | - | 5,434 |
| Bond anticipation note | - | - | - | - |
| Due to other funds | - | 127,391 | 272,846 | 400,237 |
| TOTAL LIABILITIES | 277,143 | 127,391 | 272,846 | 677,380 |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Prepaid property taxes | 69,090 | - | - | 69,090 |
| Deferred revenues | 255,052 | - | - | 255,052 |
| TOTAL DEFERRED INFLOW OF RESOURCES | 324,142 | - | - | 324,142 |
| FUND BALANCES | | | | |
| Nonspendable | 1,941 | - | - | 1,941 |
| Restricted | 868,068 | - | 309,150 | 1,177,218 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | (94,299) | (5,197) | (242,347) | (341,843) |
| TOTAL FUND BALANCES | 775,710 | (5,197) | 66,803 | 837,316 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,376,995 | \$ 122,194 | \$ 339,649 | \$ 1,838,838 |

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, 2018

| | |
|---|---------------------|
| Fund balances - total governmental funds | \$ 837,316 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets | 3,060,662 |
| Deferred outflow related to pension | 92,881 |
| Deferred outflow related to OPEB | 3,808 |
| Deferred revenues | 255,052 |
| Deferred inflow related to pension | (45,506) |
| Deferred inflow related to OPEB | (120) |
| Short-term liabilities | (228,041) |
| Long-term liabilities | (525,589) |
| Accrued interest | (6,360) |
| Net position of governmental activities | <u>\$ 3,444,103</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, 2018

| | Major | Major Special Grants Fund | Non-major Other Governmental Funds | Total Governmental Funds |
|--------------------------------|------------------|------------------------------------|---|--------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 3,167,114 | \$ - | \$ - | \$ 3,167,114 |
| Excise taxes | 207,377 | - | - | 207,377 |
| Fees and fines | 58,666 | - | - | 58,666 |
| Licenses and permits | 5,457 | - | - | 5,457 |
| Intergovernmental | 738,188 | 40,000 | - | 778,188 |
| Charges for services | 780,973 | - | - | 780,973 |
| Investment earnings | 4,732 | - | 3,079 | 7,811 |
| Grant revenue | - | 167,576 | - | 167,576 |
| Miscellaneous | 12,608 | 154,024 | 113,353 | 279,985 |
| TOTAL REVENUES | 4,975,115 | 361,600 | 116,432 | 5,453,147 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 460,082 | 205,584 | 208,364 | 874,030 |
| Public safety | 452,418 | - | - | 452,418 |
| Public works | 577,955 | - | - | 577,955 |
| Health, welfare and sanitation | 183,634 | 2,881 | - | 186,515 |
| Culture and recreation | 5,925 | - | - | 5,925 |
| Cemeteries | 25,885 | - | - | 25,885 |
| Education | 2,538,333 | - | - | 2,538,333 |
| County tax | 234,629 | - | - | 234,629 |
| Capital outlay | 128,000 | - | 171,508 | 299,508 |
| Debt service: | | | | |
| Principal retirement | 165,243 | 48,930 | - | 214,173 |
| Interest expense | 14,371 | 6,271 | - | 20,642 |
| TOTAL EXPENDITURES | 4,786,475 | 263,666 | 379,872 | 5,430,013 |

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, 2018

| | Major | Major Special Grants Fund | Non-major Other Governmental Funds | Total Governmental Funds |
|--|------------|------------------------------------|---|--------------------------------|
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ 188,640 | \$ 97,934 | \$ (263,440) | \$ 23,134 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of debt | 93,000 | - | - | 93,000 |
| Transfers in | - | - | 6,500 | 6,500 |
| Transfers out | (6,500) | - | - | (6,500) |
| TOTAL OTHER FINANCING SOURCES (USES) | 86,500 | - | 6,500 | 93,000 |
| NET CHANGE IN FUND BALANCES | 275,140 | 97,934 | (256,940) | 116,134 |
| FUND BALANCES - JULY 1 - ORIGINAL | 511,088 | (103,131) | 323,743 | 731,700 |
| PRIOR PERIOD ADJUSTMENT | (10,518) | - | - | (10,518) |
| FUND BALANCE - JULY 1 - REVISED | 500,570 | (103,131) | 323,743 | 721,182 |
| FUND BALANCES - JUNE 30 | \$ 775,710 | \$ (5,197) | \$ 66,803 | \$ 837,316 |

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, 2018

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 116,134 |
| 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. | 254,751 |
| This is the amount of gain(loss) on disposal of capital. | (63,363) |
| This is the amount of depreciation expense. | (317,253) |
| Expenses for accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | (563) |
| 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. | (93,000) |
| 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. | 12,395 |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 201,036 |
| 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. | 20,162 |
| Changes in opeb 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. | (7,419) |
| Change in deferred tax revenue | <u>21,872</u> |
| Change in net position of governmental activities. | <u>\$ 144,752</u> |

