

MAR 19 2018

CITY OF BELFAST, MAINE

AUDIT REPORT

For the Year Ended June 30, 2017

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

Other Matters

Required Supplementary Information

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 15 and 42 through 43 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 March 15, 2018, 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.



Brewer, Maine
March 15, 2018

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, 2017.

FINANCIAL HIGHLIGHTS

The assets of the City of Belfast exceeded its liabilities and deferred inflows at June 30, 2017 by \$56,282,718. Of this amount unrestricted net position of \$3,758,587 may be used to meet the government's ongoing obligations to citizens and creditors.

The total net position increased by \$3,056,335. Of this amount \$(705,343) was associated with governmental and \$3,761,678 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 \$3,688,221 a decrease of \$1,333,260 in comparison with the prior year. Of this amount \$2,167,919 is unreserved and available for spending, and \$52,281 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 \$2,167,919, or 10% of total General Fund expenditures.

The City of Belfast's total debt obligations (including post retirement benefits) decreased by the net of \$205,123.

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 2017 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, 2017, the City's assets exceeded liabilities and deferred inflows by \$56,282,718. By far the largest portion of the City's net position (89 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 decreased the City's net position by \$705,343.

Business-Type Activities: Business-type activities increased the City's net position by \$3,761,678. This increase consists principally of \$3,788,900, the transfer from the construction in progress costs.

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, 2017, the City's governmental funds reported combined ending fund balances of \$3,688,221 a decrease of \$1,333,260 in comparison with the prior year. Of this amount, \$2,167,919 (59 percent) is unreserved General Fund balance, which is available for spending at the government's discretion. Of the unreserved fund balance \$52,281 has been designated by the City Council for subsequent years' expenditure and other uses leaving and unreserved undesignated amount of \$2,220,200. 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, \$940,842, (2) for unspent funds on construction in progress, \$0, and (3) special purposes, \$527,179.

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 \$2,167,919 while the total fund balance totaled \$3,688,221. 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 10 percent of total General Fund expenditures, while total fund balance represents 18 percent of that amount.

The fund balance of the City's General Fund increased by \$222,517 during the current fiscal year. The revenues increased by 2 percent and the expenditures decreased by 2 percent resulting in an increase of revenues over expenditures of \$127,671. \$40,176 was transferred to the sewer department fund to cover partial debt service.

The Capital Projects Fund has a total fund balance of \$940,842. Of that amount \$632,356 is designated for future capital projects; \$308,486 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 \$1,453,140. 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 \$0. 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, 2017 amounts to \$57,966,253 (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	—
Equipment	469,586
Infrastructure	<u>627,948</u>
Total Capitalization-Governmental	<u>\$1,097,534</u>

Sewer Department Activities:

Buildings	\$ 60,998
Equipment	180,924
Infrastructure	<u>3,703,766</u>
Total Capitalization-Sewer	<u>\$3,945,688</u>

Long-term Debt: At the end of the current fiscal year, the City had \$7,626,323 in outstanding debt consisting of general obligation bonds of \$7,267,230 and \$359,093 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 \$123,795,000, 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 calendar year 2017, 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 2017 included the following:

1. the former Crosby High School at 96 Church Street was purchased by a private individual and has been reopened as a multipurpose facility with housing, office space, and performance space;

2. Rollie's Bar and Grill completed a 40-seat expansion on a parcel of property it purchased from the City of Belfast;
3. Trillium Caterers completed their new facility located at lot 8 in the Belfast Airport Business Park;
4. United Farmers Market of Maine opened their facility at 18 Spring Street in downtown Belfast, an estimated \$1.5 million redevelopment/refurbishment;
5. construction began on the Waldo County District and Superior Courthouse at the intersection of Anderson, Church, and Market Streets in downtown Belfast, an estimated \$13.5 million project;
6. the Consumers Fuels property at 15 Front Street was purchased by a private individual, and the former coal shed has been demolished;
7. Ducktrap River of Maine purchased the former Little River Apparel facility located in the south phase of the Belfast Airport Business Park with plans to expand into it;
8. Tidewater Oil Company purchased the former Belfast Industries building located in the north phase of the Belfast Airport Business Park and have expanded into it; and
9. the City of Belfast Planning Board granted approval to Waldo County General Hospital for a 4,500-square foot expansion to its emergency department.

In 2018, several projects, both some of those that are mentioned above as well as additional ones, are expected to make substantial progress:

1. the construction of enhancements to the Belfast Municipal Airport, specifically a partial parallel taxiway and a self-serve aviation fuel farm, projects estimated at \$6.1 million and \$365,000, respectively;
2. the construction of a new public works facility and a solar panel field at a new site on Crocker Road previously purchased by the City of Belfast, projects estimated at \$7.0 million and \$1.5 million, respectively;
3. Ducktrap River of Maine's refurbishment/redevelopment of the former Little River Apparel facility and its expansion into it;
4. the continued construction of the new Waldo County District and Superior Courthouse (its current anticipated completion date is January 31, 2019; and
5. Waldo County General Hospital's 4,500-square foot expansion to its emergency department.

Looking at available indicators to gauge the Belfast economy, over the past 13 months for which data is available (December 2016-December 2017), Belfast's unemployment rate (not seasonally-adjusted) decreased from 4.9% to 2.8% (and also ranging between 4.9% and 2.8% during that time period). In comparison, during that same time period, the unemployment rate for the State of Maine decreased from 4.0% to 2.6% (and ranging between 4.1% and 2.6%), and the unemployment rate for the United States decreased from 5.1% to 3.9% (and ranging between 5.1% and 3.9%). As has been mentioned before, Belfast is known to be 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).

However, while Belfast has experienced a lengthy period of relatively low unemployment, and is aware that many of its businesses, across a variety of industries,

are continually looking to hire people, Belfast is still suffering from a rate of poverty that is disappointingly far too high. The percentage of people whose income was below the poverty level has significantly increased since 2011, when it was at only 15.7%; the poverty rate increased each year until it peaked in 2014 at 27.1%, and since then it has decreased (yet only modestly) each year, down to 22.6% in 2016.

Looking at taxable retail sales, over the past 13 months for which data is available (December 2016-December 2017), total monthly taxable retail sales for the Belfast Economic Summary Area (the smallest geographic area for which taxable retail sales data is available, and which is comprised of the municipalities of Bayside, Belfast, Belmont, Brooks, Jackson, Knox, Liberty, Monroe, Montville, Morrill, Northport, Searsmont, Swanville, and Waldo) from \$18,715,200 to \$19,455,900, representing an increase of 3.96%; this was more than double the rate of growth for total monthly taxable retail sales for the State of Maine during that same time period (1.83%).

Particular categories of Belfast Economic Summary Area taxable retail sales to be noted, due to their significant increases, include: general merchandise, which increased by 6.17% (compared to an increase of 8.72% for the State of Maine); and building supplies, which increased by 46.00% (compared to an increase of 8.28% for the State of Maine). However, there were three categories of taxable retail sales that experienced significant decreases during this same period: restaurants, which decreased by 4.71% (compared to an increase of 3.59% for the State of Maine); automobile transportation, which decreased by 8.49% (compared to a decrease of 1.58% for the State of Maine); and lodging, which decreased by 41.30% (compared to a decrease of 7.78% for the State of Maine).

Regarding property values, the value of residential property within Belfast increased from \$449,143,800 as of April 1st, 2016 to \$474,682,200 as of April 1st, 2017; this represented an increase of 5.7%. During that same period of time, the value of commercial property within Belfast also increased (albeit at a slower rate) from \$179,790,800 as of April 1st, 2016 to \$185,631,200 as of April 1st, 2017, representing an increase of 3.2%. Regarding personal property specifically, the value of personal property in the Business Equipment Tax Exemption (BETE) program decreased, from \$16,677,000 as of April 1st, 2016 to only \$15,544,500 as of April 1st, 2017, representing a decrease of 6.8%.

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 amended in 2014) and the Downtown-Waterfront TIF district (established in 2007 and amended in 2014).

