

MAR - 5 2020

**CITY OF BELFAST, MAINE**  
**AUDIT REPORT**  
**For the Year Ended June 30, 2019**

CITY OF BELFAST, MAINE  
TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Pages</u>
Independent Auditor's Report		1-3
Management's Discussion and Analysis		4-15
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A	16
Statement of Activities	B	17-18
Fund Financial Statements		
Governmental Funds:		
Balance Sheet	C	19
Reconciliation of the Governmental Funds Balance Sheet to the Governmental-Wide Statement of Net Position	D	20
Statement of Revenues, Expenditures, & Changes in Fund Balances	E	21
Reconciliation of the Governmental-Funds Statement of Revenue, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	F	22
Proprietary Financial Statements:		
Statement of Net Position	G	23
Statements of Revenues, Expenses, and Changes In Fund Net Position	H	24
Statement of Cash Flows	I	25
Fiduciary Financial Statements:		
Statement of Net Position	J	26
Statement of Changes in Fiduciary Net Position	K	27
Notes to the Basic Financial Statements		28-41

CITY OF BELFAST, MAINE  
TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Pages</u>
<u>Required Supplementary Information:</u>		
Notes to Required Supplementary Information		42
General Fund:		
Budgetary Comparison Schedule	L	43
<u>Other Supplemental Information:</u>		
Schedule of Department Operations	M	44-46
Capital Projects Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance	N	47-51
Schedule of Valuation and Assessment	O	52
Schedule of Activity of Special Purpose Accounts	P	53
Schedule of Findings and Questioned Costs	Q	54
Schedule of Expenditures of Federal Awards	R	55-56
Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required By the Uniform Guidance		57-59
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 <i>Government Auditing Standards</i>		60-61

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

CERTIFIED PUBLIC ACCOUNTANTS

Robert A. Dorr, CPA  
Nicholas R. Dorr, MBA  
Charles H. Dorr, CPA

146 PARKWAY SOUTH – SUITE 102  
BREWER, MAINE 04412-1655

TEL (207) 989-2800  
FAX (207) 989-2801

**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, 2019, 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, 2019 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 2, 2020, on our consideration of the City of Belfast, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements or other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Belfast, Maine's internal control over financial reporting and compliance.

*C.H. -Down & Co.*

Brewer, Maine  
March 2, 2020

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, 2019.

**FINANCIAL HIGHLIGHTS**

The assets of the City of Belfast exceeded its liabilities and deferred inflows at June 30, 2019 by \$58,879,548. Of this amount unrestricted net position of \$3,618,463 may be used to meet the government's ongoing obligations to citizens and creditors.

The total net position increased by \$2,137,512. Of this amount \$1,954,037 was associated with governmental and \$183,475 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 \$7,033,857 an increase of \$2,939,210 in comparison with the prior year. Of this amount \$2,677,088 is unreserved and available for spending, and \$58,291 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 \$2,677,088, or 12% of total General Fund expenditures.

The City of Belfast's total debt obligations (including post retirement benefits) increased by the net of \$7,824,800.

**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 2019 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, 2019, the City's assets exceeded liabilities and deferred inflows by \$58,879,548. By far the largest portion of the City's net position (85 percent) reflects its investments in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. See appendixes for a comparative statement of net position (Table 1) and comparative statement of changes in net position. (Table 2).

**Governmental Activities:** Governmental activities increased the City's net position by \$2,939,210.

**Business-Type Activities:** Business-type activities increased the City's net position by \$183,475.

## 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, 2019, the City's governmental funds reported combined ending fund balances of \$7,033,857 an increase of \$2,939,210 in comparison with the prior year. Of this amount, \$2,735,379 (39 percent) is unreserved General Fund balance, which is available for spending at the government's discretion. Of the unreserved fund balance \$58,291 has been designated by the City Council for subsequent years' expenditure and other uses leaving and unreserved undesignated amount of \$2,677,088. 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, \$3,815,866, (2) for unspent funds on construction in progress, \$0, and (3) special purposes, \$4,826,121.

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 \$2,735,379 while the total fund balance totaled \$3,217,991. 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 13 percent of total General Fund expenditures, while total fund balance represents 15 percent of that amount.

The fund balance of the City's General Fund decreased by \$139,949 during the current fiscal year. The revenues increased by 3 percent and the expenditures decreased by 1 percent resulting in an increase of revenues over expenditures of \$813,637.

The Capital Projects Fund has a total fund balance of \$3,815,866. Of that amount \$804,154 is designated for future capital projects; \$3,011,712 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 \$1,057,402. 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 \$31,408. 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, 2019 amounts to \$64,539,734 (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>
Land	\$ -
Buildings	23,958
Work in Progress	5,856,436
Equipment	383,499
Infrastructure	<u>1,978,571</u>
Total Capitalization-Governmental	<u>\$8,242,464</u>

### Sewer Department Activities:

Buildings	\$ -
Equipment	24,975
Infrastructure	<u>-</u>
Total Capitalization-Sewer	<u>\$ 24,975</u>

**Long-term Debt:** At the end of the current fiscal year, the City had \$14,705,001 in outstanding debt consisting of general obligation bonds of \$14,291,164 and \$413,837 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 \$122,070,000, 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 the 2018-2019 fiscal year (July 1<sup>st</sup>, 2018-June 30<sup>th</sup>, 2019), 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 this time period included the following:

1. The City of Belfast constructed a 4-acre, 660-kilowatt solar farm adjacent to its future public works facility, an estimated \$1.6 million project. This solar farm is owned by the

City of Belfast and uses the electricity generated by it to offset approximately 70% of the electricity usage of the City's government facilities;