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

CITY OF EASTPORT, MAINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

| ASSETS | Enterprise Funds | | | |
|---|------------------|------------|--------------|--------------|
| | Sewer | Airport | School Lunch | Total |
| CURRENT ASSETS: | | | | |
| Cash | \$ 2,951 | \$ 52,337 | \$ - | \$ 55,288 |
| Accounts receivable, net | 39,671 | - | - | 39,671 |
| Due from other funds | 180,358 | - | - | 180,358 |
| Inventories | - | - | - | - |
| TOTAL CURRENT ASSETS | 222,980 | 52,337 | - | 275,317 |
| NON-CURRENT ASSETS: | | | | |
| Capital assets, net | 6,392,945 | 470,885 | - | 6,863,830 |
| TOTAL NON-CURRENT ASSETS | 6,392,945 | 470,885 | - | 6,863,830 |
| TOTAL ASSETS | 6,615,925 | 523,222 | - | 7,139,147 |
| LIABILITIES: | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | - | - | - | - |
| Due to other funds | - | 80,315 | - | 80,315 |
| Accrued expenses | 4,584 | 314 | - | 4,898 |
| Deferred revenues | - | - | - | - |
| Bond anticipation note | 185,561 | - | - | 185,561 |
| Long-term liabilities, current portion | 75,957 | 63,000 | - | 138,957 |
| TOTAL CURRENT LIABILITIES | 266,102 | 143,629 | - | 409,731 |
| NON-CURRENT LIABILITIES: | | | | |
| Long-term liabilities, less current portion | 43,767 | - | - | 43,767 |
| TOTAL NON-CURRENT LIABILITIES | 43,767 | - | - | 43,767 |
| TOTAL LIABILITIES | 309,869 | 143,629 | - | 453,498 |
| NET POSITION | | | | |
| Net investment in capital assets | 6,281,262 | 407,885 | - | 6,689,147 |
| Restricted | - | - | - | - |
| Unrestricted | 24,794 | (28,292) | - | (3,498) |
| TOTAL NET POSITION | \$ 6,306,056 | \$ 379,593 | \$ - | \$ 6,685,649 |

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, 2018

| | Enterprise Funds | | | |
|--|---------------------|-------------------|-----------------|---------------------|
| | Sewer | Airport | School Lunch | Total |
| OPERATING REVENUES | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 353,601 | 37,939 | - | 391,540 |
| Investment earnings | - | - | - | - |
| Grant revenue | - | - | - | - |
| Fees and fines | 12,612 | - | - | 12,612 |
| Miscellaneous | - | 16,000 | - | 16,000 |
| Total Operating Revenues | <u>366,213</u> | <u>53,939</u> | <u>-</u> | <u>420,152</u> |
| OPERATING EXPENSES | | | | |
| Administrative | 112,361 | - | - | 112,361 |
| Operation | 116,939 | 10,569 | - | 127,508 |
| Utilities | 21,397 | 2,713 | - | 24,110 |
| Repairs and maintenance | 36,189 | 27,630 | - | 63,819 |
| Other supplies and expenses | - | - | - | - |
| Depreciation | 295,117 | 33,295 | - | 328,412 |
| Total Operating Expenses | <u>582,003</u> | <u>74,207</u> | <u>-</u> | <u>656,210</u> |
| Operating Income (Loss) | <u>(215,790)</u> | <u>(20,268)</u> | <u>-</u> | <u>(236,058)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 2,242 | - | - | 2,242 |
| Interest expense | (4,138) | (1,185) | - | (5,323) |
| Total Nonoperating Revenue (Expense) | <u>(1,896)</u> | <u>(1,185)</u> | <u>-</u> | <u>(3,081)</u> |
| Income (Loss) Before Contributions and Transfers | <u>(217,686)</u> | <u>(21,453)</u> | <u>-</u> | <u>(239,139)</u> |
| Capital Contributions | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Change in Net Position | <u>(217,686)</u> | <u>(21,453)</u> | <u>-</u> | <u>(239,139)</u> |
| TOTAL NET POSITION - JULY 1 - ORIGINAL | <u>6,523,742</u> | <u>401,046</u> | <u>(10,518)</u> | <u>6,914,270</u> |
| PRIOR PERIOD ADJUSTMENT | <u>-</u> | <u>-</u> | <u>10,518</u> | <u>10,518</u> |
| TOTAL NET POSITION - JULY 1 - REVISED | <u>6,523,742</u> | <u>401,046</u> | <u>-</u> | <u>6,924,788</u> |
| TOTAL NET POSITION - JUNE 30 | <u>\$ 6,306,056</u> | <u>\$ 379,593</u> | <u>\$ -</u> | <u>\$ 6,685,649</u> |

