

FEB 16 2017

CITY OF BELFAST, MAINE
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Belfast, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of City of Belfast, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including 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 the City of Belfast, Maine, as of June 30, 2016 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 14 and 40 through 41 be presented to supplement the basic financial statements. Such information, although not 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belfast, Maine's basic financial statements. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, the detailed budgetary comparison schedule, the schedule of expenditures of federal awards, and the other schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2017, on our consideration of the City of Belfast, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements or 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 Belfast, Maine's internal control over financial reporting and compliance.

C. H. Down + Co.

February 8, 2017
Brewer, Maine

CITY OF BELFAST, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Belfast, we offer readers of the City of Belfast's financial statements this narrative overview and analysis of the financial activities of the City of Belfast for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

The assets of the City of Belfast exceeded its liabilities and deferred inflows at June 30, 2016 by \$53,226,383. Of this amount unrestricted net position of \$3,472,430 may be used to meet the government's ongoing obligations to citizens and creditors.

The total net position increased by \$2,320,977. Of this amount \$2,159,447 was associated with governmental and \$161,530 with business-type activities.

As of the close of the current fiscal year, the City of Belfast's governmental funds reported combined ending balances of \$5,016,481 an increase of \$1,651,272 in comparison with the prior year. Of this amount \$2,068,254 is unreserved and available for spending, and \$0 has been designated for specific future uses by the City Council.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,068,254, or 8% of total General Fund expenditures.

The City of Belfast's total debt obligations (including post retirement benefits) decreased by the net of \$644,442.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some

items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Belfast include general government, public safety, parks and recreation, culture, community services, community development and other charges. The major business-type activity of the City is their sewer treatment system.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Belfast can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains two individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered a major fund and the Capital Projects Fund which are presented separately for the purpose of consistency.

The City of Belfast adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the fiscal year 2016 budget.

PROPRIETARY FUNDS

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Belfast maintains one type of proprietary fund; - enterprise,

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Belfast utilizes one enterprise fund account for its sewer treatment system.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds financial statements can be found in exhibits J and K of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining and individual fund statements referred to earlier in connection with nonmajor funds are presented immediately after the basic financial statements. Also, included are budget comparisons for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2016, the City's assets exceeded liabilities and deferred inflows by \$53,226,383. By far the largest portion of the City's net position (86 percent) reflects its investments in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. See appendixes for a comparative statement of net position (Table 1) and comparative statement of changes in net position. (Table 2).

Governmental Activities: Governmental activities increased the City's net position by \$2,159,447.

Business-Type Activities: Business-type activities increased the City's net position by \$161,530. This increase consists principally of \$170,452, the transfer from the General Fund for partial debt service.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Belfast uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of

spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$5,016,481 an increase of \$1,651,272 in comparison with the prior year. Of this amount, \$2,068,254 (41 percent) is unreserved General Fund balance, which is available for spending at the government's discretion. Of the unreserved fund balance \$0 has been designated by the City Council for subsequent years' expenditure and other uses leaving and unreserved undesignated amount of \$2,068,254. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed (1) for reserve for capital projects, \$862,323, (2) for unspent funds on construction in progress, \$1,634,296, and (3) special purposes, \$456,608.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$2,068,254 while the total fund balance totaled \$5,016,481. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8 percent of total General Fund expenditures, while total fund balance represents 21 percent of that amount.

The fund balance of the City's General Fund increased by \$268,301 during the current fiscal year. The revenues increased by 3 percent and the expenditures increased by 2 percent resulting in an increase of revenues over expenditures of \$334,937. \$170,452 was transferred to the sewer department fund to cover partial debt service.

The Capital Projects Fund has a total fund balance of \$2,491,619. Of that amount \$862,323 is designated for future capital projects; \$1,629,296 is designated for current construction in progress.

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

Unrestricted net position of the sewer department fund at the end of the year was \$1,422,185. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

For budgetary financial purposes, all balances carried from the prior year are added to the subsequent year's total appropriation. This resulted in an overall budgetary increase of \$61,222. There were minimal additional amendments to the originally adopted budget. These appropriations were taken from surplus.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental and business-type activities at June 30, 2016 amounts to \$54,043,182 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, automobiles, trucks, equipment and streetlights.

Major capital assets events during the current fiscal year included the following:

Governmental Activities:

	<u>Fiscal Year</u>
Equipment:	
Land	\$ —
Buildings	12,850
Equipment	360,867
Infrastructure	<u>2,705,820</u>
Total Capitalization-Governmental	<u><u>\$3,079,537</u></u>

Sewer Department Activities:

Equipment	\$ —
Infrastructure	<u>23,349</u>
Total Capitalization-Sewer	<u><u>\$ 23,349</u></u>

Long-term Debt: At the end of the current fiscal year, the City had \$8,297,185 in outstanding debt consisting of general obligation bonds of \$7,925,657 and \$371,528 in accrued compensated absences.

The City's general obligation debt has not been rated by Standard & Poor's or Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total State assessed valuation. The current debt limit for the City is \$124,522,500, an amount which is significantly in excess of existing general obligation debt.

More detailed information about the City's long-term debt is presented in note E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During 2016, the City of Belfast was fortunate to continue to experience substantial business development activity. This activity was restricted neither to certain types or sizes of businesses nor to specific areas of the City. Some notable economic development-related events that occurred in Belfast during 2016 included the following:

1. Athenahealth has now fully occupied its former warehouse building that was renovated into a processing center in 2015 and now has approximately 925 employees at its Belfast facility overall.
2. OnProcess Technology, a reverse logistics company based in Ashland, Massachusetts, expanded into a portion of the former MBNA campus in the fall of 2015 and now has approximately 152 employees.
3. Waldo County General Hospital began construction of a new 19,800 square foot building that is expected to open in the spring of 2017.

4. Nautilus Seafood & Grill, a restaurant formerly located on the east side of Belfast, relocated into the former Weathervane Seafood Restaurant located adjacent to Belfast City Landing.
5. United Farmers Market of Belfast, to be located in the former Mathews Brothers building at the corner of Cross and Spring Streets, was approved by the Belfast Planning Board in March of 2016 and has begun to make renovations in anticipation of opening in the spring of 2017.
6. Rollie's Bar and Grill purchased a piece of land from the City and has begun construction of a new addition.

Over the past 13 months for which data is available (October 2015-October 2016, Belfast's unemployment rate (not seasonally adjusted) decreased from 4.2% to 3.8% during that time period. In comparison, during that same time period, the unemployment for the State of Maine decreased from 3.5% to 3.4% (ranging from 4.6% to 3.3%), and the unemployment rate for the United States decreased from 4.8% to 4.7% (ranging from 5.3% to 4.5%). As has been mentioned before, Belfast is known to as a *net importer* of jobs, meaning that there are more people who work in Belfast but live outside than those who live in Belfast but work outside. While this could be attributable to relative lower property tax rates in the communities that surround Belfast, this could also be attributed to a lack of quality workforce housing within Belfast, forcing lower-wage workers to commute to their jobs.

Looking at the 5 most recent quarters from which taxable retail sales data is available (3rd quarter of 2015 – 3rd quarter of 2016) total quarterly taxable retail sales for the City of Belfast increased from \$46,719,800 to \$49,043,200, representing an increase of 4.97%. This lagged the rate of growth for total quarterly taxable sales for the State of Maine, which increased during that same period by 6.42%. Particular categories of Belfast taxable retail sales to be noted include the following: food stores, which increased by 29.66% (compared to an increase of 24.52% for the State of Maine); business operations, which increased by 24.63% (compared to an increase of 24.52% for the State of Maine); and restaurants, which increased by 5.40% (compared to an increase of 5.61% for the State of Maine). However, there were three categories of Belfast quarterly taxable retail sales that experienced declines during this period: automobile/transportation, which decreased by 7% (compared to an increase of 1.56% for the State of Maine); lodging, which decreased by 1.22% (compared to an increase of 9.87% for the State of Maine), and building supplies, which decreased by 1.05% (compared to an increase of 3.97% for the State of Maine).

The City of Belfast continues to enhance and improve both its community-related and its business-related infrastructure. During 2016, three significant projects reached substantial completion: 1.) a \$3.8 million reconstruction, realignment, and enhancement of a significant portion of Front Street, a project that was done in partnership with the Belfast Water District and was partially funded by a \$1.9 million grant from the U.S. Economic Development Administration 2.) the completion of the *Belfast Rail Trail on the Passagassawaukeag*, connecting it to the already-completed *Belfast Harbor Walk*; 3.) the demolition of structures and the remediation of contaminated soil in areas along Washington Street, an approximately \$1.5 million project undertaken by Central Maine Power; and 4.) completion of the City's \$300,000 Community Development Block Grant (CDBG) Housing Assistance grant, which was used to make improvements to approximately 52 housing units over 11 separate properties in Belfast that were (and continue to be) occupied by low-to-moderate income individuals and households.

In 2017, there are several significant projects that are expected to make substantial progress, including: 1.) the final remediation of the City-owned parcel located at 45 Front Street; 2.) an approximately \$7.6 million renovation of the Belfast Area High School, and 3.) the construction of a new downtown Waldo County courthouse, an approximately \$17 million project.

The City of Belfast continues to aggressively pursue grant funding to help pay for the cost of infrastructure and other economic development-related projects. In 2016, the City of Belfast was awarded a \$400,000 U.S. Environmental Protection Agency Brownfields Assessment Grant, which will be used to pay for environmental assessment work for contaminated sites that have redevelopment potential.

Regarding property values, the value of residential property within Belfast increased only slightly, from \$447,278,400 in fiscal year 2014-2015, to \$449,143,800 in fiscal year 2015-2016; this represented an increase of 0.4%. However, during that same period of time, the value of commercial property within Belfast decreased (albeit only slightly), from \$182,394,600 in fiscal year 2014-2015 to \$179,790,800 in fiscal year 2015-2016, representing a decrease of 1.4%. Regarding personal property, the value of personal property in the Business Equipment Tax Exemption (BETE) program increased substantially from \$14,250,000 in fiscal year 2014-2015 to \$16,677,000 in fiscal year 2015-2016, representing an increase of 17.0%. However during that same time period the value of personal property in the Business Equipment Tax Reimbursement (BETR) program decreased dramatically, going from \$8,813,068 in fiscal year 2014-2015 to \$4,992,610 in fiscal year 2015-2016, experiencing a decrease of 44.1%.