2. Ducktrap River of Maine completed its refurbishment/redevelopment of the former Little River Apparel facility located in the Belfast Airport Business Park and its expansion into it, increasing the company's capacity by 75%;
3. Front Street Shipyard completed construction of its Building 6, a 22,500-square foot facility that will be used for large yacht refits and for commercial vessel construction projects, and which can accommodate its 485-ton marine travel lift;
4. Nordic Aquafarms continued with their plans to construct a land-based aquaculture facility that would raise Atlantic salmon for the northeastern United States market (meeting approximately 9% of the total current United States demand), an estimated \$500 million project that would create approximately 60 full-time jobs to start and up to 140 full-time jobs at full build out. The City of Belfast officially approved zoning changes necessary for Nordic Aquafarms' project to proceed, the City of Belfast Planning Board received Nordic Aquafarms' permit application, and the City of Belfast Planning Board held their initial project review meeting;
5. The planning process for Tractor Supply's construction of a 20,000-square foot location in Belfast got underway, with the contract zoning review process beginning, and the City of Belfast Planning Board beginning their review, including voting to approve the project's proceeding to the preliminary plan review stage;
6. Waldo County General Hospital completed construction of a 5,000-square foot expansion and upgrade to its emergency department, which included 6 new beds, an estimated \$8.6 million project; and
7. Construction was completed for the Waldo Judicial Center (consolidated Waldo County District and Superior Courts) in downtown Belfast, an estimated \$13.5 million project.

Looking at the readily available economic indicators to further evaluate the Belfast economy, during the period of July 2018 to July 2019, Belfast's unemployment rate decreased from 3.3% to 2.6%, and ranged from 2.6% to 4.9% during this time period. In comparison, during this same time period, the unemployment rate for Waldo County decreased from 3.4% to 2.5% (and ranged from 2.5% to 4.7%), the unemployment rate for Maine decreased from 3.2% to 2.4% (and ranged from 2.4% to 4.3%), and the unemployment rate for the United States decreased from 4.1% to 4.0% (and ranged from 3.3% to 4.4%). (None of these unemployment rates are seasonally adjusted.) 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 it, than those who live in Belfast but work outside it; in 2017, there were 5,413 of the former versus only 1,230 of the latter. While this could be attributable to relative lower property tax rates in the communities that surround Belfast, this could also be attributed to a lack of quality workforce housing within Belfast (forcing lower-wage workers to commute to their jobs).

Looking at the poverty rate, according to the American Community Survey 5-Year Estimates, while Belfast's poverty rate has decreased for 4 straight years (decreasing

from 27.1% in 2010-2014 to 15.1% in 2013-2017), unfortunately it still remains higher than that of Waldo County (14.3%), of Maine (12.9%), and of the United States (14.6%).

Turning to taxable retail sales, during the time period of July 2018 to July 2019, 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) went from \$21,797,068 to \$22,034,254, representing an increase of 1.09%. This was a modest increase that lagged far behind Maine, whose total monthly taxable retail sales increased by 8.07%. Specific categories of Belfast Economic Summary Area taxable retail sales to be noted for their significant increases include: other retail, which increased by 10.55% (compared to an increase of 14.47% for Maine); and automobile transportation, which increased by 34.68% (compared to an increase of 11.46% for Maine). However, there were two categories of monthly taxable retail sales that experienced significant decreases during this same period: building supplies, which decreased by 11.63% (compared to an *increase* of 5.38% for the Maine); and lodging, which decreased by 30.59% (compared to an *increase* of 11.09% for Maine).

The City of Belfast's total taxable valuation base, which includes both real and personal property, the Homestead Exemption reimbursement value, and the enhanced total value of all Business Equipment Tax Exemption (BETE) Program-eligible property, continued to increase, going from \$779,808,976 as of April 1<sup>st</sup>, 2018 to \$792,040,743 as of April 1<sup>st</sup>, 2019, an increase of 1.57%. Looking over a longer timeline, the City of Belfast's total taxable valuation base has increased over the past 5 years by a total of \$58,724,208 relative to its value as of April 1<sup>st</sup>, 2015 (\$733,315,535), in spite of reductions in assessed values on particularly significant office park and industrial spaces in Belfast.

Focusing on only real property and on particular uses within real property, commercial, manufacturing, and industrial real property combined increased by 1.44%, going from a value of \$198,136,700 as of April 1<sup>st</sup>, 2018 to a value of \$200,985,000 as of April 1<sup>st</sup>, 2019, with decreases in commercial real property values being more than offset by increases in manufacturing and industrial real property values. Residential real property increased by a more modest rate of 1.12%, going from a value of \$479,137,300 as of April 1<sup>st</sup>, 2018 to a value of \$484,481,400 as of April 1<sup>st</sup>, 2019.

Regarding personal property, there was a decrease in total value of 1.50% from April 1<sup>st</sup>, 2018 to April 1<sup>st</sup>, 2019, going from \$23,176,000 to \$22,828,600. However, during that same period of time, there was a larger offsetting increase of 30.04% in the amount of personal property filed under the BETE program, going from \$19,655,300 to \$25,559,100. This was due to both an increase in the number of personal property accounts, going from 532 as of April 1<sup>st</sup>, 2018 to 557 as of April 1<sup>st</sup>, 2019 (an increase of 4.70%), as well as an increase in businesses deciding to enroll in this program, after the State of Maine clarified that additional service-based businesses would now qualify for it.

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 Omnibus Municipal TIF District (established in 2006 and amended in 2014) and the Downtown Waterfront Omnibus Municipal TIF District (established in 2007 and amended in 2014).

The value of real property in the Northport Avenue Omnibus Municipal TIF District did not change from April 1<sup>st</sup>, 2018 to April 1<sup>st</sup>, 2019, remaining at \$9,289,200.00, while during that same period of time the value of personal property within the Northport Avenue Omnibus Municipal TIF District went from \$199,600.00 to \$851,600.00, a massive increase of 326.65%. Taken together, the entire value of the district increased by 6.87%, going from \$9,488,800.00 as of April 1<sup>st</sup>, 2018 to \$10,140,800.00 as of April 1<sup>st</sup>, 2019. The difference between the current total assessed value of the Northport Avenue Omnibus Municipal TIF District (\$10,140,800.00) and the original amended assessed value of the district (\$10,126,400.00), also known as the *increment*, has become positive and is now \$14,400.00; at the City's August 21<sup>st</sup>, 2019 mil rate of 22.9, this increment would be expected to generate \$329.76 in annual TIF revenue.