The value of real property in the Northport Avenue TIF district decreased from \$10,643,400 as of April 1st, 2016 to \$9,600,300 as of April 1st, 2017, representing a decrease of 10.9%. However, the value of personal property within the Northport Avenue TIF district increased during that time, from \$964,200 as of April 1st, 2016 to \$1,068,600 as of April 1st, 2017, representing an increase of 10.8%. Taken together, the entire value of the district decreased from \$11,607,600 as of April 1st, 2016 to \$10,668,900 as of April 1st, 2017, representing a decrease of 8.1%. The difference between the current total assessed value of the Northport Avenue TIF district (\$10,668,900) and the assessed value when the district was created (or amended) (\$10,126,400), also known as the *increment*, is currently \$542,500. At the City's current mil rate of 21.9, this increment of \$542,500 would be expected to generate \$11,881 in

annual TIF district revenue. The amount of this increment has significantly shrunk from its April 1st, 2016 value of \$1,481,200, representing a decrease of 63.4%.

For the Downtown-Waterfront TIF district, both its real property value and its personal property value increased from April 1st, 2016 to April 1st, 2017, from \$52,992,200 to \$58,877,600 (representing an increase of 11.1%) and from \$2,711,300 to \$3,011,600 (also representing an increase of 11.1%), respectively. Combined, the total assessed value of the district increased from \$55,703,500 as of April 1st, 2016 to \$61,889,200 as of April 1st, 2017, representing an increase of 11.1%. However, the district's increment increased even more substantially, from \$8,296,220 to \$14,481,920, representing an increase of 74.6%. At the City's current mil rate of 21.9, this increment of \$14,481,920 would be expected to generate \$317,154 in annual TIF district revenue. (A substantial portion of the increase in this particular TIF district during this time is attributable to a substantial revaluation process that was undertaken by the City Assessor's office, as opposed to additional construction or investment.)

At the time of this report, the City has entered into its first credit enhancement agreement (where some or all of the incremental/additional property taxes can be refunded to a private entity); this one is with Building 6 LLC (a related entity of Front Street Shipyard). All other TIF district 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.

Looking ahead, the Maine Consensus Economic Forecasting Commission (CEFC), in their most recent (November 1, 2017) report, made modest revisions to its major indicators from April of 2017. Specifically, the CEFC: revised its forecast for the annual percentage change in wage and salary employment upward for both 2017 (0.1% to 0.8%) and 2018 (0.1% to 0.2%); revised its forecast for the annual percentage change in personal income downward for 2017 (3.2% to 3.0%), downward for 2018 (3.6% to 3.1%), and upward for 2020 (3.6% to 3.8%); revised its forecast for the annual percentage change in wage and salary income downward both for 2017 (3.2% to 3.0%) and 2018 (3.7% to 2.9%); and revised its forecast for the annual percentage change in the Consumer Price Index for All Urban Consumers downward for 2017 (2.7% to 2.4%). In addition, the CEFC also revised its forecast from April of 2017 for the annual percentage change in before-tax corporate profits upward for both 2017 (from 3.0% to 4.5%) and 2018 (3.2% to 6.0%).

Positive statewide indicators pointed out by the CEFC in its report included: an increase in single-family home sales and in housing permits; a decline in mortgage delinquency rates (but still higher than the national rate); the foreclosure rate falling below the national rate for the first time since 2014; growth in the number of nonfarm payroll jobs (though the rate of growth has slowed over the past 18 months); a new record was set for total wages paid in a year (\$26.4 billion); and a new record was set for inflation-adjusted wages per job (\$43,500). Negative statewide indicators pointed out by the CEFC in its report included: the debt-to-income level for businesses and households continued to rise to new levels; and a decline in small business optimism.

In its report, the CEFC conveyed mixed feelings regarding the economy and discussed its concerns: "Maine's economy continues to see slow growth with considerable challenges posed by the state's aging population and lack of population growth. . . . While 2016 and 2017 showed strong employment growth, perhaps indicating that there has been an

increase in in-migration to Maine in recent years, there is little confidence that these growth rates will continue into future years . . . Maine's population growth is likely to limit employment growth over the next few years, particularly as the baby boom generation continues to move into retirement age.”

Again, as in many previous years, one derives a rather mixed impression of the Belfast economy from the combination of what is actually taking place in Belfast in regards to business expansion and investment, with the trends of the underlying economic indicators. The City of Belfast should, through its various economic development strategies and initiatives, pursue important economic and community development goals including the attraction and creation of quality (i.e. livable wage) jobs, the reduction of poverty, and the development of additional workforce housing, to help buttress and augment the economic progress it has achieved over the past decade.

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	
	2017	2016	2017	2016	2017	2016
Current & Other Assets	\$ 5,386,117	\$ 6,434,265	\$ 1,825,382	\$ 2,142,588	\$ 7,211,499	\$ 8,576,853
Capital Assets (Net)	35,866,849	35,554,876	22,099,404	18,488,306	57,966,253	54,043,182
Total Assets	41,252,966	41,989,141	23,924,786	20,630,894	65,177,752	62,620,035
Long-Term Liabilities Outstanding	3,752,295	4,241,698	3,151,393	4,055,487	6,903,688	8,297,185
Other Liabilities	1,537,836	1,079,265	453,510	17,202	1,991,346	1,096,467
Total Liabilities	5,290,131	5,320,963	3,604,903	4,072,689	8,895,034	9,393,652
Net Position:						
Invested in Capital Assets						
Net of Related Debt	32,189,367	31,684,706	18,200,413	14,276,849	50,389,780	45,961,555
Restricted	1,468,021	2,948,227	666,330	859,171	2,134,351	3,807,398
Unrestricted	2,305,447	2,035,245	1,453,140	1,422,185	3,758,587	3,457,430
Total Net Position	\$ 35,962,835	\$ 36,668,178	\$ 20,319,883	\$ 16,558,205	\$ 56,282,718	\$ 53,226,383

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

	Governmental Activities		Business-Type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Revenues:</u>						
Program Revenues:						
Charges for Service/Fees	\$ 2,185,599	\$ 1,863,976	\$ 875,767	\$ 855,939	\$ 3,061,366	\$ 2,719,915
Operating Grants and Contrib.	310,193	321,435	-	-	310,193	321,435
Capital Grants and Contrib.	75,000	75,000	-	-	75,000	75,000
General Revenues:						
Property Taxes	16,025,483	15,816,396	-	-	16,025,483	15,816,396
Excise Taxes	1,114,213	1,034,106	-	-	1,114,213	1,034,106
Intergovernmental - Other	848,912	965,218	-	-	848,912	965,218
Other	3,052,060	5,896,643	4,440	1,306	3,056,500	5,897,949
Total Revenues	<u>23,611,460</u>	<u>25,972,774</u>	<u>880,207</u>	<u>857,245</u>	<u>24,491,667</u>	<u>26,830,019</u>
<u>Expenses:</u>						
General Government	2,612,375	3,209,117	-	-	2,612,375	3,209,117
Protection	2,839,093	2,553,316	-	-	2,839,093	2,553,316
Public Works	5,376,198	2,398,432	-	-	5,376,198	2,398,432
Social Services	306,597	510,402	-	-	306,597	510,402
Parks & Recreation	287,900	280,792	-	-	287,900	280,792
Library	523,952	528,891	-	-	523,952	528,891
Cemeteries	143,497	168,793	-	-	143,497	168,793
Education	10,015,476	9,969,316	-	-	10,015,476	9,969,316
County Tax	1,400,761	1,376,367	-	-	1,400,761	1,376,367
Interest on Debt	38,577	175,267	-	-	38,577	175,267
Unclassified	712,723	406,623	-	-	712,723	406,623
Sewer Department	-	-	907,429	899,678	907,429	899,678
Total Expenses	<u>24,257,149</u>	<u>21,577,316</u>	<u>907,429</u>	<u>899,678</u>	<u>25,164,578</u>	<u>22,476,994</u>
Increase (Decrease) in Net Position Before Transfers	(645,689)	4,395,458	(27,222)	(42,433)	(672,911)	4,353,025