Significant amounts of both real and personal property within Belfast are located and sheltered within the City's two existing Tax Increment Financing (TIF) districts; these are the Northport Avenue TIF district (established in 2006) and the Downtown-Waterfront TIF district (established in 2007). In fiscal year 2015-2016, the combined total value gained (increment) for these two districts was \$8,543,018; this was a decrease of 10.9% from its fiscal year 2014-2015 total of \$9,592,320. At the City's current mil rate of 22.9, this incremental value of \$8,543,018 would be expected to generate \$195,635.11 in annual TIF revenue. At the time of this report, the City has not yet entered into any credit enhancement agreements (where some or all of the incremental/additional property taxes can be refunded to a private entity). All TIF revenue is currently controlled by the City to be spent on projects that are eligible under the TIF statute and are listed in the TIF districts' development plans.

Concerns continue to be raised with greater frequency regarding a lack of housing. Affordable housing was identified in the 2014 Waldo Community Action Partners Community Needs Survey as by far the biggest need in Waldo County, selected by 35.0% of respondents; the next most frequent choice after affordable housing was transportation at only 16.9%. Statistics support the notion that it is difficult to purchase quality housing in Belfast. According to the Maine Housing Authority, Waldo County's 2015 homeownership affordability index was 1.06 (an index value of greater than 1 means that an area is considered to be generally affordable), whereas Belfast's homeownership affordability index in 2015 was only 0.66 (meaning it was considered to be significantly unaffordable). Currently, 65.8% of Belfast households are unable to afford the median-priced Belfast home, the highest percentage among all Waldo County communities. In 2017, the City of Belfast may choose to increase its focus on supporting the creation of

additional housing within Belfast, particularly workforce housing.

Looking ahead, the Maine Consensus Forecasting Economic Commission (CEFC), in their most recent (November 1, 2016) report, made modest revisions to only some of its indicator forecasts from February of 2016, while leaving others unchanged. The CEFC revised its forecast for personal income downward by 0.4% in 2017, downward by 0.1% in 2018, and upward by 0.1% in 2019. The CEFC revised its forecast for wage salary income downward by 0.2% in 2017 but left it unchanged in both 2018 and 2019. The CEFC left both its forecasts for wage and salary employment and for the consumer price index for 2017, 2018, and 2019 unchanged.

Positive indicators pointed out by the CEFC in its report included an increase in Maine's real gross domestic product at a higher rate than that of the United States and the 4th consecutive quarter of real gross domestic product growth; a rebound in housing permits in Maine; a slight decrease in Maine's foreclosure rate (though its foreclosure rate has been higher than that of the United States for 15 out of the past 16 quarters); a modest acceleration in job and total wage growth during the last 2 years (adjusted for inflation, average wage growth the last two years has been the highest in more than a decade). Negative indicators pointed out by the CEFC in its report included Maine reaching a new high point (25.8%) in its debt-to-income ratio; and Maine having a higher percentage of mortgages that are delinquent 30 days than that of the United States for the past 17 consecutive quarters.

In its report, the CEFC conveyed mixed feelings regarding the economy and discussed its concerns: "The Maine and U.S. economies have generally improved since the Consensus Economic Forecasting Commission (CEFC) last met in January 2016, although growth in Maine's economy continues to lag national growth in some areas...Overall, the primary source of concern for the CEFC continues to be Maine's demographic situation with an employment growth over the next few years."

As has been the case for several years, an opinion of cautious optimism regarding the economy of Belfast can be derived from the combination of individual positive business developments taking place in Belfast itself and indicators revealing the continued existence of weakened state and national economies. The City of Belfast should, by means of its various economic development strategies and initiatives, attempt to pursue important economic and community development goals including the attraction and development of quality jobs, the reduction of poverty, and the development of new housing to ensure its continued economic success and stability.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Manager at City of Belfast, 131 Church Street, Belfast, Maine 04915.

Table 1

City of Belfast, Maine
Comparative Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current & Other Assets	\$ 6,434,265	\$ 4,807,441	\$ 2,142,588	\$ 2,162,576	\$ 8,576,853	\$ 6,970,017
Capital Assets (Net)	<u>35,554,876</u>	<u>33,128,776</u>	<u>18,488,306</u>	<u>18,765,107</u>	<u>54,043,182</u>	<u>51,893,883</u>
Total Assets	<u>41,989,141</u>	<u>37,936,217</u>	<u>20,630,894</u>	<u>20,927,683</u>	<u>62,620,035</u>	<u>58,863,900</u>
Long-Term Liabilities Outstanding	4,241,698	2,266,031	4,055,487	4,511,607	8,297,185	6,777,638
Other Liabilities	<u>1,079,265</u>	<u>1,161,455</u>	<u>17,202</u>	<u>19,401</u>	<u>1,096,467</u>	<u>1,180,856</u>
Total Liabilities	<u>5,320,963</u>	<u>3,427,486</u>	<u>4,072,689</u>	<u>4,531,008</u>	<u>9,393,652</u>	<u>7,958,494</u>
Net Position:						
Invested in Capital Assets Net of Related Debt	31,684,706	31,220,284	14,276,849	14,253,500	45,961,555	45,473,784
Restricted	2,948,227	1,471,209	859,171	841,182	3,807,398	2,312,391
Unrestricted	<u>2,035,245</u>	<u>1,817,238</u>	<u>1,422,185</u>	<u>1,301,993</u>	<u>3,457,430</u>	<u>3,119,231</u>
Total Net Position	<u>\$ 36,668,178</u>	<u>\$ 34,508,731</u>	<u>\$ 16,558,205</u>	<u>\$ 16,396,675</u>	<u>\$ 53,226,383</u>	<u>\$ 50,905,406</u>

City of Belfast, Maine
Comparative Statement of Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Revenues:</u>						
Program Revenues:						
Charges for Service/Fees	\$ 1,863,976	\$ 2,578,387	\$ 855,939	\$ 823,050	\$ 2,719,915	\$ 3,401,437
Operating Grants and Contrib.	321,435	311,492	-	-	321,435	311,492
Capital Grants and Contrib.	75,000	75,000	-	-	75,000	75,000
General Revenues:						
Property Taxes	15,816,396	15,212,480	-	-	15,816,396	15,212,480
Excise Taxes	1,034,106	985,363	-	-	1,034,106	985,363
Intergovernmental - Other	965,218	742,616	-	-	965,218	742,616
Other	5,896,643	503,919	1,306	2,247	5,897,949	506,166
Total Revenues	<u>25,972,774</u>	<u>20,409,257</u>	<u>857,245</u>	<u>825,297</u>	<u>26,830,019</u>	<u>21,234,554</u>
<u>Expenses:</u>						
General Government	3,209,117	2,307,164	-	-	3,209,117	2,307,164
Protection	2,553,316	2,557,762	-	-	2,553,316	2,557,762
Public Works	2,398,432	2,677,606	-	-	2,398,432	2,677,606
Social Services	510,402	208,214	-	-	510,402	208,214
Parks & Recreation	280,792	341,839	-	-	280,792	341,839
Library	528,891	514,190	-	-	528,891	514,190
Cemeteries	168,793	85,377	-	-	168,793	85,377
Education	9,969,316	9,804,003	-	-	9,969,316	9,804,003
County Tax	1,376,367	1,374,077	-	-	1,376,367	1,374,077
Interest on Debt	175,267	166,387	-	-	175,267	166,387
Unclassified	406,623	666,226	-	-	406,623	666,226
Sewer Department	-	-	899,678	861,641	899,678	861,641
Total Expenses	<u>21,577,316</u>	<u>20,702,845</u>	<u>899,678</u>	<u>861,641</u>	<u>22,476,994</u>	<u>21,564,486</u>
Increase (Decrease) in Net Position Before Transfers	4,395,458	(293,588)	(42,433)	(36,344)	4,353,025	(329,932)

City of Belfast, Maine
Comparative Statement of Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Transfers	(2,236,011)	194,948	203,963	202,630	(2,032,048)	397,578
Reserve for Uncollectibles	-	(393,254)	-	-	-	(393,254)
Increase (Decrease) in Net Assets	2,159,447	(491,894)	161,530	166,286	2,320,977	(325,608)
Net Position - Beginning	34,508,731	35,000,625	16,396,675	16,230,389	50,905,406	51,231,014
Net Position - Ending	<u>\$ 36,668,178</u>	<u>\$ 34,508,731</u>	<u>\$ 16,558,205</u>	<u>\$ 16,396,675</u>	<u>\$ 53,226,383</u>	<u>\$ 50,905,406</u>