The value of real property in the Downtown Waterfront Omnibus Municipal TIF District increased by 8.61%, going from \$59,332,700.00 as of April 1<sup>st</sup>, 2018 to \$64,444,000 as of April 1<sup>st</sup>, 2019. However, the value of personal property within that district decreased during that same period of time, by 17.03%, going from \$2,573,200.00 as of April 1<sup>st</sup>, 2018 to \$2,135,100.00 as of April 1<sup>st</sup>, 2019, which was at least partially attributable to more personal property being enrolled into the BETE program. Combined, the total assessed value of the district increased by 7.55%, going from \$61,905,900.00 as of April 1<sup>st</sup>, 2018 to \$66,579,100.00 as of April 1<sup>st</sup>, 2019. The district's current increment is now \$19,171,820.00; at the City's August 21<sup>st</sup>, 2019 mil rate of 22.9, this increment would be expected to generate \$439,034.68 in annual TIF district revenue. It should be noted that \$3,999,100 of this increment (and its associated annual TIF district revenue of \$91,579.39) must be currently set aside as part of a 5-year TIF credit enhancement agreement between the City and Building 6 LLC (Front Street Shipyard) that was entered into in 2018.

Looking at statewide economy-related indicators, in the April 2019 update to its report *Measures of Growth*, the Maine Economic Growth Council selected 4 indicators for 'gold stars' indicating exceptional performance (such as a very high national standing and/or an established trend toward significant improvement): safety; air quality; water quality; and sustainable forest lands. However, the Council also selected 6 indicators for 'red flags' indicating attention needed (such as a very low national standing and/or an established trend toward significant decline): research and development expenditures; fourth grade reading scores; eighth grade math scores; working age population; cost of health care; and transportation infrastructure.

Looking ahead, the Maine Consensus Economic Forecasting Commission (CEFC), in their April 1<sup>st</sup>, 2019 report, made modest revisions to its major indicators relative to its November 1<sup>st</sup>, 2018 report. Specifically, the CEFC: revised its forecast for the annual percentage change in wage and salary employment upward for 2019 (0.4% to 0.5%); revised its forecast for the annual percentage change in personal income upward for 2019 (4.5% to 4.6%), upward for 2021 (3.6% to 3.9%), upward for 2022 (3.2% to 3.5%), and upward for 2023 (3.2% to 3.4%); revised its forecast for the annual percentage change in wage and salary income upward for 2020 (3.7% to 3.8%), upward for 2021 (3.5% to 3.6%), upward for 2022 (3.0% to 3.1%), and upward for 2023 (3.0% to 3.1%); and revised its forecast for the annual percentage change in the Consumer Price Index for All Urban Consumers downward for 2019 (2.4% to 1.9%), downward for 2020 (2.5% to 2.0%), downward for 2021 (2.4% to 2.0%), downward for 2022 (2.3% to 2.0%), and downward for 2023 (2.3% to 2.0%).

Positive statewide indicators pointed out by the CEFC in its report included: a decline in the debt-to-income level for businesses and households; an increase in consumer sentiment; an increase in the small business optimism index; a decline in the mortgage delinquency rate; an increase in average monthly exports; an increase in taxable sales growth for the combined November/December holiday shopping period; an unemployment rate remaining below 4% for 38 consecutive months; a sharp decline in the number of very low wage earners in their primary job; an increase in nonfarm payroll jobs, particularly in the healthcare, professional services, and hospitality sectors; and an increase in average wage growth. Negative statewide indicators pointed out by the CEFC in its report included: an increase in the price of crude oil; an increase in the price of heating oil; a decrease in sales of existing single-family homes; a decrease in average housing permits; a decrease in construction jobs; and a decline in the number of births.

The report contained the following statements: “Both the national and state economies had a good year in 2018 with preliminary annual data indicating that both the U.S. economy and Maine economy continue to grow. . . . Maine has seen modest employment growth thus far in 2019 and will likely see continued growth for the next few years before leveling off. . . . Overall, the primary source of concern for the CEFC continues to be Maine’s demographic situation, with an aging population and limited population growth, although there has been a recent increase in in-migration.”

Again, as in several preceding years, one derives a rather mixed impression of the Belfast economy, from comparing what is actually taking place in Belfast for business expansion and investment with the trends of the local and statewide 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 housing that is affordable to the employees of our area businesses, 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	
	2019	2018	2019	2018	2019	2018
Current & Other Assets	\$ 9,020,611	\$ 5,437,927	\$ 1,781,924	\$ 1,754,067	\$ 10,802,535	\$ 7,191,994
Capital Assets (Net)	43,131,919	35,757,303	21,407,815	21,740,122	64,539,734	57,497,425
Total Assets	52,152,530	41,195,230	23,189,739	23,494,189	75,342,269	64,689,419
Long-Term Liabilities Outstanding	11,510,559	3,481,795	2,189,997	2,675,771	13,700,556	6,157,566
Other Liabilities	2,313,325	1,338,826	448,840	450,991	2,762,165	1,789,817
Total Liabilities	13,823,884	4,820,621	2,638,837	3,126,762	16,462,721	7,947,383
Net Position:						
Invested in Capital Assets						
Net of Related Debt	31,469,107	32,384,669	18,779,463	18,200,413	50,248,570	50,585,082
Restricted	4,298,478	1,197,220	714,037	650,862	5,012,515	1,848,082
Unrestricted	2,561,061	2,792,720	1,057,402	1,516,152	3,618,463	4,308,872
Total Net Position	\$ 38,328,646	\$ 36,374,609	\$ 20,550,902	\$ 20,367,427	\$ 58,879,548	\$ 56,742,036