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

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Transfers	315,097	(2,236,011)	3,788,900	203,963	4,103,997	(2,032,048)
Reserve for Uncollectibles	(374,751)	-	-	-	(374,751)	-
Increase (Decrease) in Net Assets	(705,343)	2,159,447	3,761,678	161,530	3,056,335	2,320,977
Net Position - Beginning	36,668,178	34,508,731	16,558,205	16,396,675	53,226,383	50,905,406
Net Position - Ending	\$ 35,962,835	\$ 36,668,178	\$ 20,319,883	\$ 16,558,205	\$ 56,282,718	\$ 53,226,383

City of Belfast, Maine
Government-Wide Statement of Net Position
June 30, 2017

Exhibit A

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash & Cash Equivalents	\$ 1,873,749	\$ -	\$ 1,873,749
Investments	1,286,117	597,297	1,883,414
Due from other Funds	-	721,383	721,383
Receivables (Net of Allowance for Doubtful Accounts):			
Taxes	794,692	-	794,692
Accounts	1,431,559	506,702	1,938,261
Total Current Assets	<u>5,386,117</u>	<u>1,825,382</u>	<u>7,211,499</u>
Capital Assets:			
Land	10,175,461	1,485,000	11,660,461
Construction In Progress	-	-	-
Buildings & Improvements	9,476,855	713,156	10,190,011
Vehicles & Equipment	6,255,351	348,549	6,603,900
Infrastructure	25,572,656	28,317,623	53,890,279
Total Capital Assets	<u>51,480,323</u>	<u>30,864,328</u>	<u>82,344,651</u>
Less Accumulated Depreciation	<u>(15,613,474)</u>	<u>(8,764,924)</u>	<u>(24,378,398)</u>
Net Capital Assets	<u>35,866,849</u>	<u>22,099,404</u>	<u>57,966,253</u>
Total Assets	<u>41,252,966</u>	<u>23,924,786</u>	<u>65,177,752</u>
 <u>LIABILITIES</u>			
Account Payable	425,075	-	425,075
Other Liabilities	25,294	-	25,294
Accrued Interest Payable	16,141	15,155	31,296
Due to other Funds	730,033	-	730,033
Taxes Collected In Advance	57,013	-	57,013
Bonds and Notes:			
Due Within One Year	284,280	438,355	722,635
Total Current Liabilities	<u>1,537,836</u>	<u>453,510</u>	<u>1,991,346</u>
Long-Term Liabilities			
Bonds and Notes:			
Due in More Than One Year	3,393,202	3,151,393	6,544,595
Compensated Absences	359,093	-	359,093
Total Long-Term Liabilities	<u>3,752,295</u>	<u>3,151,393</u>	<u>6,903,688</u>
Total Liabilities	<u>5,290,131</u>	<u>3,604,903</u>	<u>8,895,034</u>
 <u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	32,189,367	18,200,413	50,389,780
Restricted For:			
TIF	-	60,516	60,516
Infrastructure Maintenance & Upgrade	-	597,297	597,297
Capital Projects	940,842	-	940,842
Heating Fuel	-	8,517	8,517
Special Purposes	527,179	-	527,179
Unrestricted	2,305,447	1,453,140	3,758,587
Total Net Position	<u>\$ 35,962,835</u>	<u>\$ 20,319,883</u>	<u>\$ 56,282,718</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, 2017

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	\$ 2,612,375	\$ 362,351	\$ -	\$ -	\$ (2,250,024)	\$ -	\$ (2,250,024)
Protection	2,839,093	1,347,033	55,545	-	(1,436,515)	-	(1,436,515)
Public Works	5,376,198	339,016	134,648	-	(4,902,534)	-	(4,902,534)
Social Services	306,597	-	-	-	(306,597)	-	(306,597)
Parks & Recreation	287,900	3,476	-	-	(284,424)	-	(284,424)
Library	523,952	-	-	75,000	(448,952)	-	(448,952)
Cemeteries	143,497	-	120,000	-	(23,497)	-	(23,497)
Education	10,015,476	-	-	-	(10,015,476)	-	(10,015,476)
County Tax	1,400,761	-	-	-	(1,400,761)	-	(1,400,761)
Interest on Long-Term Debt	38,577	-	-	-	(38,577)	-	(38,577)
Unclassified	712,723	133,723	-	-	(579,000)	-	(579,000)
Total Governmental Activities	24,257,149	2,185,599	310,193	75,000	(21,686,357)	-	(21,686,357)
Business-Type Activities							
Sewer Department	907,429	875,767	-	-	-	(31,662)	(31,662)
Total Business-Type Activities	907,429	875,767	-	-	-	(31,662)	(31,662)
Total Government	\$ 25,164,578	\$ 3,061,366	\$ 310,193	\$ 75,000	(21,686,357)	(31,662)	(21,718,019)

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, 2017

	Net (Expense) Revenues and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Totals
General Revenues:			
Taxes:			
Property	16,025,483	-	16,025,483
Excise	1,114,213	-	1,114,213
Interest on Taxes	72,469	-	72,469
Investment Earnings	21,465	4,440	25,905
Miscellaneous	2,669,212	-	2,669,212
Intergovernmental, Not Restricted to Specific Functions	848,912	-	848,912
Lease & Rental Income	131,515	-	131,515
Cable TV Receipts	77,177	-	77,177
Payment in Lieu of Taxes	9,650	-	9,650
Special Projects (Net)	70,572	-	70,572
Reserve for Uncollectible Transfers	(374,751)	-	(374,751)
	315,097	3,788,900	4,103,997
Total General Revenues and Transfers	20,981,014	3,793,340	24,774,354
Changes in Net Position	(705,343)	3,761,678	3,056,335
Net Position, Beginning	36,668,178	16,558,205	53,226,383
Net Position, Ending	\$ 35,962,835	\$ 20,319,883	\$ 56,282,718

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

City of Belfast, Maine
Balance Sheet - Governmental Funds
6/30/20167

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,869,113	\$ 4,636	\$ 1,873,749
Investments	658,078	628,039	1,286,117
Receivables (Net of Allowance for Doubtful Accounts):			
Taxes	794,692	-	794,692
Accounts	1,431,559	-	1,431,559
Due from Other Funds	-	308,167	308,167
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 4,753,442</u>	<u>\$ 940,842</u>	<u>\$ 5,694,284</u>
<u>LIABILITIES & FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 425,075	\$ -	\$ 425,075
Other Liabilities & Accruals	25,294	-	25,294
Due to Other Funds	1,038,200	-	1,038,200
Taxes Collected In Advance	57,013	-	57,013
Total Liabilities	<hr/> 1,545,582	<hr/> -	<hr/> 1,545,582
Deferred Inflow of Resources			
Unavailable Revenue-Property Taxes	460,481	-	460,481
	<hr/>	<hr/>	<hr/>
<u>Fund Balances</u>			
Nonspendable	-	-	-
Restricted	-	940,842	940,842
Committed	527,179	-	527,179
Assigned	52,281	-	52,281
Unassigned	2,167,919	-	2,167,919
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>2,747,379</u>	<u>940,842</u>	<u>3,688,221</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities & Fund Balances	<u>\$ 4,753,442</u>	<u>\$ 940,842</u>	<u>\$ 5,694,284</u>

City of Belfast, Maine
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Statement of Net Position
 June 30, 2017

Exhibit D

Total Fund Balances - Total Governmental Funds \$ 3,688,221

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	\$10,175,461	
Depreciable capital assets, net	<u>25,691,388</u>	
Total capital assets		35,866,849

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 (16,141)

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	3,393,202	
Compensated absences	<u>359,093</u>	
Total long-term liabilities		(4,036,575)

Other deferred inflow of resources not available to pay for current period expenditures in the governmental funds-property taxes 460,481