City of Belfast, Maine
Government-Wide Statement of Net Position
June 30, 2016

Exhibit A

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash & Cash Equivalents	\$ 2,332,586	\$ -	\$ 2,332,586
Investments	2,010,121	762,147	2,772,268
Due from other Funds	-	891,469	891,469
Receivables (Net of Allowance for Doubtful Accounts):			
Taxes	830,249	-	830,249
Accounts	1,261,309	488,972	1,750,281
Total Current Assets	<u>6,434,265</u>	<u>2,142,588</u>	<u>8,576,853</u>
Capital Assets:			
Land	10,175,461	1,485,000	11,660,461
Construction In Progress	1,380,835	-	1,380,835
Buildings & Improvements	9,476,855	652,158	10,129,013
Vehicles & Equipment	5,785,765	167,625	5,953,390
Infrastructure	23,563,873	24,613,857	48,177,730
Total Capital Assets	<u>50,382,789</u>	<u>26,918,640</u>	<u>77,301,429</u>
Less Accumulated Depreciation	(14,827,913)	(8,430,334)	(23,258,247)
Net Capital Assets	<u>35,554,876</u>	<u>18,488,306</u>	<u>54,043,182</u>
Total Assets	<u>41,989,141</u>	<u>20,630,894</u>	<u>62,620,035</u>
<u>LIABILITIES</u>			
Account Payable	85,419	-	85,419
Other Liabilities	21,084	-	21,084
Accrued Interest Payable	17,018	17,202	34,220
Due to other Funds	900,119	-	900,119
Taxes Collected In Advance	55,625	-	55,625
Bonds and Notes:			
Due Within One Year	284,280	438,355	722,635
Total Current Liabilities	<u>1,363,545</u>	<u>455,557</u>	<u>1,819,102</u>
Long-Term Liabilities			
Bonds and Notes:			
Due in More Than One Year	3,585,890	3,617,132	7,203,022
Compensated Absences	371,528	-	371,528
Total Long-Term Liabilities	<u>3,957,418</u>	<u>3,617,132</u>	<u>7,574,550</u>
Total Liabilities	<u>5,320,963</u>	<u>4,072,689</u>	<u>9,393,652</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	31,684,706	14,276,849	45,961,555
Restricted For:			
TIF	-	96,524	96,524
Infrastructure Maintenance & Upgrade	-	762,647	762,647
Capital Projects	2,491,619	-	2,491,619
Special Purposes	456,608	-	456,608
Unrestricted	2,035,245	1,422,185	3,457,430
Total Net Position	<u>\$ 36,668,178</u>	<u>\$ 16,558,205</u>	<u>\$ 53,226,383</u>

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Government-Wide Statement of Activities
For the Year Ended June 30, 2016

Program Activities	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Fees, Fines, & Charges for Service	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities							
General Government	\$ 3,209,117	\$ 236,087	\$ -	\$ -	\$ (2,973,030)	\$ -	\$ (2,973,030)
Protection	2,553,316	1,154,251	66,063	-	(1,333,002)	-	(1,333,002)
Public Works	2,398,432	341,226	135,372	-	(1,921,834)	-	(1,921,834)
Social Services	510,402	-	-	-	(510,402)	-	(510,402)
Parks & Recreation	280,792	4,971	-	-	(275,821)	-	(275,821)
Library	528,891	-	-	75,000	(453,891)	-	(453,891)
Cemeteries	168,793	-	120,000	-	(48,793)	-	(48,793)
Education	9,969,316	-	-	-	(9,969,316)	-	(9,969,316)
County Tax	1,376,367	-	-	-	(1,376,367)	-	(1,376,367)
Interest on Long-Term Debt	175,267	-	-	-	(175,267)	-	(175,267)
Unclassified	406,623	127,441	-	-	(279,182)	-	(279,182)
Total Governmental Activities	<u>21,577,316</u>	<u>1,863,976</u>	<u>321,435</u>	<u>75,000</u>	<u>(19,316,905)</u>	<u>-</u>	<u>(19,316,905)</u>
Business-Type Activities							
Sewer Department	<u>899,678</u>	<u>855,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,739)</u>	<u>(43,739)</u>
Total Business-Type Activities	<u>899,678</u>	<u>855,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,739)</u>	<u>(43,739)</u>
Total Government	<u>\$ 22,476,994</u>	<u>\$ 2,719,915</u>	<u>\$ 321,435</u>	<u>\$ 75,000</u>	<u>(19,316,905)</u>	<u>(43,739)</u>	<u>(19,360,644)</u>

City of Belfast, Maine
Government-Wide Statement of Activities
For the Year Ended June 30, 2016

	Net (Expense) Revenues and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Totals
General Revenues:			
Taxes:			
Property	15,816,396	-	15,816,396
Excise	1,034,106	-	1,034,106
Interest on Taxes	70,408	-	70,408
Investment Earnings	8,175	1,306	9,481
Miscellaneous	5,526,621	-	5,526,621
Intergovernmental, Not Restricted to Specific Functions	965,218	-	965,218
Lease & Rental Income	109,871	-	109,871
Cable TV Receipts	74,723	-	74,723
Payment in Lieu of Taxes	7,800	-	7,800
Special Projects (Net)	99,045	-	99,045
Reserve for Uncollectible Transfers	-	-	-
	<u>(2,236,011)</u>	<u>203,963</u>	<u>(2,032,048)</u>
Total General Revenues and Transfers	<u>21,476,352</u>	<u>205,269</u>	<u>21,681,621</u>
Changes in Net Position	<u>2,159,447</u>	<u>161,530</u>	<u>2,320,977</u>
Net Position, Beginning	<u>34,508,731</u>	<u>16,396,675</u>	<u>50,905,406</u>
Net Position, Ending	<u>\$ 36,668,178</u>	<u>\$ 16,558,205</u>	<u>\$ 53,226,383</u>

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Balance Sheet - Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,327,950	\$ 4,636	\$ 2,332,586
Investments	1,152,114	858,007	2,010,121
Receivables (Net of Allowance for Doubtful Accounts):			
Taxes	830,249	-	830,249
Accounts	1,261,309	-	1,261,309
Due from Other Funds	-	1,628,976	1,628,976
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 5,571,622</u>	<u>\$ 2,491,619</u>	<u>\$ 8,063,241</u>
<u>LIABILITIES & FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 85,419	\$ -	\$ 85,419
Other Liabilities & Accruals	21,084	-	21,084
Due to Other Funds	2,529,095	-	2,520,095
Taxes Collected In Advance	55,625	-	55,625
Total Liabilities	<hr/>	<hr/>	<hr/>
Deferred Inflow of Resources			
Unavailable Revenue-Property Taxes	355,537	-	355,537
	<hr/>	<hr/>	<hr/>
<u>Fund Balances</u>			
Nonspendable	-	-	-
Restricted	-	2,491,619	2,491,619
Committed	456,608	-	456,608
Assigned	-	-	-
Unassigned	2,068,254	-	2,068,254
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>2,524,862</u>	<u>2,491,619</u>	<u>5,016,481</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities & Fund Balances	<u>\$ 5,571,622</u>	<u>\$ 2,491,619</u>	<u>\$ 8,063,241</u>

City of Belfast, Maine
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Statement of Net Position
 June 30, 2016

Exhibit D

Total Fund Balances - Total Governmental Funds \$ 5,016,481

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

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Non-depreciable capital assets	\$11,556,296	
Depreciable capital assets, net	<u>23,998,580</u>	
Total capital assets		35,554,876

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet (17,018)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

The long-term liabilities were adjusted as follows:

Long-term bond liabilities-due within one year	284,280	
Long-term bond liabilities-due in more than one year	3,585,890	
Compensated absences	<u>371,528</u>	
Total long-term liabilities		(4,241,698)

Other deferred inflow of resources not available to pay for current period expenditures in the governmental funds-property taxes 355,537

Net position of governmental activities \$ 36,668,178

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$ 15,748,427	\$ -	\$ 15,748,427
Excise Taxes	1,034,106	-	1,034,106
Intergovernmental	1,166,653	-	1,166,653
Charges for Services	1,882,304	-	1,882,304
Investment Income	6,196	1,979	8,175
Interest on Taxes	70,408	-	70,408
Special Purpose Accts.	353,023	-	353,023
Miscellaneous	657,539	5,238,148	5,895,687
Total Revenues	<u>20,918,656</u>	<u>5,240,127</u>	<u>26,158,783</u>
<u>Expenditures:</u>			
General Government	2,284,454	867,565	3,152,019
Protection	2,472,899	13,850	2,486,749
Public Works	2,050,978	2,957,035	5,008,013
Social Services	510,402	-	510,402
Parks & Recreation	238,694	42,344	281,038
Library	438,011	22,956	460,967
Cemeteries	101,293	72,385	173,678
Education	9,969,316	-	9,969,316
County Tax	1,376,367	-	1,376,367
Debt Service	357,761	-	357,761
Special Purpose Accts.	253,978	-	253,978
Unclassified	322,277	73,334	395,611
Total Expenditures	<u>20,376,430</u>	<u>4,049,469</u>	<u>24,425,899</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>542,226</u>	<u>1,190,658</u>	<u>1,732,884</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	83,235	376,274	459,509
Operating Transfers (Out)	(352,160)	(188,961)	(541,121)
Reserve for Uncollectible	-	-	-
Total Other Financing Sources & Uses	<u>(268,925)</u>	<u>187,313</u>	<u>(81,612)</u>
Net Changes in Fund Balances	273,301	1,377,971	1,651,272
Fund Balance - Beginning	<u>2,251,561</u>	<u>1,113,648</u>	<u>3,365,209</u>
Fund Balance - Ending	<u>\$ 2,524,862</u>	<u>\$ 2,491,119</u>	<u>\$ 5,016,481</u>

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
 Reconciliation of the Governmental Funds Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Government-Wide Statements of Activities
 For the Year ended June 30, 2016

Exhibit F

Net Change in Fund Balance - Total Government Funds	\$ 1,651,272
Amounts reported by governmental activities in the Statement of Activities and changes in Net Position were different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	925,138
The net effect of various transactions involving capital assets (i.e., notes, sales, trade-ins, and contributions) is to increase/(decrease) net position:	
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in government funds.	(653,437)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of long-term debt provides current financial resources. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	188,322
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in government funds. (compensated absences)	(13,989)
Some net property tax collected for several months after the City's fiscal year end, (deferred inflow of resources), that are not available revenues in the governmental fund.	67,969
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	<u>(5,828)</u>
Change in net position of governmental activities	<u><u>\$ 2,159,447</u></u>

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Statement of Net Position
Proprietary Fund (Sewer)
For the Years Ended June 30, 2016