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

	Governmental Activities		Business-Type Activities		Totals	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Revenues:</u>						
Program Revenues:						
Charges for Service/Fees	\$ 1,957,541	\$ 2,247,581	\$ 1,018,754	\$ 957,781	2,976,295	3,205,362
Operating Grants and Contrib.	293,542	285,070	-	-	293,542	285,070
Capital Grants and Contrib.	75,000	75,000	-	-	75,000	75,000
General Revenues:						
Property Taxes	16,375,325	16,272,586	-	-	16,375,325	16,272,586
Excise Taxes	1,166,289	1,149,122	-	-	1,166,289	1,149,122
Intergovernmental - Other	1,134,003	956,379	-	-	1,134,003	956,379
Other	6,473,759	1,003,757	9,896	4,144	6,483,655	1,007,901
Total Revenues	<u>27,475,459</u>	<u>21,989,495</u>	<u>1,028,650</u>	<u>961,925</u>	<u>28,504,109</u>	<u>22,951,420</u>
<u>Expenses:</u>						
General Government	4,102,422	2,910,928	-	-	4,102,422	2,910,928
Protection	2,904,544	2,898,365	-	-	2,904,544	2,898,365
Public Works	5,557,581	3,057,858	-	-	5,557,581	3,057,858
Social Services	275,265	245,124	-	-	275,265	245,124
Parks & Recreation	264,423	292,931	-	-	264,423	292,931
Library	517,309	517,637	-	-	517,309	517,637
Cemeteries	158,217	145,365	-	-	158,217	145,365
Education	10,302,066	9,924,620	-	-	10,302,066	9,924,620
County Tax	1,541,219	1,451,862	-	-	1,541,219	1,451,862
Interest on Debt	(26,148)	(68,591)	-	-	(26,148)	(68,591)
Unclassified	438,459	467,660	-	-	438,459	467,660
Sewer Department	-	-	950,204	960,529	950,204	960,529
Total Expenses	<u>26,035,357</u>	<u>21,843,759</u>	<u>950,204</u>	<u>960,529</u>	<u>26,985,561</u>	<u>22,804,288</u>
Increase (Decrease) in Net Position Before Transfers	1,440,102	145,736	78,446	1,396	1,518,548	147,132

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Transfers	527,399	328,203	105,029	46,148	632,428	374,351
Reserve for Uncollectibles	(13,464)	(48,674)	-	-	(13,464)	(48,674)
Increase (Decrease) in Net Assets	1,954,037	425,265	183,475	47,544	2,137,512	472,809
Net Position - Beginning	36,374,609	35,949,344	20,367,427	20,319,883	56,742,036	56,269,227
Net Position - Ending	\$ 38,328,646	\$ 36,374,609	\$ 20,550,902	\$ 20,367,427	\$ 58,879,548	\$ 56,742,036

City of Belfast, Maine  
Government-Wide Statement of Net Position  
June 30, 2019

Exhibit A

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash & Cash Equivalents	\$ 1,855,743	\$ -	\$ 1,855,743
Investments	4,294,415	633,052	4,927,467
Due from other Funds	-	534,596	534,596
Receivables (Net of Allowance for Doubtful Accounts):			
Taxes	780,271	-	780,271
Accounts	2,090,182	614,276	2,704,458
Total Current Assets	9,020,611	1,781,924	10,802,535
Capital Assets:			
Land	10,175,461	1,485,000	11,660,461
Construction In Progress	6,080,218	-	6,080,218
Buildings & Improvements	9,507,547	713,156	10,220,703
Vehicles & Equipment	6,844,029	373,524	7,217,553
Infrastructure	27,795,752	28,317,623	56,113,375
Total Capital Assets	60,403,007	30,889,303	91,292,310
Less Accumulated Depreciation	(17,271,088)	(9,481,488)	(26,752,576)
Net Capital Assets	43,131,919	21,407,815	64,539,734
Total Assets	52,152,530	23,189,739	75,342,269
 <u>LIABILITIES</u>			
Account Payable	1,049,467	-	1,049,467
Other Liabilities	26,229	-	26,229
Accrued Interest Payable	55,381	10,485	65,866
Due to other Funds	543,246	-	543,246
Taxes Collected In Advance	72,912	-	72,912
Bonds and Notes:			
Due Within One Year	566,090	438,355	1,004,445
Total Current Liabilities	2,313,325	448,840	2,762,165
Long-Term Liabilities			
Bonds and Notes:			
Due in More Than One Year	11,096,722	2,189,997	13,286,719
Compensated Absences	413,837	-	413,837
Total Long-Term Liabilities	11,510,559	2,189,997	13,700,556
Total Liabilities	13,823,884	2,638,837	16,462,721
 <u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	31,469,107	18,779,463	50,248,570
Restricted For:			
TIF	-	19,071	19,071
Infrastructure Maintenance & Upgrade	-	625,075	625,075
Capital Projects	3,815,866	-	3,815,866
Heating Fuel	-	69,891	69,891
Special Purposes	482,612	-	482,612
Unrestricted	2,561,061	1,057,402	3,618,463
Total Net Position	\$ 38,328,646	\$ 20,550,902	\$ 58,879,548

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, 2019

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	\$ 4,102,422	\$ 273,805	\$ -	\$ -	\$ (3,828,617)	\$ -	\$ (3,828,617)
Protection	2,904,544	1,172,530	71,558	-	(1,660,456)	-	(1,660,456)
Public Works	5,557,581	373,714	136,984	-	(5,046,883)	-	(5,046,883)
Social Services	275,265	-	-	-	(275,265)	-	(275,265)
Parks & Recreation	264,423	2,516	-	-	(261,907)	-	(261,907)
Library	517,309	-	-	75,000	(442,309)	-	(442,309)
Cemeteries	158,217	-	85,000	-	(73,217)	-	(73,217)
Education	10,302,066	-	-	-	(10,302,066)	-	(10,302,066)
County Tax	1,541,219	-	-	-	(1,541,219)	-	(1,541,219)
Interest on Long-Term Debt	(26,148)	-	-	-	26,148	-	26,148
Unclassified	438,459	134,976	-	-	(303,483)	-	(303,483)
Total Governmental Activities	26,035,357	1,957,541	293,542	75,000	(23,709,274)	-	(23,709,274)
Business-Type Activities							
Sewer Department	950,204	1,018,754	-	-	-	68,550	68,550
Total Business-Type Activities	950,204	1,018,754	-	-	-	68,550	68,550
Total Government	\$ 26,985,561	\$ 2,976,295	\$ 293,542	\$ 75,000	(23,709,274)	68,550	(23,640,724)