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, 2018

| | Enterprise Funds | | | |
|--|------------------|-------------|--------------|--------------|
| | Sewer | Aiport | School Lunch | Total |
| OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 353,477 | \$ 53,939 | \$ - | \$ 407,416 |
| Payments to suppliers | (183,560) | (6,454) | - | (190,014) |
| Payments to employees | (104,095) | - | - | (104,095) |
| Internal activity - payments to other funds | - | - | - | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 65,822 | 47,485 | - | 113,307 |
| INVESTING ACTIVITIES | | | | |
| Interest on investments | 2,242 | - | - | 2,242 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 2,242 | - | - | 2,242 |
| FINANCING ACTIVITIES (NON-CAPITAL) | | | | |
| Operating subsidies | - | - | - | - |
| Receipts to/from other funds | - | - | - | - |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (NON-CAPITAL) | - | - | - | - |
| FINANCING ACTIVITIES (CAPITAL) | | | | |
| Purchases of capital assets | (174,423) | (28,111) | - | (202,534) |
| Proceeds from capital debt | 185,561 | - | - | 185,561 |
| Principal paid on capital debt | (75,064) | (10,000) | - | (85,064) |
| Interest paid on capital debt | (4,138) | (1,185) | - | (5,323) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (CAPITAL) | (68,064) | (39,296) | - | (107,360) |
| INCREASE (DECREASE) IN CASH | - | 8,189 | - | 8,189 |
| CASH AND CASH EQUIVALENTS - JULY 1 | 2,951 | 44,148 | - | 47,099 |
| CASH AND CASH EQUIVALENTS - JUNE 30 | \$ 2,951 | \$ 52,337 | \$ - | \$ 55,288 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (215,790) | \$ (20,268) | \$ - | \$ (236,058) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 295,117 | 33,295 | - | 328,412 |
| Changes in operating assets and liabilities | | | | |
| Accounts receivable | (2,933) | - | - | (2,933) |
| Interfund receivables | (9,803) | - | - | (9,803) |
| Inventories | - | - | - | - |
| Accounts payable | - | - | - | - |
| Accrued compensated absences | (769) | - | - | (769) |
| Interfund payables | - | 34,477 | - | 34,477 |
| Other accrued expenses | - | (19) | - | (19) |
| Net cash provided (used) by operating activities | \$ 65,822 | \$ 47,485 | \$ - | \$ 113,307 |

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, 2018

| | Private-Purpose Funds | Agency Funds |
|--------------------------|--------------------------|------------------|
| ASSETS | | |
| Cash | \$ 262,082 | \$ 53,949 |
| Investments | 94,583 | - |
| Due from other funds | 2,000 | - |
| TOTAL ASSETS | <u>\$ 358,665</u> | <u>\$ 53,949</u> |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ - |
| Due to school groups | - | 53,949 |
| TOTAL LIABILITIES | <u>-</u> | <u>\$ 53,949</u> |
| NET POSITION | | |
| Held in trust | <u>\$ 358,665</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, 2018

| | Private-Purpose Funds |
|--|--------------------------|
| ADDITIONS | |
| Investment earnings: | |
| Net increase (decrease) in fair value of investments | \$ - |
| Investment earnings | 17,441 |
| Total investment earnings | 17,441 |
| Less investment expense | - |
| Net investment earnings | 17,441 |
| TOTAL ADDITIONS | 17,441 |
| DEDUCTIONS | |
| Scholarship expense | 13,612 |
| TOTAL DEDUCTIONS | 13,612 |
| CHANGE IN NET POSITION | 3,829 |
| NET POSITION - JULY 1 | 354,836 |
| NET POSITION - JUNE 30 | \$ 358,665 |

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

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 tax, excise tax, 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, 2018

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.
- c. Other governmental fund is used to account for all other funds.

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, 2018

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 if 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 two 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, 2018

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 compensated absences, 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 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 fair 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, 2018

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. Property Tax Calendar and Revenues:

Taxes were committed on July 26th, 2017 based on the assessed valuation on April 1st. Taxes were due on October 31, 2017. 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.

6. 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.

7. 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 legislation (though restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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.
- **Assigned** – Amounts that are designated by the City Manager for a particular purpose.
- **Unassigned** – All amounts not included in other spendable classifications.

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

There is no policy requiring a minimum unassigned fund balance.

9. 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.

10. 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.

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - CASH

The total amount of the City's cash consists of the following at June 30, 2018:

| | |
|----------------------|---------------------|
| Government-Wide Cash | \$ 924,538 |
| Fiduciary Cash | 316,031 |
| Total | <u>\$ 1,240,569</u> |

The total amount of the City's deposits in financial institutions, per the bank statements, at June 30, 2018 was \$1,453,410, of which \$518,653 was covered by federal depository insurance, and \$812,018 were collateralized by a bank. The remaining deposits of \$122,739 were uncollateralized.

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.

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.

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – INVESTMENTS (CONTINUED)

The investments of the City consisted of the following as of June 30, 2018:

| 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 | \$ 146,427 | \$ 146,427 | \$ - | \$ - |
| Corporate bonds | - | - | - | - |
| Common stock | - | - | - | - |
| Money market | 114,575 | 114,575 | - | - |
| Total | <u>\$ 261,002</u> | <u>\$ 261,002</u> | <u>\$ -</u> | <u>\$ -</u> |

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:

| | U.S. | |
|------------|--------------------------|-------------------|
| S&P Rating | Government Securities | Money Market |
| AAA | \$ - | \$ - |
| AA+ | - | - |
| AA | 146,427 | - |
| AA- | - | - |
| A+ | - | - |
| A | - | - |
| A- | - | - |
| BBB+ | - | - |
| BBB | - | - |
| Unrated | - | 114,575 |
| | <u>\$ 146,427</u> | <u>\$ 114,575</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.

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – INVESTMENTS (CONTINUED)

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.