	<u>2016</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Due from General Fund	\$ 891,469
Pooled Investments	762,147
Receivables:	
Sewage Treatment Services (Net Allowance for Doubtful)	488,972
Total Current Assets	<u>2,142,588</u>
<u>Capital Assets:</u>	
Land	1,485,000
Buildings & Improvements	652,158
Vehicle & Equipment	167,625
Infrastructure	24,613,857
Total Capital Assets	<u>26,918,640</u>
Less Accumulated Depreciation	<u>(8,430,334)</u>
Net Capital Assets	<u>18,488,306</u>
 Total Assets	 <u>20,630,894</u>
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accrued Interest Payable	17,202
Current Portion of Long-Term Liabilities	438,355
Total Current Liabilities	<u>455,557</u>
<u>Non-Current Liabilities</u>	
Portion of Long-Term Liabilities	<u>3,617,132</u>
 Total Liabilities	 <u>4,072,689</u>
<u>NET POSITION</u>	
Invested in Capital Assets - Net of Related Debt	14,276,849
Restricted for TIF	96,524
Reserve for Infrastructure Maint. & Upgrade	762,647
Unrestricted	1,422,185
Total Net Position	<u>\$ 16,558,205</u>

City of Belfast, Maine
Statement of Revenues, Expenses, and Changes
in Fund Balance - Proprietary Fund
For the Year Ended June 30, 2016

Sewer Disposal & Treatment System
2016

<u>Operating Revenues:</u>	
User Fees	\$ 848,915
Entrance & Recording Fees	7,024
Total Operating Revenues	<u>855,939</u>
<u>Operating Expenses:</u>	
Salaries & Wages	128,620
Fringe Benefits	51,032
Utilities	121,905
Chemicals	21,347
Infrastructure Maintenance	33,662
Outside Services	58,980
Laboratory Supplies	2,522
Building Maintenance	1,858
Vehicle Maintenance/Fuel	4,329
Insurance	14,351
Billing & Accounting	9,500
Contract Sludge	65,149
Miscellaneous	17,166
Depreciation	300,150
Total Operating Expenses	<u>830,571</u>
Operating Income (Loss)	253,368
<u>Non-Operating Revenue (Expense):</u>	
Investment Earnings	1,306
Interest Expense	(69,107)
Net Non-Operating Revenue (Expense)	<u>(67,801)</u>
Income (Loss) Before Transfers	(42,433)
Capital Contributions	
Transfers in (out):	
General Fund - Debt Service	170,932
General Fund - TIF	33,031
Change in Net Position	161,530
Total Net Position - Beginning of Year	<u>16,396,675</u>
Total Net Position - End of Year	<u>\$ 16,558,205</u>

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Statement of Cash Flows - Sewer Fund
Proprietary Funds
For the Year Ended June 30, 2016

		<u>Waste Water (Sewer)</u>
Cash flows From Operating Activities:		
Cash Received from Customers	\$ 817,894	
Cash Payments to Employees	(128,620)	
Cash Payments to Suppliers of Goods & Services	<u>(395,670)</u>	
Net Cash Provided by Operating Activities		\$ 293,604
Cash Flows From Noncapital Financing Activities:		
Transfer from (to) General Fund (Net)	<u>203,963</u>	
Net Cash Provided by Noncapital Financing Activities		203,963
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Fixed Assets	(23,349)	
Principal Paid on Long-Term Debt	(456,120)	
Interest Paid on Long-Term Debt	<u>(69,107)</u>	
Net Cash (Used) in Capital & Related Financing Activities		<u>(548,576)</u>
Net Increase (Decrease) in Cash & Cash Equivalents		(51,009)
Cash & Cash Equivalents		
Beginning of Year		<u>1,704,625</u>
End of Year:		
Cash Held By General Fund in Investments	891,469	
Cash in Pooled investments	<u>762,147</u>	
Total End of Year		<u>\$ 1,653,616</u>
Reconciliation of operating income (Loss) to net		
Cash Provided by Operating Activities		
Operating Income		\$ 26,674
Adjustments to Reconcile operations Income to		
Net Cash Provided by Operating Activities		
Depreciation		300,150
Changes in Assets & Liabilities		
(Increase) Decrease in Receivables		(31,021)
Increase (Decrease) in Payables		<u>(2,199)</u>
Net Cash Provided by Operating Activities		<u>\$ 293,604</u>

City of Belfast, Maine
 Statement of Fiduciary Net Positions
 Fiduciary Funds
 June 30, 2016

<u>ASSETS</u>	<u>Cemeteries</u>	<u>Library</u>	<u>Special</u>	<u>Charity</u>	<u>Recreation</u>	<u>Health</u>	<u>Totals</u>
Cash & Interest							
Bearing Deposits	\$ 1,670,863	\$ 1,997,087	\$ 235,228	\$ 58,594	\$ 5,403	\$ 448	\$ 3,967,623
Total Assets	<u>1,670,863</u>	<u>1,997,087</u>	<u>235,228</u>	<u>58,594</u>	<u>5,403</u>	<u>448</u>	<u>3,967,623</u>
Net Positions - Held in Trust for Specific Programs	<u>\$ 1,670,863</u>	<u>\$ 1,997,087</u>	<u>\$ 235,228</u>	<u>\$ 58,594</u>	<u>\$ 5,403</u>	<u>\$ 448</u>	<u>\$ 3,967,623</u>

City of Belfast, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

<u>Principal</u>	<u>Cemeteries</u>	<u>Library</u>	<u>Special</u>	<u>Charity</u>	<u>Recreation</u>	<u>Health</u>	<u>Totals</u>
Additions:							
Investment Income							
Interest & Dividends	\$ 32,920	\$ 51,845	\$ 5,035	\$ 405	\$ 20	\$ 2	\$ 90,227
Net increase (Decrease) in Fair Value of Investments	<u>10,743</u>	<u>71,969</u>	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,712</u>
Total Additions	<u>43,663</u>	<u>123,814</u>	<u>13,035</u>	<u>405</u>	<u>20</u>	<u>2</u>	<u>180,939</u>
Deductions:							
Cemetery	(133,275)	-	-	-	-	-	(133,275)
Library	-	(184,075)	-	-	-	-	(184,075)
Unclassified	<u>-</u>	<u>-</u>	<u>(4,000)</u>	<u>(20,227)</u>	<u>-</u>	<u>-</u>	<u>(24,227)</u>
Total Deductions	<u>(133,275)</u>	<u>(184,075)</u>	<u>(4,000)</u>	<u>(20,227)</u>	<u>20</u>	<u>-</u>	<u>(341,577)</u>
Change in Net Position	(89,612)	(60,261)	9,035	(19,822)	20	2	(160,638)
Net Position, Beginning of Year	<u>1,760,475</u>	<u>2,057,348</u>	<u>226,193</u>	<u>78,416</u>	<u>5,383</u>	<u>446</u>	<u>4,128,261</u>
Net Position, End of Year	<u>\$ 1,670,863</u>	<u>\$ 1,997,087</u>	<u>\$ 235,228</u>	<u>\$ 58,594</u>	<u>\$ 5,403</u>	<u>\$ 448</u>	<u>\$ 3,967,623</u>

The notes to the financial statement are an integral part of this statement.

CITY OF BELFAST, MAINE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Belfast was incorporated under the laws of the State of Maine in 1853 and operates under a council/manager form of government. In evaluating how to define the reporting entity, for financial purposes, management has considered all potential component units. The criteria used to determine which entities are a part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon all pertinent facts derived from the analysis of the above criteria, it was determined that no additional entities should be included as part of these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements

imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds.

The City reports the following major proprietary funds:

The Sewer Utility Fund accounts for the cost of construction and operation of the sewage treatment plant, the City sewer system, and sewer operation activities, and is self-supported through sewer usage fees.

Additional, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using accrual basis of accounting. The funds are used to account for assets that the City holds for others in an agency capacity.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. City policy prohibits the investment in so-called "derivative instruments".

Investments are reported at fair value.

2. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of fiscal year are referred to as either "due to/from other funds", (i.e. the non-current portion of interfund loans) or "advances to/from other funds", (i.e. the non-current portion of interfund loans). Any residual balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "due to/from other governmental units".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories

Inventories consist of expendable supplies held in consumption and are valued at cost using the weighted average method. The cost of inventories are recognized as expenditures/expenses when consumed rather than when purchased.

The City does not have any inventories at current year end.

4. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years.

Donated capital assets are recorded at estimated fair value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalization value of the assets constructed.

Capital assets of the primary government and business-type activities are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Infrastructure	10-50
System Infrastructure	20-75
Equipment	5-20

5. Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

6. Compensated Absences

Employees eligible for leave include permanent full-time employees. Employees may earn one (1) work day per full calendar month of regular employment to be used as sick leave, which shall be computed at the regular base pay rate of the employee.

Administrative personnel may accumulate to a maximum of ninety (90) work days.

Police personnel may accumulate to a maximum of one hundred twenty (120) work days.

All employees shall be compensated for one-half (1/2) of accumulated sick leave, up to forty-five (45) days, when they are permanently separated from employment as a result of voluntary resignation, retirement, or death. The liability for accumulated sick leave is \$371,528, as of June 30, 2016

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report fund balances in one of five possible classifications. Classification is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which the funds can be spent. The categories are as follows:

- Nonspendable fund balance cannot be spent.
- Restricted fund balances are subject to externally enforceable legal restrictions.
- Committed fund balances are subject to limitations the City Council has imposed, that are binding unless removed in the same manner.
- Assigned fund balances reflect the intended use of the resources.
- Unassigned fund balances are resources which have not been classified in any other category. Only the General Fund can report a positive unassigned fund balance amount.

Should there be multiple sources of funding available for a particular purpose, it is the City's policy to expend currently budgeted resources first, then after use other sources in the order of restricted, then committed, then assigned amounts.

9. Receivables/Allowance for Uncollectible Accounts

General fund accounts receivables at June 30, 2016 amounted to \$2,017,702 of which general receivables are \$396,990 and ambulance receivables are \$1,620,712. Allowances for uncollectible accounts are maintained for all types of receivables, which historically experience uncollectible accounts.