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, 2019

	Net (Expense) Revenues and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Totals
General Revenues:			
Taxes:			
Property	16,375,325	-	16,375,325
Excise	1,166,289	-	1,166,289
Interest on Taxes	76,448	-	76,448
Investment Earnings	45,656	9,896	55,552
Miscellaneous	6,105,358	-	6,105,358
Intergovernmental, Not Restricted to Specific Functions	1,134,003	-	1,134,003
Lease & Rental Income	126,223	-	126,223
Cable TV Receipts	88,083	-	88,083
Payment in Lieu of Taxes	9,900	-	9,900
Special Projects (Net)	22,091	-	22,091
Reserve for Uncollectible Transfers	(13,464)	-	(13,464)
	527,399	105,029	632,428
Total General Revenues and Transfers	25,663,311	114,925	25,778,236
Changes in Net Position	1,954,037	183,475	2,137,512
Net Position, Beginning (Restated)	36,374,609	20,367,427	56,742,036
Net Position, Ending	\$ 38,328,646	\$ 20,550,902	\$ 58,879,548

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

City of Belfast, Maine  
Balance Sheet - Governmental Funds  
June 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,851,107	\$ 4,636	\$ 1,855,743
Investments	3,699,159	595,256	4,294,415
Receivables (Net of Allowance for Doubtful Accounts):			
Taxes	780,271	-	780,271
Accounts	1,885,596	204,586	2,090,182
Due from Other Funds	-	3,011,388	3,011,388
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 8,216,133</u>	<u>\$ 3,815,866</u>	<u>\$ 12,031,999</u>
<u>LIABILITIES &amp; FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,049,467	\$ -	\$ 1,049,467
Other Liabilities & Accruals	26,229	-	26,229
Due to Other Funds	3,554,634	-	3,554,634
Taxes Collected In Advance	72,912	-	72,912
Total Liabilities	<hr/> 4,703,242	<hr/> -	<hr/> 4,703,242
Deferred Inflow of Resources			
Unavailable Revenue-Property Taxes	294,900	-	294,900
	<hr/>	<hr/>	<hr/>
<u>Fund Balances</u>			
Nonspendable	-	-	-
Restricted	-	3,815,866	3,815,866
Committed	482,612	-	482,612
Assigned	58,291	-	58,291
Unassigned	2,677,088	-	2,677,088
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>3,217,991</u>	<u>3,815,866</u>	<u>7,033,857</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities & Fund Balances	<u>\$ 8,216,133</u>	<u>\$ 3,815,866</u>	<u>\$ 12,031,999</u>

City of Belfast, Maine  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Government-Wide Statement of Net Position  
 June 30, 2019

Exhibit D

Total Fund Balances - Total Governmental Funds \$ 7,033,857  
 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	\$16,255,679	
Depreciable capital assets, net	<u>26,876,240</u>	
Total capital assets		43,131,919

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 (55,381)

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	566,090	
Long-term bond liabilities-due in more than one year	11,096,722	
Compensated absences	<u>413,837</u>	
Total long-term liabilities		(12,076,649)

Other deferred inflow of resources not available to pay for current period expenditures in the governmental funds-property taxes 294,900

Net position of governmental activities \$ 38,328,646  
=====

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, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$ 16,370,093	\$ -	\$ 16,370,093
Excise Taxes	1,166,289	-	1,166,289
Intergovernmental	1,342,545	-	1,342,545
Charges for Services	1,910,097	-	1,910,097
Investment Income	34,578	11,078	45,656
Interest on Taxes	76,448	-	76,448
Special Purpose Accts.	280,275	-	280,275
Miscellaneous	814,319	14,322,686	15,137,005
Total Revenues	<u>21,994,644</u>	<u>14,333,764</u>	<u>36,328,408</u>
<u>Expenditures:</u>			
General Government	2,771,098	2,819,499	5,590,597
Protection	2,921,784	6,836	2,928,620
Public Works	2,169,983	7,783,129	9,953,112
Social Services	275,265	-	275,265
Parks & Recreation	241,406	806	242,212
Library	449,475	-	449,475
Cemeteries	125,762	26,565	152,327
Education	10,302,066	-	10,302,066
County Tax	1,541,219	-	1,541,219
Debt Service	242,688	-	242,688
Special Purpose Accts.	258,184	-	258,184
Unclassified	329,769	1,651,063	1,980,932
Total Expenditures	<u>21,628,699</u>	<u>12,287,898</u>	<u>33,916,597</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>365,945</u>	<u>2,045,866</u>	<u>2,411,811</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	198,453	1,255,082	1,453,535
Operating Transfers (Out)	(704,347)	(221,789)	(926,136)
Reserve for Uncollectible	-	-	-
Total Other Financing Sources & Uses	<u>(505,894)</u>	<u>1,033,293</u>	<u>527,399</u>
Net Changes in Fund Balances	(139,949)	3,079,159	2,939,210
Fund Balance - Beginning	<u>3,357,940</u>	<u>736,707</u>	<u>4,094,647</u>
Fund Balance - Ending	<u>\$ 3,217,991</u>	<u>\$ 3,815,866</u>	<u>\$ 7,033,857</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, 2019

Exhibit F

Net Change in Fund Balance - Total Government Funds	\$ 2,939,210
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.	8,242,464
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.	(530,742)
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.	(8,643,745)
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)	(20,396)
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.	8,232
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>(40,986)</u>
Change in net position of governmental activities	\$ 1,954,037 =====