NOTE 4 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts at June 30, 2018 is estimated to be:

| | Accounts Receivable | Taxes and Fees Receivable | Other Receivables | Receivable from Other Governments |
|--------------------------|------------------------|------------------------------|----------------------|---|
| General Fund | \$ - | \$ 15,500 | \$ - | \$ - |
| Special Grants Fund | - | - | - | - |
| Other Governmental Funds | - | - | - | - |
| Sewer Fund | 9,000 | - | - | - |
| Airport Fund | - | - | - | - |
| Total Activities | <u>\$ 9,000</u> | <u>\$ 15,500</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets:

GOVERNMENTAL ACTIVITIES

| | Balance 07/01/17 | Additions | Deletions | Balance 06/30/18 |
|---|---------------------|-------------|-------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 113,461 | \$ - | \$ (6,197) | \$ 107,264 |
| Construction in progress | 32,298 | - | (32,298) | - |
| Total capital assets not being depreciated | 145,759 | - | (38,495) | 107,264 |
| Other capital assets: | | | | |
| Land Improvements | 123,584 | - | - | 123,584 |
| Buildings and Improvements | 9,120,257 | - | - | 9,120,257 |
| Equipment and Vehicles | 2,316,837 | 93,000 | (309,698) | 2,100,139 |
| Infrastructure | 343,629 | 194,049 | - | 537,678 |
| Total other capital assets at historical cost | 11,904,307 | 287,049 | (309,698) | 11,881,658 |
| Less accumulated depreciation for: | | | | |
| Land Improvements | (99,542) | (4,007) | - | (103,549) |
| Buildings and Improvements | (6,719,838) | (210,152) | - | (6,929,990) |
| Equipment and Vehicles | (1,976,510) | (77,321) | 252,532 | (1,801,299) |
| Infrastructure | (67,649) | (25,773) | - | (93,422) |
| Total Accumulated depreciation | (8,863,539) | (317,253) | 252,532 | (8,928,260) |
| Other capital assets, net: | 3,040,768 | (30,204) | (57,166) | 2,953,398 |
| Governmental activities capital assets, net | \$ 3,186,527 | \$ (30,204) | \$ (95,661) | \$ 3,060,662 |

Depreciation was charged to governmental functions as follows:

| | |
|--------------------|-------------------|
| General Government | \$ 111,975 |
| Public Safety | 26,262 |
| Public Works | 67,338 |
| Education | 111,678 |
| | <u>\$ 317,253</u> |

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

| | Balance 07/01/17 | Additons | Deletions | Balance 06/30/18 |
|---|---------------------|---------------------|-------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 153,966 | \$ - | \$ - | \$ 153,966 |
| Construction in progress | 2,035,355 | 202,534 | - | 2,237,889 |
| Total capital assets not being depreciated | 2,189,321 | 202,534 | - | 2,391,855 |
| 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 | (2,492,331) | (104,315) | - | (2,596,646) |
| Buildings and Improvements | (4,122,671) | (166,597) | - | (4,289,268) |
| Equipment and Vehicles | (287,100) | (57,500) | - | (344,600) |
| Infrastructure | - | - | - | - |
| Total Accumulated depreciation | (6,902,102) | (328,412) | - | (7,230,514) |
| Other capital assets, net: | 4,800,387 | (328,412) | - | 4,471,975 |
| Business-type activities capital assets, net | <u>\$ 6,989,708</u> | <u>\$ (125,878)</u> | <u>\$ -</u> | <u>\$ 6,863,830</u> |

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, 2018

NOTE 6 - SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2018, is as follows:

| Type | Purpose | Rate | Due Date | Balance 07/01/17 | Issued | Retired | Balance at 06/30/18 |
|------|-----------|-------|-----------|---------------------|-------------------|-------------|------------------------|
| BAN | Cash flow | 1.93% | 3/14/2021 | \$ - | \$ 185,561 | \$ - | \$ 185,561 |
| | | | | <u>\$ -</u> | <u>\$ 185,561</u> | <u>\$ -</u> | <u>\$ 185,561</u> |

NOTE 7 - LONG-TERM LIABILITIES

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

| | Balance 07/01/17 | Additions | Deletions | Balance 06/30/18 | Current Portion |
|--|---------------------|-------------------|---------------------|---------------------|--------------------|
| Governmental Activities | | | | | |
| Bonds and notes payable: | | | | | |
| 2005 General Obligation Bond | \$ 242,258 | \$ - | \$ (121,617) | \$ 120,641 | \$ 127,267 |
| 2015 Note Payable | 17,640 | - | (11,700) | 5,940 | 5,940 |
| 2015 Note Payable | 143,251 | - | (30,490) | 112,761 | 31,243 |
| 2017 Note Payable | 241,000 | - | (37,229) | 203,771 | 39,160 |
| 2018 Note Payable | - | 28,000 | - | 28,000 | 6,745 |
| 2018 Note Payable | - | 65,000 | - | 65,000 | 5,548 |
| Total bonds and notes payable | <u>644,149</u> | <u>93,000</u> | <u>(201,036)</u> | <u>536,113</u> | <u>215,903</u> |
| Other liabilities: | | | | | |
| Capital lease | 41,424 | - | (12,395) | 29,029 | 12,138 |
| Compensated absences | 37,920 | 563 | - | 38,483 | - |
| Net pension liability | 146,580 | - | (37,785) | 108,795 | - |
| OPEB liability | 30,103 | 11,107 | - | 41,210 | - |
| Total other liabilities | <u>256,027</u> | <u>11,670</u> | <u>(50,180)</u> | <u>217,517</u> | <u>12,138</u> |
| Governmental activities long-term liabilities | <u>\$ 900,176</u> | <u>\$ 104,670</u> | <u>\$ (251,216)</u> | <u>\$ 753,630</u> | <u>\$ 228,041</u> |
| Business Type Activities | | | | | |
| Bonds and notes payable: | | | | | |
| 2003 MMBB | \$ 107,620 | \$ - | \$ (53,630) | \$ 53,990 | \$ 53,990 |
| 2013 MMBB | 26,384 | - | (4,386) | 21,998 | 4,391 |
| 2015 Note Payable | 52,744 | - | (17,049) | 35,695 | 17,576 |
| 2016 Note Payable | 73,000 | - | (10,000) | 63,000 | 63,000 |
| Total bonds and notes payable | <u>259,748</u> | <u>-</u> | <u>(85,065)</u> | <u>174,683</u> | <u>138,957</u> |
| Other liabilities: | | | | | |
| Compensated absences | 8,810 | - | (769) | 8,041 | - |
| Total other liabilities | <u>8,810</u> | <u>-</u> | <u>(769)</u> | <u>8,041</u> | <u>-</u> |
| Business type activities long-term liabilities | <u>\$ 268,558</u> | <u>\$ -</u> | <u>\$ (85,834)</u> | <u>\$ 182,724</u> | <u>\$ 138,957</u> |