A summary of the allowance for uncollectible accounts/taxes as of June 30, 2016 is as follows:

General Fund:	
Taxes	\$ 72,301
Ambulance	756,393
Proprietary:	
Sewer Fund	<u>2,500</u>
Total Allowances for Uncollectible	<u>\$831,194</u>

10. Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP) for all governmental funds, except the special revenue, capital projects, and fiduciary funds. These non-major funds are not budgeted. All annual appropriations lapse at fiscal year end, unless a carry-forward of unexpended amounts is approved by the Council.

The City Manager submits to the City Council a proposed operating budget for the ensuing year. The Council holds public meetings and a final budget is prepared and adopted.

The budget is adopted at the department level through the passage of appropriation resolves. The City Manager may make transfers of appropriations within a department. Transfers between departments or additional appropriations require the approval of the City Council.

B. Reconciliation of Budgetary Basis Statements

The following schedule reconciles the General Fund amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-Budgetary Basis to the amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balance, Governmental Funds.

Deficiency of revenues over expenditures and other financing sources and uses (Budget)	\$ 268,301
Deficiency of revenues and other financing sources over expenditures and other uses (GAAP)	\$ 268,301
	<u>=====</u>

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2016, the following accounts exceeded appropriations by General Government, \$23,992 and Social Services, \$292,623. Funds sufficient to provide for the excess expenditures were made available from other functions within the General Fund and the excess had no impact on the financial results of the City.

III. Detailed Notes On All Funds

A. Deposits and Investments

Deposits and investments at June 30, 2016 consist of the following:

Deposits	
Cash on Hand	\$ 275
Cash in Bank	2,332,311
Investments	
Various Certificates of Deposits, Federal Nat'l Mtg. Notes, and Money Market Funds	<u>6,739,891</u>
Total Cash and Investments	<u>\$ 9,072,477</u>

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a policy with respect to custodial credit risk for deposit accounts. The City does not maintain insurance coverage to protect deposits other than the \$250,000 provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2016, \$0 of the City's bank balances were exposed to custodial credit risk.

Interest Credit Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair value by limiting the average maturity of its investments to less than one year.

Credit Risk

Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and certain corporate stocks and bonds.

The fair market value of investments as of June 30, 2016 is \$6,739,891.

Concentrations of Credit Risk

The City's investment policy does not allow the City to invest in debt securities that are not insured, registered or backed by U.S. government securities. The money market funds are invested in an Indexed Money Market account.

B. Property Tax

The City's property tax was levied September 18, 2015, on the assessed value listed as of April 1, 2015, for all real and personal property located in the City. The assessed value for the list of April 1, 2015, upon which the 2016 levy base was \$717,379,800. Taxes were due and payable on October 31, 2015, and March 5, 2016, with interest at the rate of 7% being charged on taxes unpaid after that date.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables

have been recorded as deferred revenues. Tax liens placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax lien and associated costs remain unpaid.

C. Capital Assets—

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balances at <u>June 30, 2015</u>	<u>Additions</u>	Retirements and <u>Transfers</u>	Balances at <u>June 30, 2016</u>
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$11,556,296	\$ —	\$ —	\$11,556,296
Total Capital Assets not being Depreciated	<u>11,556,296</u>	<u>—</u>	<u>—</u>	<u>11,556,296</u>
Capital Assets being Depreciated:				
Buildings	9,464,005	12,850	—	9,476,855
Equipment	5,398,847	443,340	(56,422)	5,785,765
Infrastructure	<u>20,858,053</u>	<u>2,705,820</u>	<u>—</u>	<u>23,563,873</u>
Total Capital Assets being Depreciated	<u>35,720,905</u>	<u>3,162,010</u>	<u>(56,422)</u>	<u>38,826,493</u>
Less Accumulated Depreciation for:				
Buildings	3,692,354	170,852	—	3,863,206
Equipment	3,527,417	184,646	(17,808)	3,694,255
Infrastructures	<u>6,932,127</u>	<u>338,325</u>	<u>—</u>	<u>7,270,452</u>
Total Accum. Depreciation Governmental Activities	<u>14,151,898</u>	<u>693,823</u>	<u>(17,808)</u>	<u>14,827,913</u>
Capital Assets - Net	<u>\$33,125,303</u>	<u>\$ 2,468,187</u>	<u>\$ (38,614)</u>	<u>\$35,554,876</u>

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 1,485,000	\$ —	\$ —	\$ 1,485,000
Total Capital Assets not being Depreciated	<u>1,485,000</u>	<u>—</u>	<u>—</u>	<u>1,485,000</u>
Other Capital Assets:				
Buildings & Improvements	652,158	—	—	652,158
Vehicles & Equipment	167,625	—	—	167,625
Infrastructure	<u>24,590,508</u>	<u>23,349</u>	<u>—</u>	<u>24,613,857</u>
Total Other Capital Assets	<u>25,410,291</u>	<u>23,349</u>	<u>—</u>	<u>25,433,640</u>
Less Accumulated Depreciation:				
Building & Improvements	563,816	13,042	—	576,858
Vehicles & Equipment	105,549	8,313	—	113,862
Infrastructure	<u>7,460,819</u>	<u>278,795</u>	<u>—</u>	<u>7,739,614</u>
Total Accumulated Deprec.	<u>8,130,184</u>	<u>300,150</u>	<u>—</u>	<u>8,430,334</u>
Other Capital Assets, Net	<u>17,280,107</u>	<u>(276,801)</u>	<u>—</u>	<u>17,003,306</u>
Business-Type Capital, Net	<u>\$18,765,107</u>	<u>\$ (276,801)</u>	<u>\$ —</u>	<u>\$18,488,306</u>

Depreciation expense for governmental activities is charged to function as follows:

	<u>Buildings</u>	<u>Equipment</u>	<u>Infra- structure</u>	<u>Total</u>
General Government	\$ 43,886	\$ 3,260	\$ —	\$ 47,146
Protection	36,632	86,255	—	122,887
Public Works	9,283	82,574	216,842	308,699
Parks & Recreation	1,398	5,103	14,158	20,659
Library	66,094	1,830	—	67,924
Cemeteries	84	3,658	2,148	5,890
Unclassified	<u>13,475</u>	<u>1,966</u>	<u>64,791</u>	<u>80,232</u>
Total Depreciation for Governmental Activities	<u>\$170,852</u>	<u>\$184,646</u>	<u>\$297,939</u>	<u>\$653,437</u>

D. Interfund Transactions

Individual fund interfund receivable and payable transactions are described in the Summary of Significant Accounting Policies Note D.2. As of June 30, 2016 the balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ —	\$2,529,095
Capital Projects	1,628,976	—
Trust Fund	8,650	—
Sewer Fund	<u>891,469</u>	<u>—</u>
	<u>\$2,529,095</u>	<u>\$2,529,095</u>

E. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital additions. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20 year serial bonds with varying amounts of principal maturing each year.

The original amount of general obligation bonds issued is \$16,357,741. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2016:

Bonds and notes payable at June 30, 2015	\$6,420,098
Add: Principal additions	2,150,000
Less: Principal repayments	<u>(644,441)</u>
Bonds and notes payable at June 30, 2016	<u>\$7,925,657</u>

Bonds and notes payable at June 30, 2016, are comprised of the following:

<u>Long-term Debt</u>	<u>Fiscal Year Of Maturity</u>	<u>Interest Rate</u>	<u>Governmental Activities City</u>	<u>Business-type Activities</u>	<u>Total June 30, 2016</u>
Footbridge Bond	2022	2.085%-5.085%	\$ 905,500	\$ —	\$ 905,500
Police Building Bond	2018	2.085%-4.285%	76,002	—	76,002
Police Building Bond	2019	2.216%-7.468%	58,668	—	58,668
Walkway Project	2032	1.480%-3.706%	680,000	—	680,000
Front St. Recon. Bond	2036	0.91%-3.50	2,150,000	—	2,150,000
Pierce/Bridge Street Bond	2023	2.250%	—	293,963	293,963
WWT Upgrade Bond	2020	3.270%	—	300,824	300,824
WWT Bond	2020	2.830%	—	156,376	156,376
WWT Bond	2022	2.400%	—	251,710	251,710
Swan Avenue Bond	2024	1.870%	—	274,736	274,736
Waste Water Refinance Bond	2024	1.450%	—	983,783	983,783

<u>Long-term Debt</u>	<u>Fiscal Year</u>	<u>Interest</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Replacement Project	<u>Of Maturity</u>	<u>Rate</u>	<u>Activities</u>	<u>Activities</u>	<u>June 30, 2016</u>
Bond	2025	1.490%	–	1,342,270	1,342,270
ARRA CWSRF	2029	0.000%	–	451,825	451,825
Total Bonds and Notes			<u>\$ 3,870,170</u>	<u>\$ 4,055,487</u>	<u>\$ 7,925,657</u>

Annual debt service requirements to maturity for general obligation bonds and notes payable are as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>				
2017	\$ 192,688	\$ 111,265	\$ 465,737	\$ 83,243
2018	304,848	106,876	475,621	74,633
2019	309,822	97,684	485,774	63,025
2020	290,259	89,123	496,206	55,564
2021	282,161	79,777	424,672	43,341
2022-2026	1,027,892	282,001	1,590,332	120,228
2027-2031	737,500	177,111	117,145	–
2032-2036	617,500	66,750	–	–
2037-2041	107,500	1,681	–	–
Total	<u>\$3,870,170</u>	<u>\$1,012,268</u>	<u>\$4,055,487</u>	<u>\$ 440,034</u>

Overlapping Debt

The City's proportionate share of Waldo County's debt (determined by the percentage of the City's state valuation to the County's state valuation) is not reported in the City's financial statements. Debt service is included in the annual county assessment of the City.

Legal Debt Margin

The City is subject to the laws of the State of Maine, which limits the amount of long-term debt to 15% of the state's assessed valuation. At June 30, 2016, the statutory limit for the City was \$124,522,500. The City's outstanding long-term debt of \$7,925,657 at June 30, 2016 was within the statutory limit.