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, 2019

	<u>2019</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Due from General Fund	\$ 534,596
Pooled Investments	633,052
Receivables:	
Accounts	61,914
Sewage Treatment Services (Net Allowance for Doubtful)	552,362
Total Current Assets	<u>1,781,924</u>
<u>Capital Assets:</u>	
Land	1,485,000
Buildings & Improvements	713,156
Vehicle & Equipment	373,524
Infrastructure	28,317,623
Total Capital Assets	<u>30,889,303</u>
Less Accumulated Depreciation	<u>(9,481,488)</u>
Net Capital Assets	<u>21,407,815</u>
 Total Assets	 <u>23,189,739</u>
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accrued Interest Payable	10,485
Current Portion of Long-Term Liabilities	438,355
Total Current Liabilities	<u>448,840</u>
<u>Non-Current Liabilities</u>	
Portion of Long-Term Liabilities	<u>2,189,997</u>
 Total Liabilities	 <u>2,638,837</u>
<u>NET POSITION</u>	
Invested in Capital Assets - Net of Related Debt	18,779,463
Restricted for TIF	19,071
Restricted for Heating Fuel	69,891
Restricted for Infrastructure Maint. & Upgrade	625,075
Unrestricted	1,057,402
Total Net Position	<u>\$ 20,550,902</u>

City of Belfast, Maine  
Statement of Revenues, Expenses, and Changes  
in Fund Balance - Proprietary Fund  
For the Year Ended June 30, 2019

<u>Sewer Disposal &amp; Treatment System</u>	
<u>2019</u>	
<u>Operating Revenues:</u>	
User Fees	\$ 999,956
Entrance & Recording Fees	18,798
Total Operating Revenues	<u>1,018,754</u>
 <u>Operating Expenses:</u>	
Salaries & Wages	138,663
Fringe Benefits	59,576
Utilities	125,865
Chemicals	18,132
Infrastructure Maintenance	36,939
Outside Services	52,109
Laboratory Supplies	3,692
Building Maintenance	4,157
Vehicle Maintenance/Fuel	10,518
Insurance	11,083
Billing & Accounting	5,022
Contract Sludge	65,095
Miscellaneous	20,154
Depreciation	357,282
Total Operating Expenses	<u>908,287</u>
Operating Income (Loss)	110,467
 <u>Non-Operating Revenue (Expense):</u>	
Investment Earnings	9,896
Interest Expense	(41,917)
Net Non-Operating Revenue (Expense)	<u>(32,021)</u>
Income (Loss) Before Transfers	78,446
Capital Contributions	
Transfers in (out): Net	<u>105,029</u>
Change in Net Position	183,475
Total Net Position - Beginning of Year	<u>20,367,427</u>
Total Net Position - End of Year	<u>\$ 20,550,902</u>

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

City of Belfast, Maine  
Statement of Cash Flows - Sewer Fund  
Proprietary Funds  
For the Year Ended June 30, 2019

		<u>Waste Water (Sewer)</u>
Cash flows From Operating Activities:		
Cash Received from Customers	\$ 969,355	
Cash Payments to Employees	(138,663)	
Cash Payments to Suppliers of Goods & Services	(447,713)	
Net Cash Provided by Operating Activities		\$ 382,979
Cash Flows From Noncapital Financing Activities:		
Transfers (Net)	80,054	
Net Cash Provided by Noncapital Financing Activities		80,054
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Fixed Assets		
Principal Paid on Long-Term Debt	(485,774)	
Interest Paid on Long-Term Debt	(41,917)	
Net Cash (Used) in Capital & Related Financing Activities		(527,691)
Net Increase (Decrease) in Cash & Cash Equivalents		(64,658)
Cash & Cash Equivalents		
Beginning of Year		1,232,306
End of Year:		
Cash Held By General Fund in Investments	534,596	
Cash in Pooled investments	633,052	
Total End of Year		<u>\$ 1,167,648</u>
Reconciliation of operating income (Loss) to net		
Cash Provided by Operating Activities		\$ 120,363
Operating Income		
Adjustments to Reconcile operations Income to		
Net Cash Provided by Operating Activities		
Depreciation		357,282
Changes in Assets & Liabilities		
(Increase) Decrease in Receivables		(92,515)
Increase (Decrease) in Payables		(2,151)
Net Cash Provided by Operating Activities		<u>\$ 382,979</u>

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

City of Belfast, Maine  
 Statement of Fiduciary Net Positions  
 Fiduciary Funds  
 June 30, 2019

<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	\$ 1,588,319	\$ 2,174,980	\$ 241,618	\$ 63,548	\$ 5,570	\$ 461	\$ 4,074,496
Total Assets	<u>1,588,319</u>	<u>2,174,980</u>	<u>241,618</u>	<u>63,548</u>	<u>5,570</u>	<u>461</u>	<u>4,074,496</u>
Net Positions - Held in Trust for Specific Programs	<u>\$ 1,588,319</u>	<u>\$ 2,174,980</u>	<u>\$ 241,618</u>	<u>\$ 63,548</u>	<u>\$ 5,570</u>	<u>\$ 461</u>	<u>\$ 4,074,496</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, 2019

<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	38,656	38,565	5,079	993	88	7	83,388
Interest & Dividends							
Net increase (Decrease) in Fair Value of Investments	210,392	142,710	2,428	1,062	-	-	356,592
Total Additions	249,048	181,275	7,507	2,055	88	7	439,980
Deductions:							
Cemetery	(88,018)	-	-	-	-	-	(88,018)
Library	-	(75,000)	-	-	-	-	(75,000)
Unclassified	-	-	(3,499)	(280)	-	-	(3,779)
Total Deductions	(88,018)	(75,000)	(3,499)	(280)	-	-	(166,797)
Change in Net Position	161,030	106,275	4,008	1,775	88	7	273,183
Net Position, Beginning of Year	1,427,289	2,068,705	237,610	61,773	5,482	454	3,801,313
Net Position, End of Year	<u>\$ 1,588,319</u>	<u>\$ 2,174,980</u>	<u>\$ 241,618</u>	<u>\$ 63,548</u>	<u>\$ 5,570</u>	<u>\$ 461</u>	<u>\$ 4,074,496</u>

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

CITY OF BELFAST, MAINE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019

**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.

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 \$413,837, as of June 30, 2019.