Net position of governmental activities \$ 35,962,835

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, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$ 15,920,539	\$ -	\$ 15,920,539
Excise Taxes	1,114,213	-	1,114,213
Intergovernmental	1,039,105	-	1,039,105
Charges for Services	2,064,641	-	2,064,641
Investment Income	11,685	4,890	16,575
Interest on Taxes	72,469	-	72,469
Special Purpose Accts.	315,169	-	315,169
Miscellaneous	509,262	2,693,679	3,202,941
Total Revenues	<u>21,047,083</u>	<u>2,698,569</u>	<u>23,745,652</u>
<u>Expenditures:</u>			
General Government	2,437,817	151,371	2,589,188
Protection	3,005,258	5,988	3,011,246
Public Works	1,937,714	3,496,972	5,434,686
Social Services	306,597	-	306,597
Parks & Recreation	243,961	19,769	263,730
Library	428,889	27,139	456,028
Cemeteries	108,038	29,569	137,607
Education	10,015,476	-	10,015,476
County Tax	1,400,761	-	1,400,761
Debt Service	232,142	-	232,142
Special Purpose Accts.	244,597	-	244,597
Unclassified	362,570	564,630	927,200
Total Expenditures	<u>20,723,820</u>	<u>4,295,438</u>	<u>25,019,258</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>323,263</u>	<u>(1,596,869)</u>	<u>(1,273,606)</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	402,835	938,125	1,340,960
Operating Transfers (Out)	(128,830)	(897,033)	(1,025,863)
Reserve for Uncollectible	(374,751)	-	(374,751)
Total Other Financing Sources & Uses	<u>(100,746)</u>	<u>41,092</u>	<u>(59,654)</u>
Net Changes in Fund Balances	222,517	(1,555,777)	(1,333,260)
Fund Balance - Beginning	<u>2,524,862</u>	<u>2,496,619</u>	<u>5,016,481</u>
Fund Balance - Ending	<u>\$ 2,747,379</u>	<u>\$ 940,842</u>	<u>\$ 3,688,221</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, 2017

Exhibit F

Net Change in Fund Balance - Total Government Funds	\$ (1,333,260)
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.	1,097,534
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.	(786,022)
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.	192,688
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)	12,435
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.	110,405
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>877</u>
Change in net position of governmental activities	<u><u>\$ (705,343)</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, 2017

	<u>2017</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Due from General Fund	\$ 721,383
Pooled Investments	597,297
Receivables:	
Sewage Treatment Services (Net Allowance for Doubtful)	506,702
Total Current Assets	<u>1,825,382</u>
<u>Capital Assets:</u>	
Land	1,485,000
Buildings & Improvements	713,156
Vehicle & Equipment	348,549
Infrastructure	28,317,623
Total Capital Assets	<u>30,864,328</u>
Less Accumulated Depreciation	<u>(8,764,924)</u>
Net Capital Assets	<u>22,099,404</u>
 Total Assets	 <u>23,924,786</u>
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accrued Interest Payable	15,155
Current Portion of Long-Term Liabilities	438,355
Total Current Liabilities	<u>453,510</u>
<u>Non-Current Liabilities</u>	
Portion of Long-Term Liabilities	<u>3,151,393</u>
 Total Liabilities	 <u>3,604,903</u>
<u>NET POSITION</u>	
Invested in Capital Assets - Net of Related Debt	18,200,413
Restricted for TIF	60,516
Reserve for Heating Fuel	8,517
Reserve for Infrastructure Maint. & Upgrade	597,297
Unrestricted	<u>1,453,140</u>
 Total Net Position	 <u>\$ 20,319,883</u>

City of Belfast, Maine
Statement of Revenues, Expenses, and Changes
in Fund Balance - Proprietary Fund
For the Year Ended June 30, 2017

Sewer Disposal & Treatment System
2017

Operating Revenues:

User Fees	\$	872,667
Entrance & Recording Fees		3,100
Total Operating Revenues		875,767

Operating Expenses:

Salaries & Wages		130,047
Fringe Benefits		56,376
Utilities		124,140
Chemicals		20,102
Infrastructure Maintenance		8,999
Outside Services		34,976
Laboratory Supplies		4,021
Building Maintenance		2,150
Vehicle Maintenance/Fuel		10,685
Insurance		15,591
Billing & Accounting		9,706
Contract Sludge		59,685
Miscellaneous		17,865
Depreciation		334,590
Total Operating Expenses		828,933

Operating Income (Loss)		46,834
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Non-Operating Revenue (Expense):

Investment Earnings		4,440
Interest Expense		(78,496)
Net Non-Operating Revenue (Expense)		(74,056)

Income (Loss) Before Transfers		(27,222)
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Capital Contributions

Transfers in (out):

General Fund - Debt Service		40,176
General Fund - TIF		29,637
Capital Projects - Front Street		3,719,087

Change in Net Position		3,761,678
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Total Net Position - Beginning of Year		16,558,205
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Total Net Position - End of Year	\$	20,319,883
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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, 2017

		<u>Waste Water (Sewer)</u>
Cash flows From Operating Activities:		
Cash Received from Customers	\$ 854,908	
Cash Payments to Employees	(130,047)	
Cash Payments to Suppliers of Goods & Services	<u>(358,773)</u>	
Net Cash Provided by Operating Activities		\$ 366,088
Cash Flows From Noncapital Financing Activities:		
Transfer from (to) General Fund (Net)	<u>69,813</u>	
Net Cash Provided by Noncapital Financing Activities		69,813
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Fixed Assets	(227,102)	
Principal Paid on Long-Term Debt	(465,739)	
Interest Paid on Long-Term Debt	<u>(78,496)</u>	
Net Cash (Used) in Capital & Related Financing Activities		<u>(771,337)</u>
Net Increase (Decrease) in Cash & Cash Equivalents		(335,436)
Cash & Cash Equivalents		
Beginning of Year		<u>1,654,116</u>
End of Year:		
Cash Held By General Fund in Investments	721,383	
Cash in Pooled investments	<u>597,297</u>	
Total End of Year		<u>\$ 1,318,680</u>
Reconciliation of operating income (Loss) to net		
Cash Provided by Operating Activities		
Operating Income		\$ 51,274
Adjustments to Reconcile operations Income to		
Net Cash Provided by Operating Activities		
Depreciation		334,590
Changes in Assets & Liabilities		
(Increase) Decrease in Receivables		(17,730)
Increase (Decrease) in Payables		<u>(2,046)</u>
Net Cash Provided by Operating Activities		<u>\$ 366,088</u>

City of Belfast, Maine
 Statement of Fiduciary Net Positions
 Fiduciary Funds
 June 30, 2017

<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	\$ 1,564,690	\$ 2,050,922	\$ 236,989	\$ 59,004	\$ 5,441	\$ 451	\$ 3,917,497
Total Assets	<u>1,564,690</u>	<u>2,050,922</u>	<u>236,989</u>	<u>59,004</u>	<u>5,441</u>	<u>451</u>	<u>3,917,497</u>
Net Positions - Held in Trust for Specific Programs	<u>\$ 1,564,690</u>	<u>\$ 2,050,922</u>	<u>\$ 236,989</u>	<u>\$ 59,004</u>	<u>\$ 5,441</u>	<u>\$ 451</u>	<u>\$ 3,917,497</u>

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

City of Belfast, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

<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	\$ 41,024	\$ 46,725	\$ 4,737	\$ 536	\$ 49	\$ 3	\$ 93,074
Net increase (Decrease) in Fair Value of Investments	11,241	101,860	3,165	-	-	-	116,266
Total Additions	52,265	148,585	7,902	536	49	3	209,340
Deductions:							
Cemetery	(158,438)	-	-	-	-	-	(158,438)
Library	-	(94,750)	-	-	-	-	(94,750)
Unclassified	-	-	(6,141)	(126)	(11)	-	(6,278)
Total Deductions	(158,438)	(94,750)	(6,141)	(126)	(11)	-	(259,466)
Change in Net Position	(106,173)	53,835	1,761	410	38	3	(50,126)
Net Position, Beginning of Year	1,670,863	1,997,087	235,228	58,594	5,403	448	3,967,623
Net Position, End of Year	\$ 1,564,690	\$ 2,050,922	\$ 236,989	\$ 59,004	\$ 5,441	\$ 451	\$ 3,917,497

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, 2017

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 \$359,093, as of June 30, 2017

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, 2017 amounted to \$1,454,782 of which general receivables are \$411,892 and ambulance receivables are \$1,042,890. 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, 2017 is as follows:

General Fund:	
Taxes	\$262,703
Ambulance	23,223
Proprietary:	
Sewer Fund	<u>2,500</u>
Total Allowances for Uncollectible	<u>\$288,426</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)	\$ 222,517
Deficiency of revenues and other financing sources over expenditures and other uses (GAAP)	\$ 222,517
	=====

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, the following accounts exceeded appropriations by General Government, \$473 and unclassified, \$4,606. 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, 2017 consist of the following:

Deposits	
Cash on Hand	\$ 768
Cash in Bank	1,873,474
Investments	
Various Certificates of Deposits, Federal Nat'l Mtg. Notes, and Money Market Funds	<u>5,769,238</u>
Total Cash and Investments	<u>\$ 7,643,480</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, 2017, \$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, 2017 is \$5,769,238.