F. Fund Balance By Purpose

Following is more detailed information on the governmental fund balances:

	General Fund	Capital Projects	Total
Nonspendable for:	\$ —	\$ —	\$ —
Restricted for:			
Capital Projects	—	2,491,619	2,491,619
Special Purpose Funds	456,608	—	456,608
Assigned to:			
Designated Carried	—	—	—
Unassigned	<u>2,068,254</u>	<u>—</u>	<u>2,068,254</u>
Total Fund Balances	<u>\$2,524,862</u>	<u>\$2,491,619</u>	<u>\$ 5,016,481</u>

G. Fund Balances

As of June 30, 2016, there were no unexpended funds carried forward into the operations of the 2016/2017 fiscal year.

H. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consist of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

I. Subsequent Events

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure. City of Belfast did not have any subsequent events or transactions requiring recording or disclosure in the financial statements through February 8, 2017, the date that the financial statements were available to be issued.

Other Information

A. Risk Management

The City is exposed to various risks of loss to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2016, and the two previous years, no settlements exceeded insurance coverage.

B. Pension Plan

Maine Public Employees Retirement System

City employees contribute to the Maine Public Employees Retirement System (“System”), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers, state employees (except members of the judiciary and legislative who are covered under the Judicial and Legislative Retirement Systems) and political subdivisions.

Benefits vest after five years of service. Employees who retire at or after age sixty with one year of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two percent of the average of their highest three years earnings per year of service. The system also provides death and disability benefits. These benefits provisions and all other requirements are established by state statute.

The system allows maintenance, support workers, and custodial support staff to participate voluntarily in the System. Participants are required to contribute 6.5% of their annual gross salary to the plan and the City is required to make a contribution based on an historical assessment of the plan by the System. Vesting of benefits occurs after five years of service. Disability, pre-retirement, and death benefits are provided under the City’s plan. A cost of living increase is provided under the City’s plan. Upon retirement at or after age sixty, the participant is entitled to an annual retirement benefit of two percent of the average of their three highest years earnings multiplied by the number of years of credited service. The City’s required and actual contribution as a participating local district for the years ended June 30, 2016 and 2015 was \$219,329 and \$180,397 respectively.

Effective July 1, 1995 the City’s Participating Local District (PLD) joined with other PLD’s forming a consolidated PLD. All PLD’s that enter the Consolidated Plan cease to be individual sponsors of a “Single-Employer Defined Benefit Pension Plan” and instead become participants in a “Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.” As such, the disclosures made by individual PLD’s reflect assets and liabilities under the Consolidated Plan which the PLD participates and not those of the PLD itself. A complete report is available by contacting the Maine Public Employees Retirement System at 46 State House Station, Augusta, ME 04333.

Other

Additionally, the City participates in the Social Security Retirement Program. The City’s contribution to Social Security was \$235,705 for the year ended June 30, 2016.

C. Grant Funds

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowance claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects no such amounts.

City of Belfast, Maine
Notes to Required Supplementary Information
June 30, 2016

Budgetary Data

The City Council adopts an annual legal budget which covers the City's Municipal General Fund and the Capital Projects. All unencumbered appropriations lapse at fiscal year end except certain departmental accounts by vote of the Council. Unencumbered appropriations are unreserved, designated for subsequent years' expenditures. The budgets for the General Fund of the City are prepared on the modified accrual basis and include debt principal retirements and capital outlays as expenses. The statements comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the departmental funds carried over from accumulated prior years and new Council vote. Budgetary level of control is exercised by the City Manager.

The Budgetary Comparison Schedule, "Statement of Revenues, Expenditures, and Changes in Funds Balance - Budget and Actual", included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund of the City, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results.

The General Fund payables are added to the actual expenditures for budgetary comparison.

City of Belfast, Maine
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2016

<u>Resources</u>	<u>Original Budget W/Carried</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Amended Positive (Negative)</u>
Property Taxes	\$ 15,903,301	\$ 15,903,301	\$ 15,748,427	\$ (154,874)
Excise Taxes	975,000	975,000	1,034,106	59,106
Intergovernmental	906,393	906,393	1,166,653	260,260
Charges for Services	1,975,150	1,975,150	1,882,304	(92,846)
Investment Income	10,000	10,000	6,196	(3,804)
Interest on Taxes	64,000	64,000	70,408	6,408
Miscellaneous	410,800	410,800	657,539	246,739
Special Purpose Accounts	-	-	353,023	353,023
Amounts Available for Appropriation	20,244,644	20,244,644	20,918,656	674,012
<u>Charges to Appropriations (Outlays)</u>				
General Government	2,255,426	2,260,462	2,284,454	(23,992)
Protection	2,530,362	2,561,812	2,472,899	88,913
Public Works	2,067,697	2,153,877	2,050,978	102,899
Social Services	217,779	217,779	510,402	(292,623)
Parks & Recreation	239,497	239,497	238,694	803
Library	445,796	445,796	438,011	7,785
Cemeteries	112,954	112,954	101,293	11,661
Education	9,969,316	9,969,316	9,969,316	-
County Tax	1,376,367	1,376,367	1,376,367	-
Debt Service	360,154	360,154	357,761	2,393
Unclassified	342,841	344,341	322,277	22,064
Reserve for Uncollectibles	-	-	-	-
Special Purpose Accounts	-	-	253,978	(253,978)
Total Charges to Appropriations	19,918,189	20,042,355	20,376,430	(334,075)
Excess (Deficiency) of Resources Over Charges to Appropriations	326,455	202,289	542,226	339,937
<u>Other Financial Sources and Uses:</u>				
Transfers In	-	-	83,235	83,235
Transfers (Out)	(172,809)	(181,228)	(352,160)	(170,932)
Carried Balances	61,222	61,222	-	(61,222)
Total Other Financial Sources (Uses)	(111,587)	(120,006)	(268,925)	(148,919)
Net Change in Fund Balance - General Fund	\$ 214,868	\$ 82,283	\$ 273,301	\$ 191,018

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Schedule of Department Operations - General Fund
For the Year Ended June 30, 2016

	Balance 7/1/15	Approp.	Transfers	Total Available	Expended	(Over) Under Expended Lapsed To Surplus	Carried
<u>General Government</u>							
City Manager's Department	\$ -	\$ 229,285	\$ 4,602	\$ 233,887	\$ 261,202	\$ (27,315)	\$ -
Finance Department	1,610	157,242	-	158,852	154,981	3,871	-
Assessing Department	8,500	117,250	-	125,750	115,063	10,687	-
City Clerk's Department	3,260	174,403	-	177,663	167,985	9,678	-
City Building Maintenance	-	97,440	-	97,440	101,619	(4,179)	-
Elections and Registrations	-	14,990	434	15,424	15,081	343	-
Agency Transactions	-	1,197,248	-	1,197,248	1,222,008	(24,760)	-
Boathouse	-	17,750	-	17,750	15,056	2,694	-
Planning Department	-	236,448	-	236,448	231,459	4,989	-
Total General Government	13,370	2,242,056	5,036	2,260,462	2,284,454	(23,992)	-
<u>Protection</u>							
Fire Department	-	182,400	-	182,400	174,929	7,471	-
Police Department	-	1,024,817	-	1,024,817	990,698	34,119	-
Street Lighting	-	99,100	-	99,100	98,735	365	-
Hydrants	-	424,464	-	424,464	424,464	-	-
Animal Control	-	13,000	-	13,000	(1,380)	14,380	-
Municipal Insurance	-	255,524	-	255,524	257,357	(1,833)	-
Ambulance Department	-	477,689	31,450	509,139	477,600	31,539	-
Crossing Guards	-	16,048	-	16,048	16,263	(215)	-
Cable Television	-	37,320	-	37,320	34,233	3,087	-
Total Protection	-	2,530,362	31,450	2,561,812	2,472,899	88,913	-
<u>Public Works</u>							
Highway Department	-	1,295,451	86,180	1,381,631	1,269,686	111,945	-
Sidewalk Maintenance	26,277	25,000	-	51,277	25,022	26,255	-
Recycling/Transfer Station	-	293,287	-	293,287	327,336	(34,049)	-
Road Construction/Paving	14,732	400,000	-	414,732	414,733	(1)	-
Tree Program	1,450	11,500	-	12,950	14,201	(1,251)	-
Total Public Works	42,459	2,025,238	86,180	2,153,877	2,050,978	102,899	-

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Schedule of Department Operations - General Fund
For the Year Ended June 30, 2016

	Balance <u>7/1/15</u>	<u>Approp.</u>	<u>Transfers</u>	Total <u>Available</u>	<u>Expended</u>	<u>(Over) Under Expended</u>	
						<u>Lapsed</u> <u>To Surplus</u>	<u>Carried</u>
<u>Social Services</u>							
General Assistance	-	33,000	-	33,000	320,783	(287,783)	-
Welfare Director	-	18,466	-	18,466	23,306	(4,840)	-
Outside Agencies	-	166,313	-	166,313	166,313	-	-
Total Social Services	-	217,779	-	217,779	510,402	(292,623)	-
<u>Parks and Recreation</u>							
	-	239,497	-	239,497	238,694	803	-
<u>Library</u>							
	-	445,796	-	445,796	438,011	7,785	-
<u>Cemeteries</u>							
	-	112,954	-	112,954	101,293	11,661	-
<u>Education - MSAD 34</u>							
	-	9,969,316	-	9,969,316	9,969,316	-	-
<u>Special Assessments</u>							
County Tax	-	1,376,367	-	1,376,367	1,376,367	-	-
<u>Debt Service</u>							
Notes and Interest	-	360,154	-	360,154	357,761	2,393	-
<u>Unclassified</u>							
Airport	-	18,700	-	18,700	13,490	5,210	-
Promotional Activities	-	72,855	1,500	74,355	71,980	2,375	-
State Law Enforcement Agency	-	50,000	-	50,000	63,293	(13,293)	-
Harbor	-	141,286	-	141,286	128,808	12,478	-
Planning and Zoning	4,393	10,200	-	14,593	1,350	13,243	-
MMA Dues	-	7,290	-	7,290	7,515	(225)	-
Economic Dev. Director	-	36,017	-	36,017	33,841	2,176	-
EMA Director	-	2,000	-	2,000	2,000	-	-
Contingency Operating	-	100	-	100	-	100	-
Total Unclassified	4,393	338,448	1,500	344,341	322,277	22,064	-