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 |
| 2019 | \$ 209,277 | \$ 13,983 | \$ 138,958 | \$ 2,987 |
| 2020 | 84,599 | 7,632 | 22,514 | 577 |
| 2021 | 86,560 | 5,671 | 4,400 | 13 |
| 2022 | 71,663 | 3,656 | 4,404 | 9 |
| 2023 | 48,743 | 2,228 | 4,408 | 4 |
| 2024-2028 | 35,271 | 3,436 | - | - |
| | <u>\$ 536,113</u> | <u>\$ 36,606</u> | <u>\$ 174,684</u> | <u>\$ 3,590</u> |

The following is a summary of outstanding long-term liabilities at June 30, 2018:

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% | \$ 120,641 |
| \$34,750 Note Payable, issued 2015, due through 2018, with quarterly principal and interest installments of \$2,993. Interest charged at 2.01% | 5,940 |
| \$187,609 Note Payable, issued 2015, due through 2021, with semi-annual principal and interest installments of \$16,910. Interest charged at 2.42% | 112,761 |
| \$241,000 Note Payable, issued 2016, due through 2022, with annual principal and interest installments of \$43,230. Interest charged at 1.97% | 203,771 |
| \$28,000 Note Payable, issued 2018, due through 2022, with annual principal and interest installments of \$7,440. Interest charged at 2.45% | 28,000 |
| \$65,000 Note Payable, issued 2018, due through 2028, with annual principal and interest installments of \$7,741. Interest charged at 3.4% | 65,000 |
| Total governmental activity long-term liabilities | <u>\$ 536,113</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% | \$ 53,990 |
| \$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% | 21,998 |
| \$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. | 35,695 |
| \$83,000 Note Payable, issued 2016, due annually through 2019, with annual principal installments of \$10,000 and interest that varies. Interest charged at 1.6% | 63,000 |
| Total business-type activity long-term liabilities | <u>\$ 174,683</u> |

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 |
|--|-------------------------|
| 2019 | \$ 13,538 |
| 2020 | 13,538 |
| 2021 | 2,751 |
| 2022 | 1,834 |
| 2023 | <u>-</u> |
| Total Minimum Lease Payments | 31,661 |
| Less Amount Representing Interest | <u>2,632</u> |
| Present Value of Future Minimum Lease Payments | <u><u>\$ 29,029</u></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 07/01/17 | Additions | Deletions | Balance 06/30/18 |
|--------------------------|---------------------|--------------------|-------------|---------------------|
| Total capital assets | \$ 61,555 | \$ - | \$ - | \$ 61,555 |
| Accumulated depreciation | (14,882) | (12,311) | - | (27,193) |
| Net capital assets | <u>\$ 46,673</u> | <u>\$ (12,311)</u> | <u>\$ -</u> | <u>\$ 34,362</u> |

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018, consisted of the following individual fund receivables and payables:

| | Due From | | | | | | | |
|--------------------------|--------------|---------------------|--------------------------|--------------|------------|-----------------------|--------------|------------|
| | General Fund | Special Grants Fund | Other Governmental Funds | Airport Fund | Sewer Fund | Private-Purpose Funds | Agency Funds | Total |
| General Fund | \$ - | \$ 127,391 | \$ 90,488 | \$ 80,315 | \$ - | \$ - | \$ - | \$ 298,194 |
| Special Grants Fund | - | - | - | - | - | - | - | - |
| Other Governmental Funds | - | - | - | - | - | - | - | - |
| Airport Fund | - | - | - | - | - | - | - | - |
| Sewer Fund | - | - | 180,358 | - | - | - | - | 180,358 |
| Private-Purpose Funds | - | - | 2,000 | - | - | - | - | 2,000 |
| Agency Funds | - | - | - | - | - | - | - | - |
| Total | \$ - | \$ 127,391 | \$ 272,846 | \$ 80,315 | \$ - | \$ - | \$ - | \$ 480,552 |

Interfund balances represent amounts for pooled cash.