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 9, 2016, on the assessed value listed as of April 1, 2016, for all real and personal property located in the City. The assessed value for the list of April 1, 2016, upon which the 2017 levy base was \$729,547,335. Taxes were due and payable on October 14, 2016, and March 3, 2017, 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, 2017 was as follows:

	Balances at <u>June 30, 2016</u>	<u>Additions</u>	Retirements and <u>Transfers</u>	Balances at <u>June 30, 2017</u>
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$11,556,296	\$ 40,692	\$ (1,421,527)	\$10,175,461
Total Capital Assets not being Depreciated	<u>11,556,296</u>	<u>40,692</u>	<u>(1,421,527)</u>	<u>10,175,461</u>
Capital Assets being Depreciated:				
Buildings	9,476,855	–	–	9,476,855
Equipment	5,785,765	469,586	–	6,255,351
Infrastructure	<u>23,563,873</u>	<u>2,008,783</u>	–	<u>25,572,656</u>
Total Capital Assets being Depreciated	<u>38,826,493</u>	<u>2,478,369</u>	–	<u>41,304,862</u>
Less Accumulated Depreciation for:				
Buildings	3,863,206	171,109	–	4,034,315
Equipment	3,694,255	221,810	–	3,916,065
Infrastructures	<u>7,269,991</u>	<u>393,103</u>	–	<u>7,663,094</u>
Total Accum. Depreciation	<u>14,827,452</u>	<u>786,022</u>	–	<u>15,613,474</u>
Governmental Activities Capital Assets - Net	<u>\$35,555,337</u>	<u>\$ 1,733,039</u>	<u>\$ (1,421,527)</u>	<u>\$35,866,849</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	60,998	—	713,156
Vehicles & Equipment	167,625	180,924	—	348,549
Infrastructure	<u>24,613,857</u>	<u>3,703,766</u>	<u>—</u>	<u>28,317,623</u>
Total Other Capital Assets	<u>25,433,640</u>	<u>3,945,688</u>	<u>—</u>	<u>29,379,328</u>
Less Accumulated Depreciation:				
Building & Improvements	576,858	14,262	—	591,120
Vehicles & Equipment	113,862	16,685	—	130,546
Infrastructure	<u>7,739,614</u>	<u>303,643</u>	<u>—</u>	<u>8,043,258</u>
Total Accumulated Deprec.	<u>8,430,334</u>	<u>334,590</u>	<u>—</u>	<u>8,764,924</u>
Other Capital Assets, Net	<u>17,003,306</u>	<u>3,611,098</u>	<u>—</u>	<u>20,614,404</u>
Business-Type Capital, Net	<u>\$18,488,306</u>	<u>\$3,611,098</u>	<u>\$ —</u>	<u>\$22,099,404</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	\$ 2,991	\$ —	\$ 46,877
Protection	36,889	92,031	—	128,920
Public Works	9,283	111,837	306,833	427,953
Parks & Recreation	1,398	7,497	15,275	24,170
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>68,847</u>	<u>84,288</u>
Total Depreciation for Governmental Activities	<u>\$171,109</u>	<u>\$221,810</u>	<u>\$393,103</u>	<u>\$786,022</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, 2017 the balances were as follows:

	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
General Fund	\$ —	\$1,038,200
Capital Projects	308,167	—
Trust Fund	8,650	—
Sewer Fund	<u>721,383</u>	<u>—</u>
	<u>\$1,038,200</u>	<u>\$1,038,200</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, 2017:

Bonds and notes payable at June 30, 2016	\$7,925,657
Add: Principal additions	—
Less: Principal repayments	<u>(658,427)</u>
Bonds and notes payable at June 30, 2017	<u>\$7,267,230</u>

Bonds and notes payable at June 30, 2017, are comprised of the following:

<u>Long-term Debt</u>	<u>Fiscal Year Of Maturity</u>	<u>Interest Rate</u>	Governmental		<u>Total June 30, 2017</u>
			<u>Activities City</u>	<u>Business-type Activities</u>	
Footbridge Bond	2022	2.085%-5.085%	\$ 792,813	\$ —	\$ 792,813
Police Building Bond	2018	2.085%-4.285%	50,668	—	50,668
Police Building Bond	2019	2.216%-7.468%	44,001	—	44,001
Walkway Project	2032	1.480%-3.706%	640,000	—	640,000
Front St. Recon. Bond Pierce/Bridge	2036	0.91%-3.50	2,150,000	—	2,150,000
Street Bond	2023	2.250%	—	259,246	259,246
WWT Upgrade Bond	2020	3.270%	—	229,647	229,647
WWT Bond	2020	2.830%	—	127,068	127,068
WWT Bond	2022	2.400%	—	212,591	212,591
Swan Avenue Bond	2024	1.870%	—	243,192	243,192
Waste Water Refinance Bond	2024	1.450%	—	882,849	882,849

<u>Long-term Debt</u>	<u>Fiscal Year</u>	<u>Interest</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>Replacement Project</u>	<u>Of Maturity</u>	<u>Rate</u>	<u>Activities</u>	<u>Activities</u>	<u>June 30, 2017</u>
			<u>City</u>		
Bond	2025	1.490%	—	1,216,799	1,216,799
ARRA CWSRF	2029	0.000%	—	418,356	418,356
Total Bonds and Notes			\$ 3,677,482	\$ 3,589,748	\$ 7,267,230

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>				
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	424,671	43,341
2022	289,066	74,139	398,273	34,710
2023-2027	886,326	251,664	1,225,527	85,518
2028-2032	737,500	170,466	83,676	—
2033-2037	577,500	31,273	—	—
Total	\$3,677,482	\$ 901,002	\$3,589,748	\$ 356,791

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, 2017, the statutory limit for the City was \$124,245,000. The City's outstanding long-term debt of \$7,267,230 at June 30, 2017 was within the statutory limit.

F. Fund Balance By Purpose

Following is more detailed information on the governmental fund balances:

	General <u>Fund</u>	Capital <u>Projects</u>	<u>Total</u>
Nonspendable for:	\$ —	\$ —	\$ —
Restricted for:			
Capital Projects	—	940,842	940,842
Special Purpose Funds	527,179	—	527,179
Assigned to:			
Designated Carried	52,281	—	52,281
Unassigned	<u>2,167,919</u>	<u>—</u>	<u>2,167,919</u>
Total Fund Balances	<u>\$2,747,379</u>	<u>\$ 940,842</u>	<u>\$ 3,688,221</u>

G. Fund Balances

As of June 30, 2017, the following funds were unexpended and were carried forward into the operations of the 2017/2018 fiscal year.

Designated for Subsequent Years' Expenditures

100-512	Legal Services	\$ 19,262
130-631	Records Restoration	1,153
140-516	Heating Oil	3,824
190-515	Electricity	193
190-516	Heating Oil	2,678
210-515	Electricity	122
210-516	Heating Oil	3,163
220-516	Heating Oil	3,252
410-515	Electricity	557
410-516	Heating Oil	3,924
440-515	Electricity	346
440-516	Heating Oil	1,757
620-516	Heating Oil	3,161
630-515	Electricity	132
630-516	Heating Oil	394
660-515	Electricity	571
660-516	Heating Oil	192
680-604	Engineering/Professional Services	7,600
	Total	<u>\$ 52,281</u>

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 March 15, 2018, 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, 2017, 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, 2017 and 2016 was \$242,453 and \$219,329 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 \$245,772 for the year ended June 30, 2017.