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Schedule of Department Operations - General Fund
For the Year Ended June 30, 2016

	Balance <u>7/1/15</u>	<u>Approp.</u>	<u>Transfers</u>	Total <u>Available</u>	<u>Expended</u>	<u>(Over) Under Expended</u>	
						<u>To Surplus</u>	<u>Carried</u>
<u>Reserves - Capital</u>							
Finance Office Equipment	-	500	-	500	500	-	-
Assessing Office Equipment	-	500	-	500	500	-	-
Boathouse Improvements	-	600	-	600	600	-	-
Fire Equipment	-	45,000	-	45,000	45,000	-	-
Police Equipment	-	2,000	-	2,000	2,000	-	-
Cable Television Equipment	-	2,500	-	2,500	2,500	-	-
Ambulance Capital	-	69,709	-	69,709	69,709	-	-
Public Works Equipment	-	10,000	-	10,000	10,000	-	-
Culvert Capital	-	5,000	-	5,000	5,000	-	-
Footbridge Capital	-	5,000	-	5,000	5,000	-	-
Park & Recreation Equip.	-	2,000	8,419	10,419	10,419	-	-
Park Capital	-	10,000	-	10,000	10,000	-	-
Cemetery Equipment	-	6,000	-	6,000	6,000	-	-
Airport Maintenance	-	3,000	-	3,000	3,000	-	-
Airport Runway Cap	-	9,000	-	9,000	9,000	-	-
Recycling/Transfer	1,000	-	-	1,000	1,000	-	-
Planning Equipment Cap	-	1,000	-	1,000	1,000	-	-
Total Reserves - Capital	<u>1,000</u>	<u>171,809</u>	<u>8,419</u>	<u>181,228</u>	<u>181,228</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 61,222</u>	<u>\$ 20,029,776</u>	<u>\$ 132,585</u>	<u>\$ 20,223,583</u>	<u>\$ 20,303,680</u>	<u>\$ (80,097)</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Capital Projects Fund
For the Year Ended June 30, 2016

	Balance	A	D	D	TRANSFERS			Balance
	07/01/15	Investment	Other		In	Out	Expenditures	6/30/16
		Income	Receipts					
Capital Reserves	\$ 3,590	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,599
Communication Equipment	3,590	91	-	-	54,709	31,450	-	58,178
Ambulance	886	2	-	-	-	-	-	888
Assessment	7,886	23	-	-	-	-	-	7,909
Cemeteries - Land Development	6,186	15	-	-	6,000	-	-	12,201
- Equipment	7,675	20	-	-	-	-	-	7,695
- Maintenance	8,256	24	-	-	10,165	-	-	18,445
Personnel Reserve	75	1	-	-	-	-	-	76
Downtown Development	211,436	479	-	-	30,000	-	-	241,915
Fire Equipment	5,247	3	-	-	-	-	-	5,250
Harbor Improvement	105,695	255	-	-	10,000	86,180	-	29,770
Highway - Highway Equipment	45,130	104	-	-	-	-	-	45,234
- Road Construction	32,086	76	-	-	5,000	-	-	37,162
- Culvert	5,625	16	-	-	2,000	-	-	7,641
Police Equipment	124,261	208	-	-	10,000	42,876	-	91,593
Recreation - City Park	4,092	12	-	-	-	-	-	4,104
- George Black	372	-	-	-	-	-	-	372
Ruth Greenlaw	44,658	101	-	-	5,000	-	-	49,759
Footbridge Capital	10,346	31	-	-	1,000	-	-	11,377
Transfer Station Equipment	112,940	257	-	-	11,000	14,525	-	109,672
Airport	7,000	16	-	-	3,000	-	-	10,016
Airport Maintenance	11,302	28	-	-	1,000	-	-	12,330
Planning Equipment	6,531	8	-	-	1,033	4,000	-	3,572
Waterfront/Thompson Wharf	2,297	5	-	-	-	-	-	2,302
Ambulance Train. & Dev.	9,425	23	-	-	3,385	-	-	12,833
Cable TV Equipment	3,922	9	-	-	-	-	-	3,931
City Clerk Office Equipment	2,534	6	-	-	500	-	-	3,040
Assessing Office Equipment	5,936	13	-	-	500	-	-	6,449
Finance Office Equipment								

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Capital Projects Fund
For the Year Ended June 30, 2016

	Balance	A	D	D	D E D U C T			Balance
	7/01/15	Investment	Other	TRANSFERS				6/30/16
		Income	Receipts	In	Out	Expenditures		
<u>Capital Reserves (cont'd)</u>								
City Manager Equipment	13	-	-	-	-	-	-	13
Boathouse Maintenance	8,578	19	-	600	-	-	-	9,197
Park Equipment	626	1	-	-	-	-	-	627
Future Land Purchase	20,878	47	-	-	-	-	-	20,925
Fuel Price	10,138	23	-	-	-	-	-	10,161
Sidewalk Capital	24,033	54	-	-	-	-	-	24,087
Total Capital Reserves	884,483	1,979	-	154,892	179,031	-	-	862,323
<u>Capital Improvements</u>								
Records Restoration	18	-	-	-	-	-	-	18
CDBG Housing Grant	300	-	-	-	-	-	-	300
City Hall - Municipal Building	5,044	-	-	-	-	-	-	5,044
Solid Waste - Landfill Closing	45,556	-	-	-	-	6,670	-	38,886
Cemetery Grove Fence	8,000	-	10,775	-	8,000	10,775	-	-
EDA PW Grant	(148,000)	-	1,880,000	-	-	832,614	-	899,386
Efficiency Audit Grant	3,125	-	-	-	-	-	-	3,125
Small Comm. Grants-Septic	2,561	-	-	-	-	-	-	2,561
Remodel DWNS	14,932	-	-	-	-	-	138	14,794
Police Forfeiture	4,639	-	597	-	-	-	600	4,636
Belfast Commons	15,000	-	-	-	-	-	-	15,000
Front Street Drainage	(15,650)	-	-	-	-	-	-	(15,650)
Police Academy	1,927	-	-	-	-	-	-	1,927
Belfast Commons	20,000	-	-	-	-	-	-	20,000
Energy Initiatives	5,641	-	-	-	-	-	4,400	1,241
Fire Dept. Furnace	10,000	-	-	2,850	-	-	12,850	-
Old Cemetery Restoration	-	-	45,035	8,000	-	-	61,610	(8,575)
Sec. Cameras -Har Walk	8,000	-	-	-	-	-	185	7,815
Tot Lot Replacement	2,837	-	-	-	-	-	-	2,837
Rangeway Development	6,207	-	-	-	-	-	-	6,207
Police Bike	4,200	-	-	-	-	-	-	4,200
Cable TV	-	-	9,765	-	-	-	9,765	-

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Capital Projects Fund
For the Year Ended June 30, 2016

	Balance	A	D	D	TRANSFERS			Balance
	7/01/15	Investment	Other		In	Out	Expenditures	6/30/16
		Income	Receipts					
Capital Improvements (cont'd)								
Consult Service	-	-	-	-	-	-	1,840	(1,840)
Downtown Waterfront TIF	336,034	-	-	-	181,837	-	120,124	397,747
Lib Weather	43,183	-	-	-	-	-	22,956	20,227
Sidewalks	59,093	-	-	-	-	-	57,350	1,743
Lowe Hanger	-	-	3,965	-	-	-	-	3,965
PW Site Search Evaluation	12,000	-	-	-	-	-	3,210	8,790
Waterfront Walkway	(2,852)	-	-	-	-	-	-	(2,852)
Comp Plan Consultant	23,301	-	-	-	-	-	502	22,799
Trap Shack	-	-	4,000	-	-	-	4,000	-
Skate Park	-	-	12,500	-	-	-	2,500	10,000
Police Dept. Video/Doors	4,488	-	-	-	-	-	400	4,088
Park Playground Equipment	3,000	-	-	-	-	-	-	3,000
Swan Lake Ave Sidewalks	10,000	-	-	-	-	-	-	10,000
Steamboat landing Fencing	6,395	-	-	-	-	-	-	6,395
Waterfront Master Plan	6,770	-	-	-	-	-	2,064	4,706
Coastal Walkway	(4,056)	-	-	-	-	-	-	(4,056)
Parallel Tax	-	-	4,700	-	-	-	4,805	(105)
Comm Impr	1,606	-	-	-	-	-	-	1,606
Wakeag Land	124,829	-	-	-	-	-	-	124,829
45 Front Street	-	-	50,000	-	-	-	49,996	4
Runway 15	-	-	-	-	-	-	1,371	(1,371)
GIS Programs	13,159	-	-	-	-	-	-	13,159
Planning Consult - Rte 3	444	-	-	-	-	-	-	444
T.S. Office	5,058	-	-	-	-	-	-	5,058
Park Entrance	-	-	25,482	-	-	-	28,412	(2,930)
Washington	-	-	146,987	-	-	-	146,987	-

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Capital Projects Fund
For the Year Ended June 30, 2016