Interfund transfers at June 30, 2018 consisted of the following:

| | Transfer In | | | | | | | |
|--------------------------|--------------|---------------------|--------------------------|--------------|------------|-----------------------|--------------|----------|
| | General Fund | Special Grants Fund | Other Governmental Funds | Airport Fund | Sewer Fund | Private-Purpose Funds | Agency Funds | Total |
| General Fund | \$ - | \$ - | \$ 6,500 | \$ - | \$ - | \$ - | - | \$ 6,500 |
| Special Grants Fund | - | - | - | - | - | - | - | - |
| Other Governmental Funds | - | - | - | - | - | - | - | - |
| Airport Fund | - | - | - | - | - | - | - | - |
| Sewer Fund | - | - | - | - | - | - | - | - |
| Private-Purpose Funds | - | - | - | - | - | - | - | - |
| Agency Funds | - | - | - | - | - | - | - | - |
| Total | \$ - | \$ - | \$ 6,500 | \$ - | \$ - | \$ - | \$ - | \$ 6,500 |

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - FUND BALANCE COMPONENTS

At June 30, 2018, the components of fund balances consisted of the following:

| | Nonspendable | Restricted | Committed | Assigned |
|--------------------------|--------------|---------------------|-------------|-------------|
| General Fund | | | | |
| School Department | \$ - | \$ 819,817 | \$ - | \$ - |
| School Grants | - | 48,251 | - | - |
| Other Governmental Funds | | | | |
| Capital Projects | - | - | - | - |
| Micro Loan | - | 141,056 | - | - |
| Perpetual Care | - | 168,094 | - | - |
| Total | <u>\$ -</u> | <u>\$ 1,177,218</u> | <u>\$ -</u> | <u>\$ -</u> |

Capital projects fund has a deficit fund balance of \$242,347.

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 7.5% 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, 2018

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: 45% domestic equity, 7.5% US Government, 12.5% Credit, 10% diversifiers, 25% real assets

Net Pension Liability Sensitivity:

- 1) Discount rate 1% higher: \$41,003
- 2) Discount rate 1% lower: \$190,903

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 0.003% from the prior measurement date of June 30, 2016 to the current measurement date of June 30, 2017. The actuarial valuation date is June 30, 2017.

Pension expense recognized during June 30, 2018 was \$36,342.

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 |
|---|--|---------------------------|---|---|--|
| \$4,575 | \$30,353 | \$- | \$- | \$57,953 | \$92,881 |

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 |
|--|--|---------------------------|---|---|
| \$- | (\$31,953) | (\$1,699) | (\$11,854) | (\$45,506) |

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

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------|---------|-------|-----------|------|
| Deferred Outflows and (Inflows) | \$48,642 | \$3,830 | \$727 | (\$5,824) | \$- |

NOTE 12 - POST EMPLOYMENT HEALTHCARE BENEFITS PLAN

The City provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan.

The plan covers City employees. Benefit provisions are established through negotiations between the City and the various unions representing the employees. The City does not issue a stand-alone financial report for the plan.

At January 1, 2018, plan membership consisted of the following:

| | |
|---|----|
| Retired members and spouses of retired members | 0 |
| Active plan members | 11 |
| Total | 11 |

Funding Policy

The contribution requirements of plan members and the City are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute as established by the City and may be amended by the City.

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - POST EMPLOYMENT HEALTHCARE BENEFITS PLAN (CONTINUED)

Annual OPEB Cost and Net OPEB Liability

The City's annual other postemployment benefit (OPEB) cost is calculated based on the net OPEB liability, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The net OPEB liability represents the OPEB liability less the fiduciary net position.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------|------------------|
| Inflation | 3.00% |
| Salary increases | 2.75% |
| Medical Trend Rate | 4.00% - 9.60% |
| Cost method | Entry age normal |
| Amortization method | Level dollar |

Mortality rates were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table, with separate tables for males and females, using the RP-2014 Total Dataset Employee Mortality Table.

Actuarial experience study based on June 30, 2012 – June 30, 2015 period was used.

Net OPEB

The net OPEB liability at June 30, 2018 was as follows:

| | |
|-----------------------------|----------|
| Total OPEB liability | \$41,210 |
| Plan fiduciary net position | \$0 |
| Net OPEB Liability | \$41,210 |

Plan fiduciary net position as a percentage of the total OPEB liability 0.00%

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - POST EMPLOYMENT HEALTHCARE BENEFITS PLAN (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Medical Trend Rate

The following presents the net OPEB liability of the Plan, calculated using the current trend rate, as well as what the net OPEB (asset) liabilities would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--------------------|-------------|-----------------------|-------------|
| Net OPEB liability | \$33,632 | \$41,210 | \$51,131 |

Discount Rate

The discount rate used to measure the total OPEB liability was 3.44% (Bond Buyer 20-Bond GO Index) for the Plan. The projection of cash flows used to determine the discount rate assumed that plan member and City contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was not projected to make all projected future benefit payments of current plan members. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plans' fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient.