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, 2017

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, 2017

<u>Resources</u>	Original Budget W/Carried	Budget as Amended	Actual	Variance from Amended Positive (Negative)
Property Taxes	\$ 16,139,305	\$ 16,139,305	\$ 15,920,539	\$ (218,766)
Excise Taxes	1,010,000	1,010,000	1,114,213	104,213
Intergovernmental	1,047,688	1,047,688	1,039,105	(8,583)
Charges for Services	1,876,383	1,876,383	2,064,641	188,258
Investment Income	5,000	5,000	11,685	6,685
Interest on Taxes	70,000	70,000	72,469	2,469
Miscellaneous	539,522	539,522	509,262	(30,260)
Special Purpose Accounts	-	-	315,169	315,169
Amounts Available for Appropriation	<u>20,687,898</u>	<u>20,687,898</u>	<u>21,047,083</u>	<u>359,185</u>
<u>Charges to Appropriations (Outlays)</u>				
General Government	2,390,939	2,437,344	2,437,817	(473)
Protection	2,731,838	3,050,130	3,005,258	44,872
Public Works	2,082,392	2,134,808	1,937,714	197,094
Social Services	382,459	382,459	306,597	75,862
Parks & Recreation	244,815	244,815	243,961	854
Library	460,147	460,147	428,889	31,258
Cemeteries	126,371	126,371	108,038	18,333
Education	10,015,476	10,015,476	10,015,476	-
County Tax	1,400,761	1,400,761	1,400,761	-
Debt Service	256,782	256,782	232,142	24,640
Unclassified	357,964	357,964	362,570	(4,606)
Reserve for Uncollectibles	-	-	374,751	(374,751)
Special Purpose Accounts	-	-	244,597	(244,597)
Total Charges to Appropriations	<u>20,449,944</u>	<u>20,867,057</u>	<u>21,098,571</u>	<u>(231,514)</u>
Excess (Deficiency) of Resources Over Charges to Appropriations	237,954	(179,159)	(51,488)	127,671
<u>Other Financial Sources and Uses:</u>				
Transfers In	-	417,113	402,835	(14,278)
Transfers (Out)	(115,319)	(115,319)	(128,830)	(13,511)
Carried Balances	-	-	-	-
Total Other Financial Sources (Uses)	<u>(115,319)</u>	<u>301,794</u>	<u>274,005</u>	<u>(27,789)</u>
Net Change in Fund Balance - General Fund	<u>\$ 122,635</u>	<u>\$ 122,635</u>	<u>\$ 222,517</u>	<u>\$ 99,882</u>

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, 2017

	Balance 7/1/16	Approp.	Transfers	Total Available	Expended	(Over) Under Expended	
						Lapsed To Surplus	Carried
<u>General Government</u>							
City Manager's Department	\$ -	\$ 239,082	\$ 25,000	\$ 264,082	\$ 238,056	\$ 6,763	\$ 19,263
Finance Department	-	159,559	-	159,559	161,926	(2,367)	-
Assessing Department	-	128,846	-	128,846	126,094	2,752	-
City Clerk's Department	-	182,456	-	182,456	180,202	1,101	1,153
City Building Maintenance	-	123,072	-	123,072	132,458	(13,210)	3,824
Elections and Registrations	-	14,900	-	14,900	14,771	129	-
Agency Transactions	-	1,285,388	18,405	1,303,793	1,331,814	(28,021)	-
Boathouse	-	11,950	-	11,950	8,539	540	2,871
Planning Department	-	245,686	3,000	248,686	243,957	4,729	-
<u>Total General Government</u>	-	<u>2,390,939</u>	<u>46,405</u>	<u>2,437,344</u>	<u>2,437,817</u>	<u>(27,584)</u>	<u>27,111</u>
<u>Protection</u>							
Fire Department	-	241,700	242,792	484,492	478,413	2,794	3,285
Police Department	-	1,068,502	-	1,068,502	1,039,712	25,538	3,252
Street Lighting	-	98,300	-	98,300	99,581	(1,281)	-
Hydrants	-	424,464	-	424,464	424,464	-	-
Animal Control	-	8,000	-	8,000	5,321	2,679	-
Municipal Insurance	-	288,850	10,000	298,850	291,347	7,503	-
Ambulance Department	-	546,444	65,500	611,944	615,149	(3,205)	-
Crossing Guards	-	15,544	-	15,544	14,130	1,414	-
Cable Television	-	40,034	-	40,034	37,141	2,893	-
<u>Total Protection</u>	-	<u>2,731,838</u>	<u>318,292</u>	<u>3,050,130</u>	<u>3,005,258</u>	<u>38,335</u>	<u>6,537</u>
<u>Public Works</u>							
Highway Department	-	1,312,117	13,780	1,325,897	1,273,380	48,035	4,482
Sidewalk Maintenance	-	25,000	-	25,000	28,037	(3,037)	-
Recycling/Transfer Station	-	313,775	-	313,775	325,505	(13,833)	2,103
Road Construction/Paving	-	420,000	38,636	458,636	297,731	160,905	-
Tree Program	-	11,500	-	11,500	13,061	(1,561)	-
<u>Total Public Works</u>	-	<u>2,082,392</u>	<u>52,416</u>	<u>2,134,808</u>	<u>1,937,714</u>	<u>190,509</u>	<u>6,585</u>

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, 2017

	Balance 7/1/16	Approp.	Transfers	Total Available	Expended	(Over) Under Expended	
						Lapsed To Surplus	Carried
<u>Social Services</u>							
General Assistance	-	190,000	-	190,000	108,010	81,990	-
Welfare Director	-	27,785	-	27,785	33,913	(6,128)	-
Outside Agencies	-	164,674	-	164,674	164,674	-	-
Total Social Services	-	382,459	-	382,459	306,597	75,862	-
<u>Parks and Recreation</u>							
	-	244,815	-	244,815	243,961	854	-
<u>Library</u>							
	-	460,147	-	460,147	428,889	28,097	3,161
<u>Cemeteries</u>							
	-	126,371	-	126,371	108,038	17,808	525
<u>Education - MSAD 34</u>							
	-	10,015,476	-	10,015,476	10,015,476	-	-
<u>Special Assessments</u>							
County Tax	-	1,400,761	-	1,400,761	1,400,761	-	-
<u>Debt Service</u>							
Notes and Interest	-	256,782	-	256,782	232,142	24,640	-
<u>Unclassified</u>							
Airport	-	28,000	-	28,000	29,229	(1,229)	-
Promotional Activities	-	65,730	-	65,730	65,200	530	-
State Law Enforcement Agency	-	60,000	-	60,000	72,397	(12,397)	-
Harbor	-	146,900	-	146,900	148,420	(2,283)	763
Planning and Zoning	-	11,700	-	11,700	3,696	404	7,600
MMA Dues	-	7,515	-	7,515	7,663	(148)	-
Economic Dev. Director	-	36,019	-	36,019	33,965	2,054	-
EMA Director	-	2,000	-	2,000	2,000	-	-
Contingency Operating	-	100	-	100	-	100	-
Total Unclassified	-	357,964	-	357,964	362,570	(12,969)	8,363

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, 2017

	Balance 7/1/16	Approp.	Transfers	Total Available	Expended	(Over) Under Expended	
						Lapsed To Surplus	Carried
<u>Reserves - Capital</u>							
Computer Service	-	35,000	-	35,000	35,000	-	-
Heat Pump	-	35,000	-	35,000	35,000	-	-
Police Building	-	10,000	-	10,000	10,000	-	-
Solar Buyout	-	9,033	-	9,033	9,033	-	-
Cable TV Trk	-	1,000	-	1,000	1,000	-	-
Energy Initiatives	-	25,286	-	25,286	25,286	-	-
Total Reserves - Capital	-	115,319	-	115,319	115,319	-	-
Totals	\$ -	\$ 20,565,263	\$ 417,113	\$ 20,982,376	\$ 20,594,542	\$ 335,552	\$ 52,282