		A	D	D	TRANSFERS			D	E	D	U	C	T	
	Balance	Investment	Other		In	Out			Expenditures				Balance	
	7/01/15	Income	Receipts										6/30/16	
Capital Improvements (cont'd)														
Please Be Seated Sign	5,000	-	-		4,000			-	8,872				128	
Boathouse Improvements	4,815	-	-		-			-	4,015				800	
EPA Browns	-	-	-		-			-	680				(680)	
Brownsfield	(13,883)	-	34,701		-			-	20,470				348	
Community Grant	(863)	-	-		-			-	-				(863)	
Brownsfield	8,943	-	-		-			-	8,943				-	
Rails/Trails	6,811	-	-		-			-	4,140				2,671	
RSU Withdrawal	(1,280)	-	-		-			-	-				(1,280)	
Airport Land	(2,200)	-	4,000		-			-	4,382				(2,582)	
Passy Trail	(1,462)	-	-		-			-	-				(1,462)	
CTG Grant	500	-	-		-			-	-				500	
Harbor Walk	(43,609)	-	215,029		-			-	312				171,108	
Marshall Wharf	4,609	-	-		-			-	-				4,609	
Rte. 1 and Rte. 141	(68,081)	-	56,749		-			-	15,419				(26,751)	
CDBG Front St. Ship.	(144)	-	-		-			-	-				(144)	
EPA Browns	(1,234)	-	314,464		-			-	281,373				31,857	
ME Downtown Ctr.	(112)	-	75,000		-			-	100,000				(25,112)	
CDBG Micro	(1,106)	-	16,394		-			-	11,468				3,820	
Airport Taxiway	-	-	-		-			-	296				(296)	
Front St. Reconstruction	(20,459)	-	-		-			-	-				(20,459)	

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Capital Projects Fund
For the Year Ended June 30, 2016

	A	D	D	D E D U C T			
<u>Capital Improvements (cont'd)</u>	<u>Investment</u>	<u>Other</u>	<u>TRANSFERS</u>			<u>Expenditures</u>	<u>Balance</u>
<u>7/01/15</u>	<u>Income</u>	<u>Receipts</u>	<u>In</u>	<u>Out</u>			<u>6/30/16</u>
CDBG Downtown	(43,628)	-	1,113,125	-	-	1,002,610	66,887
Airport Master Plan	(39,217)	-	88,533	-	-	59,566	(10,250)
Airport Runway	1,930	-	-	-	1,930	-	-
Airport Obstruction	(4,474)	-	19,615	-	-	9,850	5,291
Thompson Wharf	(37,769)	-	-	-	-	-	(37,769)
Inner Harbor	(726)	-	-	-	-	-	(726)
CDBG 2014	(35,374)	-	288,121	-	-	284,870	(32,123)
Front St. Reconstruction	(122,320)	-	-	-	-	-	(122,320)
Fitness Equipment	5,000	-	-	-	-	5,000	-
Solar Power	(142)	-	142	-	-	142	(142)
IMPR Coast Guard	-	-	-	24,695	-	29,505	(4,810)
CDBG Tech	(112)	-	800,000	-	-	800,000	(112)
Park Improvement	(7,037)	-	18,469	-	-	11,432	-
Total Capital Improvements	229,165	-	5,238,148	221,382	9,930	4,049,469	1,629,296
Totals	1,113,648	1,979	5,238,148	376,274	188,961	4,049,469	2,491,619

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
 Schedule of Valuation and Assessment
 For the Year Ended June 30, 2016

Valuation	
Real Estate	\$ 691,180,600
Personal Property	26,199,200
Total Valuation	<u>\$ 717,379,800</u>
Assessment	
Valuation x Rate = \$717,379,800 x .02240	\$ 16,069,308
Supplements	10,270
Abatements & TIF Financing	<u>(263,182)</u>
Property Tax Revenue Actual	15,816,396
Add Deferred Property Taxes - Prior Year	287,568
Less Deferred Property Taxes - Current Year	<u>(355,537)</u>
Property Tax Revenue Recognized	<u>\$ 15,748,427</u>

City of Belfast, Maine
 Schedule of Activity on Special Purpose Accounts
 For the Year Ended June 30, 2016

Account Name	Balances 7-01-15	Receipts	Expended	Balances 6-30-16
Future Land Acquisition	\$ 22,170	\$ -	\$ -	\$ 22,170
Belfast Dev Corp/Econ Dev	20,686	-	90	20,596
Road Opening Account	21,085	13,719	7,500	27,304
Sesquicentennial Receipts	3,830	-	-	3,830
Property Tax Relief Program	2,268	-	-	2,268
Rte. 3 Road Improv. Impact	7,000	-	-	7,000
ENK Fund	(88,545)	21,166	-	(67,379)
Thomas Wharf/Paddle Dock	(816)	-	-	(816)
Parks & Rec. Bus Service	(4,797)	-	-	(4,797)
Boathouse Key Deposit	275	2,225	1,651	849
Jaws of Life	5,160	500	3,525	2,135
Sale/Industrial Park Prop.	199,493	20,000	-	219,493
Park Pavillian	263	-	-	263
Harbor Gasoline	25,276	73,434	69,472	29,238
Harbor Diesel	34,695	71,849	62,643	43,901
Waterfront Heritage Park	77,712	2,601	-	80,313
Playground Impr. Group	246	-	-	246
City Park Donations	5,843	-	-	5,843
Poet Laureate	(35)	55	-	20
City of Belfast Bridge Fund	(2,780)	-	-	(2,780)
Planning Dept. Escrow	2,000	-	-	2,000
Bridge Plaque	500	-	-	500
Belfast Area Youth Council	69	-	-	69
Police Evidence Account	(2,266)	-	-	(2,266)
Cemetery Donations	650	-	-	650
Police Memorial Fund	20	-	-	20
Rail Trail Trust Account	27,498	112,468	88,180	51,786
Worthy Poor	(19)	20,506	16,082	4,405
Senior Dinner Program	200	-	-	200
Mid-Coast Frozen LLC	-	10,000	-	10,000
Good Cause Program	(120)	4,501	4,834	(453)
Totals	<u>\$ 357,561</u>	<u>\$ 353,024</u>	<u>\$ 253,977</u>	<u>\$ 456,608</u>

City of Belfast, Maine
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Summary of Auditor's Results**Financial Statements**

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Belfast, Maine.
2. No material weakness in internal control was found during the audit of the financial statements.
3. No significant deficiencies in internal control were found during the audit of the financial statements.
4. No instances of noncompliance material to the financial statements of City of Belfast, Maine were disclosed during the audit.
5. No significant deficiencies in internal control over major federal programs were disclosed during the audit.
6. The auditor's report on compliance for the major federal award programs for the City of Belfast, Maine expresses an unqualified opinion on all major federal programs.
7. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
8. The programs tested as major programs include: Business Assistance Program CFDA #14.228.
9. The threshold for distinguishing type A and B programs was \$750,000.
10. The City of Belfast, Maine was determined to be a high-risk auditee.

Findings-Financial Statements Audit

The financial statements of the City of Belfast, Maine, for the year ended June 30, 2016 were found to fairly present in all material respects the respective financial position of the governmental activities, the business-type activities, and each major fund and federal program. No adverse findings are reportable.

Findings and Questioned Costs-Major Federal Award Program Audit

No findings or questioned costs are reportable

The notes to the financial statements are an integral part of this statement.

City of Belfast, Maine
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Pass-Through Entity Identifying #</u>	<u>Federal Expenditures</u>
<u>Department of Environmental Protection</u>			
<u>Pass-through Maine Department of Environmental Protection</u>			
Brownfields Assessment and Cleanup			
Cooperative Agreements	66.818	ARRA2009	\$ 293,949
Total U.S. Dept. of Environmental Protection			<u>293,949</u>
<u>Department of Economic & Community Development</u>			
<u>Pass-through Maine Department of Economic & Community Development</u>			
2012 Downtown Revitalization	14.228	1685	383,125
Micro-Enterprise Assistant Program	14.228	1741	11,469
Maine Downtown Center Assistance Program	14.228	508-2	100,000
2014 Housing Assistance	14.228	1669	246,217
Business Assistance Program	14.228	-	* 799,888
Total U.S. Department of Economic & Community Development			<u>1,540,699</u>
<u>Department of Transportation</u>			
<u>Federal Aviation Administration</u>			
<u>Pass-through Maine Department of Transportation</u>			
Airport Improvement Program	20.106	3-23-0007-014-2015	266
Airport Master Plan Update-Phase 2	20.106	3-23-0007-013-2014	53,573
Airport Improvement Program	20.106	3-23-0007-011-2013	4,324
Airport Improvement Program	20.106	3-23-0007-016-2016	3,944
Total Department of Transportation			<u>62,107</u>
<u>Department of Commerce</u>			
<u>Pass-through Economic Development Administration</u>			
Investments for Public Works & Economic Development	11.300	01-01-14433	356,611
Total Department of Commerce			<u>356,611</u>
Total Expenditures of Federal Awards			<u>\$ 2,253,366</u>

*Major Programs

Significant Accounting Policies

- A. Reporting Entity-The accompanying schedule includes all federal awards programs of the City of Belfast, Maine for the fiscal year ended June 30, 2016. The reporting entity is defined in Notes to Basic Financial Statements of the City of Belfast, Maine.
- B. Basis of Presentation-The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.
 - 1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations.
 - 2. Major Programs-Uniform Guidance establishes the levels of expenditures or expenses to be used in defining major federal financial award programs. Major programs for the City of Belfast, Maine have been identified in the attached Schedule of Findings and Questioned Costs-Summary of Auditor's Results.
- C. Basis of Accounting-The information presented in the Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.
- D. American Recovery and Reinvestment Act (ARRA) of 2009-Expenditures for this program were funded by ARRA.

The notes to the financial statements are an integral part of this statement.

C.H. DORR & CO., P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City Council
City of Belfast, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Belfast, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Belfast, Maine's major federal programs for the year ended June 30, 2016. The City of Belfast, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Belfast, Maine's major federal programs based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards of the Uniform Guidance required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Belfast, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Belfast, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Belfast, Maine complied, in all material respects, with the

types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of the City of Belfast, Maine, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Belfast, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Belfast, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belfast, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Belfast, Maine's basic financial statements. We issued our report thereon dated February 8, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise

of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

C.H. Don & Co.

Brewer, Maine
February 8, 2017

C.H. DORR & CO., P.A.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Belfast, Maine

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belfast, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Belfast, Maine's basic financial statements and have issued our report thereon dated February 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Belfast, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Belfast, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Belfast, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belfast, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.H. Donat Co.

Brewer, Maine
February 8, 2017