The following presents the net OPEB liability of the Plan, calculated using the current discount rate, as well as what the net OPEB (asset) liabilities would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--------------------|-------------|--------------------------|-------------|
| Net OPEB liability | \$49,986 | \$41,210 | \$34,272 |

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - POST EMPLOYMENT HEALTHCARE BENEFITS PLAN (CONTINUED)

Changes in net OPEB liability

| | Increase (Decrease) | | |
|---|--------------------------------|---------------------------------------|----------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
| Balances as of June 30, 2017 | \$ 30,103 | \$ - | \$ 30,103 |
| Changes for the year: | | | |
| Service cost | 5,621 | - | 5,621 |
| Interest on total OPEB liability | 1,350 | - | 1,350 |
| Difference between expected and actual exp. | (135) | - | (135) |
| Changes in assumptions | 4,284 | - | 4,284 |
| Employer contributions | - | 13 | (13) |
| Employee contributions | - | - | - |
| Net investment income | - | - | - |
| Benefit payments | (13) | (13) | - |
| Administrative expenses | - | - | - |
| Net changes | 11,107 | - | 11,107 |
| Balances as of June 30, 2018 | \$ 41,210 | \$ - | \$ 41,210 |

OPEB Expense

For the year ended June 30, 2018, the City recognized OPEB expense of \$7,432 for the Plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - POST EMPLOYMENT HEALTHCARE BENEFITS PLAN (CONTINUED)

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 13 - 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 14 - 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, 2018 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.

NOTE 15 - 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.

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 – PRIOR PERIOD ADJUSTMENT

Statement of Revenues, Expenditures, and Changes in Fund Balance

A correction was made to combine the School Lunch Fund with the General Fund. This increased beginning inventory by \$2,668, increased beginning accounts payable by \$2,499, increased beginning due to other funds by \$10,687, and decreased beginning Fund Balance by \$10,518.

Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds

A correction was made to combine the School Lunch Fund with the General Fund. This decreased beginning inventory by \$2,668, decreased beginning accounts payable by \$2,499, decreased beginning due to other funds by \$10,687, and increased beginning Fund Balance by \$10,518.

Statement of Activities

A correction was made to Long-term liabilities to record the beginning other post-employment benefits liability. This increased beginning long-term liabilities by \$30,103 and decreased beginning Net Position by \$30,103.

A correction was made to Capital Assets and Long-term liabilities to record a capital lease acquired. This increased beginning Capital Assets by \$10,419, increased long-term liabilities by \$10,011, and increased beginning Net Position by \$408.

NOTE 17 – SUBSEQUENT EVENTS

Adoption of New Accounting Pronouncements –

The GASB has issued the following statements, which will require adoption subsequent to June 30, 2018 and may be applicable to the City. The City has not yet adopted these statements, and the implication on the City's fiscal practices and financial reports is being evaluated.

| Statement No. | Title | Effective Date (FY begins after) |
|---------------|--|----------------------------------|
| 83 | Certain Asset Retirement Obligations | 06/15/18 |
| 84 | Fiduciary Activities | 12/15/18 |
| 87 | Leases | 12/15/19 |
| 88 | Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements | 06/15/18 |
| 89 | Accounting for Interest Cost Incurred before the End of a Construction Period | 12/15/19 |
| 90 | Majority Equity Interests | 12/15/18 |

CITY OF EASTPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 – MANAGEMENT REVIEW

Management has reviewed subsequent events as of May 29, 2019, 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 CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL – GENERAL FUND
 YEAR ENDED JUNE 30, 2018

| | Proposed Budget | Approved Budget | Actual | Variance Positive (Negative) |
|---|--------------------|--------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 3,186,122 | \$ 3,186,122 | \$ 3,167,114 | \$ (19,008) |
| Excise taxes | 205,000 | 205,000 | 207,377 | 2,377 |
| Fees and fines | 47,000 | 47,000 | 58,666 | 11,666 |
| Licenses and permits | 2,420 | 2,420 | 5,457 | 3,037 |
| Intergovernmental | 359,098 | 359,098 | 738,188 | 379,090 |
| Charges for services | 816,239 | 816,239 | 780,973 | (35,266) |
| Investment earnings | 2,300 | 2,300 | 4,732 | 2,432 |
| Grant revenue | - | - | - | - |
| Miscellaneous | 9,100 | 9,100 | 12,608 | 3,508 |
| TOTAL REVENUES | 4,627,279 | 4,627,279 | 4,975,115 | 347,836 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 447,767 | 447,767 | 460,082 | (12,315) |
| Public safety | 445,512 | 445,512 | 452,418 | (6,906) |
| Public works | 562,935 | 562,935 | 577,955 | (15,020) |
| Health, welfare and sanitation | 188,815 | 188,815 | 183,634 | 5,181 |
| Culture and recreation | 8,750 | 8,750 | 5,925 | 2,825 |
| Cemeteries | 25,417 | 25,417 | 25,885 | (468) |
| Education | 2,451,897 | 2,451,897 | 2,344,461 | 107,436 |
| County tax | 227,966 | 227,966 | 234,629 | (6,663) |
| Capital outlay | - | - | 128,000 | (128,000) |
| Debt service: | | | | |
| Principal retirement | 170,288 | 170,288 | 155,446 | 14,842 |
| Interest expense | 7,922 | 7,922 | 13,382 | (5,460) |
| TOTAL EXPENDITURES | 4,537,269 | 4,537,269 | 4,581,817 | (44,548) |
| NET CHANGE IN FUND BALANCE | 90,010 | 90,010 | 393,298 | 303,288 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Prior year fund balance utilization | - | - | - | - |
| Issuance of debt | - | - | 93,000 | 93,000 |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (6,500) | (6,500) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | 86,500 | 86,500 |
| NET CHANGE IN FUND BALANCE | \$ 90,010 | \$ 90,010 | \$ 479,798 | \$ 389,788 |