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, 2017

	Balance 07/01/16	A		D		D		D		E		U		Balance 6/30/17
		Investment Income	Other Receipts	In	Out	TRANSFERS In	Out	Expenditures	Expenditures					
<u>Capital Reserves</u>														
Communication Equipment	\$ 3,599	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,624
Ambulance	58,178	73	-	53,118	65,500	-	-	-	-	-	-	-	-	45,869
Assessment	888	6	-	-	-	-	-	-	-	-	-	-	-	894
Cemeteries - Land Development	7,909	55	-	-	-	-	-	-	-	-	-	-	-	7,964
- Equipment	12,201	84	-	6,000	-	-	-	-	-	-	-	-	-	18,285
- Maintenance	7,695	53	-	-	-	-	-	-	-	-	-	-	-	7,748
Personnel Reserve	18,445	53	-	-	18,405	-	-	-	-	-	-	-	-	93
Downtown Development	76	-	-	-	-	-	-	-	-	-	-	-	-	76
Fire Equipment	241,915	1,278	-	52,595	242,792	-	-	-	-	-	-	-	-	52,996
Harbor Improvement	5,250	6	-	-	-	-	-	-	-	-	-	-	-	5,256
Highway - Highway Equipment	29,770	207	-	10,000	-	-	-	-	-	-	-	-	-	39,977
- Road Construction	45,234	204	-	-	-	-	-	-	-	-	-	-	-	6,802
- Culvert	37,162	175	-	5,000	38,636	-	-	-	-	-	-	-	-	28,557
Police Equipment	7,641	53	-	2,000	13,780	-	-	-	-	-	-	-	-	9,694
Recreation - City Park	91,593	627	-	-	-	-	-	-	-	-	-	-	-	92,220
- George Black	4,104	29	-	-	-	-	-	-	-	-	-	-	-	4,133
Ruth Greenlaw	372	3	-	-	-	-	-	-	-	-	-	-	-	375
Footbridge Capital	49,759	341	-	5,000	-	-	-	-	-	-	-	-	-	55,100
Transfer Station Equipment	11,377	79	-	-	-	-	-	-	-	-	-	-	-	11,456
Airport	109,672	733	-	9,000	3,930	-	-	-	-	-	-	-	-	115,475
Airport Maintenance	10,016	69	-	3,000	-	-	-	-	-	-	-	-	-	13,085
Planning Equipment	12,330	78	-	1,000	3,000	-	-	-	-	-	-	-	-	10,408
Waterfront/Thompson Wharf	3,572	23	-	-	-	-	-	-	-	-	-	-	-	3,595
Ambulance Train. & Dev.	2,302	16	-	-	-	-	-	-	-	-	-	-	-	2,318
Cable TV Equipment	12,833	87	-	2,500	-	-	-	-	-	-	-	-	-	15,420
City Clerk Office Equipment	3,931	27	-	500	-	-	-	-	-	-	-	-	-	4,458
Assessing Office Equipment	3,040	20	-	500	-	-	-	-	-	-	-	-	-	3,560
Finance Office Equipment	6,449	44	-	500	-	-	-	-	-	-	-	-	-	6,993

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, 2017

	Balance 7/01/16	A		D		TRANSFERS		D E D U C T				Balance 6/30/17
		Investment Income	Other Receipts	In	Out	In	Out	Expenditures				
<u>Capital Reserves (cont'd)</u>												
City Manager Equipment	13	-	-	500	-	-	-	-	-	-	-	513
Boathouse Maintenance	9,197	63	-	600	-	-	-	-	-	-	-	9,860
Park Equipment	627	1	-	-	627	-	-	-	-	-	-	1
Future Land Purchase	20,925	144	-	-	-	-	-	-	-	-	-	21,069
Fuel Price	10,161	69	-	-	-	-	-	-	-	-	-	10,230
Sidewalk Capital	24,087	165	-	-	-	-	-	-	-	-	-	24,252
Total Capital Reserves	862,323	4,890	-	151,813	386,670	-	-	-	-	-	-	632,356
<u>Capital Improvements</u>												
Records Restoration	18	-	-	-	-	-	-	-	-	6	-	12
CDBG Housing Grant	300	-	-	-	300	-	-	-	-	-	-	-
City Hall - Municipal Building	5,044	-	-	-	-	-	-	-	-	4,598	-	446
Solid Waste - Landfill Closing	38,886	-	-	-	-	-	-	-	-	7,268	-	31,618
Computer Service	-	-	-	35,000	-	-	-	-	-	35,000	-	-
EDA PW Grant	899,386	-	1,835,488	225,000	32,585	-	-	-	-	2,690,567	-	236,722
Efficiency Audit Grant	3,125	-	-	-	-	-	-	-	-	-	-	3,125
Small Comm. Grants-Septic	2,561	-	-	-	2,561	-	-	-	-	-	-	-
Remodel DWNS	14,794	-	-	-	-	-	-	-	-	-	-	14,794
Police Forfeiture	4,636	-	3,300	-	-	-	-	-	-	1,500	-	6,436
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	1,241	-	82,732	25,286	-	-	-	-	-	106,412	-	2,847
Heat Pump	-	-	-	35,000	-	-	-	-	-	-	-	35,000
Old Cemetery Restoration	(8,575)	-	38,144	-	-	-	-	-	-	29,569	-	-
Sec. Cameras -Har Walk	7,815	-	-	-	7,815	-	-	-	-	-	-	-
Tot Lot Replacement	2,837	-	-	-	-	-	-	-	-	-	-	2,837
Rangeway Development	6,207	-	7,560	3,200	-	-	-	-	-	7,736	-	9,231
Police Bike	4,200	-	-	-	-	-	-	-	-	-	-	4,200

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, 2017

	Balance 7/01/16	A		D		D		TRANSFERS		D		Balance 6/30/17
		Investment Income	Other Receipts	Other Receipts	In	Out	In	Out	Expenditures			
<u>Capital Improvements (cont'd)</u>												
Consult Service	(1,840)	-	-	-	-	-	-	-	-	-	440	(2,280)
Downtown Waterfront TIF	397,747	-	-	-	165,998	225,000	-	-	-	-	144,981	193,764
Lib Weather	20,227	-	8,730	-	-	-	-	-	-	-	27,139	1,818
Sidewalks	1,743	-	-	-	-	-	-	-	-	-	1,500	243
Low Hanger	3,965	-	4,533	-	-	-	-	-	-	-	375	8,123
PW Site Search Evaluation	8,790	-	4,900	-	-	-	-	-	-	-	270,375	(256,685)
Waterfront Walkway	(2,852)	-	-	-	-	-	-	-	-	-	-	(2,852)
Comp Plan Consultant	22,799	-	-	-	-	-	-	-	-	-	-	22,799
Police Building	-	-	-	-	10,000	-	-	-	-	-	-	10,000
Skate Park	10,000	-	-	-	-	-	-	-	-	-	3,061	6,939
Police Dept. Video/Doors	4,488	-	-	-	-	-	-	-	-	-	4,488	-
Park Playground Equipment	3,000	-	308	-	-	-	-	-	-	-	-	3,308
Swan Lake Ave Sidewalks	10,000	-	-	-	-	10,000	-	-	-	-	-	-
Steamboat landing Fencing	6,395	-	-	-	-	-	-	-	-	-	-	6,395
Waterfront Master Plan	4,706	-	-	-	-	4,706	-	-	-	-	-	-
Coastal Walkway	(4,056)	-	-	-	4,056	-	-	-	-	-	-	-
Parallel Tax	(105)	-	-	-	-	-	-	-	-	49	-	(154)
Comm Impr	1,606	-	-	-	-	-	-	-	-	-	-	1,606
Wakeag Land	124,829	-	-	-	-	124,829	-	-	-	-	-	-
45 Front Street	4	-	-	-	-	4	-	-	-	-	-	-
Runway 15	(1,371)	-	151,751	-	-	-	-	-	-	-	158,755	(8,375)
GIS Programs	13,159	-	-	-	-	-	-	-	-	-	-	13,159
Planning Consult - Rte 3	444	-	-	-	-	444	-	-	-	-	-	-
T.S. Office	5,058	-	-	-	-	-	-	-	-	-	-	5,058
Park Entrance	(2,930)	-	-	-	-	-	-	-	-	-	592	(3,522)
Washington	-	-	8,920	-	-	-	-	-	-	-	8,920	-

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, 2017

	Balance 7/01/16	A		D		D		TRANSFERS		D		Balance 6/30/17
		Investment Income	Other Receipts	Receipts	Other	In	Out	Expenditures	Expenditures			
<u>Capital Improvements (cont'd)</u>												
Please Be Seated Sign	128	-	-	-	-	-	-	-	-	-	-	128
Boathouse Improvements	800	-	-	-	-	-	-	-	-	-	-	800
EPA Browns	(680)	-	95,892	-	-	-	-	-	5,344	-	88,752	1,116
Brownsfield	348	-	-	-	-	-	-	-	348	-	-	-
Community Grant	(863)	-	-	-	-	863	-	-	-	-	-	-
Solar Boxout	-	-	-	-	-	9,033	-	-	-	-	-	9,033
Rails/Trails	2,671	-	-	-	-	-	-	2,671	-	-	-	-
RSU Withdrawal	(1,280)	-	-	-	-	-	-	1,280	-	-	-	-
Airport Land	(2,582)	-	-	-	-	-	-	-	-	-	230,338	(232,920)
Passy Trail	(1,462)	-	-	-	-	1,462	-	-	-	-	-	-
CTG Grant	500	-	-	-	-	-	-	-	500	-	-	-
Harbor Walk	171,108	-	-	-	-	-	-	-	58,647	-	40,692	71,769
Marshall Wharf	4,609	-	-	-	-	-	-	-	4,609	-	-	-
Rte. 1 and Rte. 141	(26,751)	-	-	-	-	26,751	-	-	-	-	-	-
CDBG Front St. Ship.	(144)	-	-	-	-	144	-	-	-	-	-	-
EPA Browns	31,857	-	111,990	-	-	5,344	-	-	25,000	-	122,085	2,106
ME Downtown Ctr.	(25,112)	-	125,000	-	-	-	-	-	-	-	100,000	(112)
CDBG Micro	3,820	-	-	-	-	-	-	-	-	-	175,162	3,820
Airport Taxiway	(296)	-	162,522	-	-	-	-	-	-	-	-	(12,936)
Front St. Reconstruction	(20,459)	-	-	-	-	20,459	-	-	-	-	-	-
Pickleball	-	-	10,980	-	-	-	-	-	-	-	16,116	(5,136)
Bel Yards Plan & Redev.	-	-	-	-	-	29,710	-	-	-	-	-	29,710
Downtown Waterfront Cap.	-	-	-	-	-	137,254	-	-	-	-	-	137,254
Housing Gr. Rep.	-	-	14,453	-	-	-	-	-	-	-	-	14,453
Connect Me Bridge	-	-	3,750	-	-	-	-	-	-	-	3,750	-
Footbridge	-	-	10,400	-	-	-	-	-	-	-	762	9,638

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, 2017

	Balance 7/01/16	A		D		D		TRANSFERS		D		E		D		U		C		T		Balance 6/30/17
		Investment Income	Other Receipts	In	Out	In	Out	In	Out	Expenditures	Expenditures											
<u>Capital Improvements (cont'd)</u>																						
CDBG Downtown	66,887	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	833	66,054
Airport Master Plan	(10,250)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,250)
Cable TV Truck	-	-	-	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	972	28
Airport Obstruction	5,291	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,291
Thompson Wharf	(37,769)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37,769)
Inner Harbor	(726)	-	-	-	-	-	-	726	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CDBG 2014	(32,523)	-	-	-	-	32,698	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175	-
Front St. Reconstruction	(122,320)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(122,320)
Fitness Equipment	5,000	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-	-	-	-	-	-
Solar Power	(142)	-	-	-	-	-	-	142	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IMPR Coast Guard	(4,810)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,810)
WW Pump Station	-	-	12,326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,326	-
CDBG Tech	(112)	-	-	-	-	256	-	-	-	-	-	-	-	-	-	-	-	-	-	-	144	-
Total Capital Improvements	1,634,296	-	2,693,679	786,312	510,363	938,125	897,033	4,295,438	308,486	-	308,486											
Totals	\$ 2,496,619	\$ 4,890	\$ 2,693,679	\$ 938,125	\$ 897,033	\$ 4,295,438	\$ 940,846															

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, 2017

Valuation	
Real Estate	\$ 686,792,750
Personal Property	22,207,800
Total Valuation	<u>\$ 709,000,550</u>
Assessment	
Valuation x Rate = 709,000,550 X .022900	\$ 16,236,113
Supplements	7,594
Abatements & TIF Financing	<u>(218,224)</u>
Property Tax Revenue Actual	16,025,483
Add Deferred Property Taxes - Prior Year	355,537
Less Deferred Property Taxes - Current Year	<u>(460,481)</u>
Property Tax Revenue Recognized	<u>\$ 15,920,539</u>

City of Belfast, Maine
 Schedule of Activity on Special Purpose Accounts
 For the Year Ended June 30, 2017

Account Name	Balances 7-01-16	Receipts	Expended	Balances 6-30-17
Future Land Acquisition	\$ 22,170	\$ -	\$ -	\$ 22,170
Belfast Dev Corp/Econ Dev	20,596	-	90	20,506
Road Opening Account	27,304	-	17,219	10,085
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	(67,379)	22,589	-	(44,790)
Thomas Wharf/Paddle Dock	(816)	-	-	(816)
Parks & Rec. Bus Service	(4,797)	-	-	(4,797)
Boathouse Key Deposit	849	5,025	3,365	2,509
Jaws of Life	2,135	2,035	1,800	2,370
Sale/Industrial Park Prop.	219,493	32,000	-	251,493
Park Pavillian	263	-	-	263
Harbor Gasoline	29,238	63,174	66,337	26,075
Harbor Diesel	43,901	52,275	52,831	43,345
Waterfront Heritage Park	80,313	1,477	-	81,790
Playground Impr. Group	246	-	-	246
City Park Donations	5,843	-	-	5,843
Poet Laureate	20	20	-	40
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	51,786	74,550	68,960	57,376
Worthy Poor	4,405	1,824	12,460	(6,231)
Senior Dinner Program	200	-	-	200
Belfast Comm. Radio	-	40,682	14,823	25,859
McCrum Rail Trail	-	12,332	1,241	11,091
K-9 Donations	-	1,500	239	1,261
Mid-Coast Frozen LLC	10,000	-	-	10,000
Good Cause Program	(453)	5,687	5,234	-
Totals	<u>\$ 456,608</u>	<u>\$ 315,170</u>	<u>\$ 244,599</u>	<u>\$ 527,179</u>

City of Belfast, Maine
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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 unmodified 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: Front Street Infrastructure Reconstruction CFDA #11.300.
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, 2017 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, 2017

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Pass- Through Entity Identifying #</u>	<u>Federal Expenditures</u>
<u>Department of Environmental Protection</u>			
Brownfields Assessment and Cleanup	66.818	ARRA2009	\$ 205,527
<u>Pass-through Maine Department of Economic Development</u>			
Brownfields Revolving Loan	14.228	013-19A-0587-89-6331	\$ 8,920
Total U.S. Dept. of Environmental Protection			<u>214,447</u>
 <u>Department of Housing and Urban Development</u>			
<u>Pass-through Maine Department of Economic & Community Development</u>			
Maine Downtown Center Assistance Program	14.228	015-19A-0587-01-6331	100,000
Business Assistance Program	14.228	015-19A-0587-01-6331	144
Total U.S. Department of Economic & Community Development			<u>100,144</u>
 <u>Department of Transportation</u>			
<u>Federal Aviation Administration</u>			
<u>Pass-through Maine Department of Transportation</u>			
Airport Improvement Program	20.106	N/A	157,646
Airport Improvement Program	20.106	3-23-0007-016-2016	207,304
Total Department of Transportation			<u>364,950</u>
 <u>Department of Commerce</u>			
<u>Pass-through Economic Development Administration</u>			
Investments for Public Works & Economic Development Facilities	11.300	01-01-14433	* 1,395,389
Total Department of Commerce			<u>1,395,389</u>
Total Expenditures of Federal Awards			<u>\$ 2,074,930</u>

*Major Programs

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

City of Belfast, Maine
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Exhibit R
Page 2 of 2

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, 2017. 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, 2017. 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, 2017.

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, 2017, 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 March 15, 2018, 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.



Brewer, Maine
March 15, 2018

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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, 2017, 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 March 15, 2018.

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.



Brewer, Maine
March 15, 2018