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, 2018

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|------|
| Proportion of the net pension liability | 0.007489% | 0.008297% | 0.009178% | 0.092470% | * |
| Proportionate share of net pension liability | \$ 108,795 | \$ 146,580 | \$ 123,914 | \$ 99,898 | * |
| Covered-employee payroll | \$ 1,109,223 | \$ 1,075,009 | \$ 1,094,979 | \$ 1,133,867 | * |
| Proportionate share of the net pension liability as a percentage of covered-employee payroll | 9.81% | 13.64% | 11.32% | 8.81% | * |
| Plan fiduciary net position as a percentage of the total pension liability | 86.40% | 76.21% | 88.27% | 83.91% | * |

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|------|------|------|------|------|
| 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, 2018

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------------|-----------------|-----------------|-----------------|----------|
| Actuarially determined contribution | \$ 57,953 | \$ 45,772 | \$ 47,124 | \$ 44,708 | * |
| Contributions in relation to the actuarially determined contribution | <u>\$ (57,953)</u> | <u>(45,772)</u> | <u>(47,124)</u> | <u>(44,708)</u> | <u>*</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>*</u> | <u>*</u> |
| Covered-employee payroll | \$ 1,109,223 | \$ 1,075,009 | \$ 1,094,979 | \$ 1,133,867 | * |
| Contributions as a percentage of covered-employee payroll | 5.22% | 4.26% | 4.30% | 3.94% | * |

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|----------|----------|----------|----------|----------|
| Actuarially determined contribution | * | * | * | * | * |
| Contributions in relation to the actuarially determined contribution | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| 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
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS
JUNE 30, 2018

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------------|----------|----------|----------|----------|
| Total OPEB Liability: | | | | | |
| Service cost | \$ 5,621 | * | * | * | * |
| Interest on total OPEB liability | 1,350 | * | * | * | * |
| Differences between expected and actual exp. | (135) | | | | |
| Changes of assumptions | 4,284 | * | * | * | * |
| Benefit payments | (13) | * | * | * | * |
| Net change in total OPEB liability | 11,107 | * | * | * | * |
| Total OPEB liability, beginning | 30,103 | * | * | * | * |
| Total OPEB liability, ending | <u>\$ 41,210</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| Fiduciary Net Position: | | | | | |
| Employer contributions | 13 | * | * | * | * |
| Employee contributions | - | * | * | * | * |
| Net investment income | - | * | * | * | * |
| Benefit payments | (13) | * | * | * | * |
| Net change in plan fiduciary net position | - | * | * | * | * |
| Fiduciary net position, beginning | - | * | * | * | * |
| Fiduciary net position, ending | <u>\$ -</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| Net OPEB liability, ending | \$ 41,210 | * | * | * | * |
| Fiduciary net position as a % of total OPEB liability | 0.00% | * | * | * | * |
| Covered payroll | \$ 411,998 | * | * | * | * |
| Net OPEB liability as a % of covered payroll | 10.00% | * | * | * | * |

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|----------|----------|----------|----------|----------|
| Total OPEB Liability: | | | | | |
| Service cost | * | * | * | * | * |
| Interest on total OPEB liability | * | * | * | * | * |
| Differences between expected and actual exp. | * | * | * | * | * |
| Changes of assumptions | * | * | * | * | * |
| Benefit payments | * | * | * | * | * |
| Net change in total OPEB liability | * | * | * | * | * |
| Total OPEB liability, beginning | * | * | * | * | * |
| Total OPEB liability, ending | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| Fiduciary Net Position: | | | | | |
| Employer contributions | * | * | * | * | * |
| Employee contributions | * | * | * | * | * |
| Net investment income | * | * | * | * | * |
| Benefit payments | * | * | * | * | * |
| Net change in plan fiduciary net position | * | * | * | * | * |
| Fiduciary net position, beginning | * | * | * | * | * |
| Fiduciary net position, ending | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| Net OPEB liability, ending | * | * | * | * | * |
| Fiduciary net position as a % of total OPEB liability | * | * | * | * | * |
| Covered payroll | * | * | * | * | * |
| Net OPEB liability as a % of covered 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, 2018

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 | \$ 4,975,115 |
|---|--------------|

Differences - budget to GAAP:

| | |
|------|----------|
| None | <u>-</u> |
|------|----------|

| | |
|--|----------------------------|
| Total revenues as reported on the statement of revenues, | <u><u>\$ 4,975,115</u></u> |
|--|----------------------------|

Expenditures:

| | |
|---|--------------|
| Actual amounts (budgetary basis) from the budgetary comparison schedule | \$ 4,581,817 |
|---|--------------|

Differences - budget to GAAP:

| | |
|--|---------|
| Expenditures related to accrued payroll are not budgeted as expenditures, but are recorded as expenditures for GAAP. | (6,972) |
|--|---------|

| | |
|---|----------------|
| Expenditures related to grant expenditures are not predictable and are not budgeted as expenditures, but are recorded as expenditures for GAAP. | <u>211,630</u> |
|---|----------------|

| | |
|--|----------------------------|
| Total expenditures as reported on the statement of revenues, | <u><u>\$ 4,786,475</u></u> |
|--|----------------------------|

NOTE 3 – OVERSPENT APPROPRIATIONS

There are no materially overspent appropriations