## **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, 2019 amounted to \$2,148,300 of which general receivables are \$643,248 and ambulance receivables are \$1,505,052. 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, 2019 is as follows:

General Fund:	
Ambulance	\$262,703
Taxes	85,361
Proprietary:	
Sewer Fund	<u>2,500</u>
Total Allowances for Uncollectible	<u>\$350,564</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)	<u>\$ (139,949)</u>
Deficiency of revenues and other financing sources over expenditures and other uses (GAAP)	<u>\$ (139,949)</u> =====

**C. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2019, the following account exceeded appropriations by General Government, \$30,840. 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, 2019 consist of the following:

Deposits	
Cash on Hand	\$ 808
Cash in Bank	1,850,299
Investments	
Various Certificates of Deposits, Federal Nat'l Mtg. Notes, and Money Market Funds	<u>9,001,963</u>
Total Cash and Investments	<u>\$10,853,070</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 maintain insurance coverage to protect deposits other than the \$250,000 provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2019, \$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, 2019 is \$10,853,070.

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 11, 2018, on the assessed value listed as of April 1, 2018, for all real and personal property located in the City. The assessed value

April 1, 2018, for all real and personal property located in the City. The assessed value for the list of April 1, 2018, upon which the 2019 levy base was \$750,046,200. Taxes were due and payable on October 19, 2018, and March 1, 2019, with interest at the rate of 8% 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, 2019 was as follows:

	Balances at <u>June 30, 2018</u>	<u>Additions</u>	Retirements and <u>Transfers</u>	Balances at <u>June 30, 2019</u>
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land/CIP	<u>\$10,399,243</u>	<u>\$ 5,856,436</u>	<u>\$ —</u>	<u>\$16,255,679</u>
Total Capital Assets not being Depreciated	<u>10,399,243</u>	<u>5,856,436</u>	<u>—</u>	<u>16,255,679</u>
Capital Assets being Depreciated:				
Buildings	9,483,589	23,958	—	9,507,547
Equipment	6,460,530	383,499	—	6,844,029
Infrastructure	<u>25,817,181</u>	<u>1,978,571</u>	<u>—</u>	<u>27,795,752</u>
Total Capital Assets being Depreciated	<u>41,761,300</u>	<u>2,386,028</u>	<u>—</u>	<u>44,147,328</u>
Less Accumulated Depreciation for:				
Buildings	4,205,559	171,604	—	(4,377,163)
Equipment	4,140,983	266,236	—	(4,407,219)
Infrastructures	<u>8,056,698</u>	<u>430,008</u>	<u>—</u>	<u>(8,486,706)</u>
Total Accum. Depreciation	<u>16,403,240</u>	<u>867,848</u>	<u>—</u>	<u>(17,271,088)</u>
Governmental Activities Capital Assets - Net	<u>\$35,757,303</u>	<u>\$ 7,374,616</u>	<u>\$ —</u>	<u>\$43,131,919</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	713,156	—	—	713,156
Vehicles & Equipment	348,549	24,975	—	373,524
Infrastructure	<u>28,317,623</u>	<u>—</u>	<u>—</u>	<u>28,317,623</u>
Total Other Capital Assets	<u>29,379,328</u>	<u>24,975</u>	<u>—</u>	<u>29,404,303</u>
Less Accumulated Depreciation:				
Building & Improvements	605,382	14,262	—	619,644
Vehicles & Equipment	147,231	14,685	—	161,916
Infrastructure	<u>8,371,593</u>	<u>328,335</u>	<u>—</u>	<u>8,699,928</u>
Total Accumulated Deprec.	<u>9,124,206</u>	<u>357,282</u>	<u>—</u>	<u>9,481,488</u>
Other Capital Assets, Net	<u>20,255,122</u>	<u>(332,307)</u>	<u>—</u>	<u>19,922,815</u>
Business-Type Capital, Net	<u>\$21,740,122</u>	<u>\$ (332,307)</u>	<u>\$ —</u>	<u>\$21,407,815</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	\$ 2,071	\$ 10,388	\$ 56,345
Protection	37,115	131,438	—	168,553
Public Works	9,283	121,355	330,322	460,960
Parks & Recreation	1,398	5,538	15,275	22,211
Library	66,094	1,740	—	67,834
Cemeteries	84	3,658	2,148	5,890
Unclassified	<u>13,744</u>	<u>436</u>	<u>71,875</u>	<u>86,055</u>
Total Depreciation for Governmental Activities	<u>\$171,604</u>	<u>\$266,236</u>	<u>\$430,008</u>	<u>\$867,848</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, 2019 the balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ —	\$3,554,634
Capital Projects	3,011,388	—
Trust Fund	8,650	—
Sewer Fund	<u>534,596</u>	<u>—</u>
	<u>\$3,554,634</u>	<u>\$3,554,634</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 \$24,957,741. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2019:

Bonds and notes payable at June 30, 2018	\$ 6,486,760
Add: Principal additions	8,600,000
Less: Principal repayments	<u>(795,596)</u>
Bonds and notes payable at June 30, 2019	<u>\$14,291,164</u>

Bonds and notes payable at June 30, 2019, are comprised of the following:

<u>Long-term Debt</u>	<u>Fiscal Year Of Maturity</u>	<u>Interest Rate</u>	<u>Governmental</u>		<u>Total June 30, 2019</u>
			<u>Activities City</u>	<u>Business-type Activities</u>	
Footbridge Bond	2022	2.085%-5.085%	\$ 553,145	\$ -	\$ 553,145
Police Building Bond	2018	2.085%-4.285%	-	-	-
Police Building Bond	2019	2.216%-7.468%	14,667	-	14,667
Walkway Project	2032	1.480%-3.706%	560,000	-	560,000
Front St. Recon. Bond	2036	0.91%-3.50	1,935,000	-	1,935,000
Pub Works/ Bldg/Solar Pierce/Bridge	2047	1.720%-4.215%	8,600,000	-	8,600,000
Street Bond	2023	2.250%	-	188,023	188,023
WWT Upgrade Bond	2020	3.270%	-	79,333	79,333
WWT Bond	2020	2.830%	-	65,565	65,565
WWT Bond	2022	2.400%	-	131,047	131,047
Swan Avenue Bond	2024	1.870%	-	177,800	177,800
Waste Water Refinance Bond	2024	1.450%	-	674,945	674,945
Replacement Project Bond	2025	1.490%	-	960,220	960,220
ARRA CWSRF	2029	0.000%	-	351,419	351,419
<b>Total Bonds and Notes</b>			<b>\$11,662,812</b>	<b>\$ 2,628,352</b>	<b>\$14,291,164</b>

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

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 290,259	\$ 352,240	\$ 496,206	\$ 55,564
2021	490,871	358,121	424,671	43,341
2022	501,641	348,617	398,273	34,710
2023	512,914	326,130	359,197	29,120
2024	368,288	266,266	363,283	23,974
2025-2029	1,912,376	1,260,392	569,983	32,424
2030-2034	2,025,921	1,106,848	16,739	-
2035-2039	1,886,644	871,124	-	-
2040-2044	1,880,028	555,240	-	-
2045-2048	1,793,870	154,345	-	-
<b>Total</b>	<b>\$ 11,662,812</b>	<b>\$5,599,323</b>	<b>\$2,628,352</b>	<b>\$ 219,133</b>

### 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, 2018, the statutory limit for the City was \$122,070,000. The City's outstanding long-term debt of \$14,291,164 at June 30, 2019 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	—	3,815,866	3,815,866
Special Purpose Funds	482,612	—	482,612
Assigned to:			
Designated Carried	58,291	—	58,291
Unassigned	<u>2,677,088</u>	<u>—</u>	<u>2,677,088</u>
Total Fund Balances	<u>\$3,217,991</u>	<u>\$3,815,866</u>	<u>\$ 7,033,857</u>

## G. Fund Balances

As of June 30, 2019, the following funds were unexpended and were carried forward into the operations of the 2019/2020 fiscal year.

### Designated for Subsequent Years' Expenditures

130-631	Records Restoration	\$ 4,853
130-674	Codification	8,037
140-837	IT Services	3,730
250-536	Cable TV-Vehicle	400
250-567	Cable TV-Gas, Oil	397
420-573	Sidewalk Improvement	6,962
450-577	Road Construction	3,230
460-578	Tree Program	3,000
460-678	Tree Planting	7,155
610-585	Park Maintenance	5,500
680-604	Engineering/Professional Services	14,527
680-606	Zoning/Board of Appeals	<u>500</u>
	Total	<u>\$ 58,291</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 2, 2020, 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, 2019, 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, 2019 and 2018 was \$289,295 and \$267,230 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 \$258,030 for the year ended June 30, 2019.

### **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, 2019

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, 2019

<u>Resources</u>	Original Budget W/Carried	Budget as Amended	Actual	Variance from Amended Positive (Negative)
Property Taxes	\$ 16,278,090	\$ 16,278,090	\$ 16,370,093	\$ 92,003
Excise Taxes	1,100,000	1,100,000	1,166,289	66,289
Intergovernmental	1,296,897	1,296,897	1,342,545	45,648
Charges for Services	2,079,876	2,079,876	1,910,097	(169,779)
Investment Income	13,000	13,000	34,578	21,578
Interest on Taxes	69,500	69,500	76,448	6,948
Miscellaneous	582,680	582,680	814,319	231,639
Special Purpose Accounts	-	-	280,275	280,275
<b>Amounts Available for Appropriation</b>	<b>21,420,043</b>	<b>21,420,043</b>	<b>21,994,644</b>	<b>574,601</b>
<b><u>Charges to Appropriations (Outlays)</u></b>				
General Government	2,738,878	2,740,258	2,771,098	(30,840)
Protection	3,032,678	3,166,538	2,921,784	244,754
Public Works	2,123,031	2,184,244	2,169,983	14,261
Social Services	277,194	277,194	275,265	1,929
Parks & Recreation	263,143	265,143	241,406	23,737
Library	467,836	467,836	449,475	18,361
Cemeteries	135,123	135,123	125,762	9,361
Education	10,302,066	10,302,066	10,302,066	-
County Tax	1,541,219	1,541,219	1,541,219	-
Debt Service	422,578	422,578	242,688	179,890
Unclassified	365,536	365,536	329,769	35,767
Reserve for Uncollectibles	-	-	-	-
Special Purpose Accounts	-	-	258,184	(258,184)
<b>Total Charges to Appropriations</b>	<b>21,669,282</b>	<b>21,867,735</b>	<b>21,628,699</b>	<b>239,036</b>
<b>Excess (Deficiency) of Resources Over Charges to Appropriations</b>	<b>(249,239)</b>	<b>(447,692)</b>	<b>365,945</b>	<b>813,637</b>
<b><u>Other Financial Sources and Uses:</u></b>				
Transfers In	-	198,453	198,453	-
Transfers (Out)	(133,000)	(133,000)	(704,347)	(571,347)
Carried Balances	31,408	31,408	-	(31,408)
<b>Total Other Financial Sources (Uses)</b>	<b>(101,592)</b>	<b>96,861</b>	<b>(505,894)</b>	<b>(602,755)</b>
<b>Net Change in Fund Balance - General Fund</b>	<b>\$ (350,831)</b>	<b>\$ (350,831)</b>	<b>\$ (139,949)</b>	<b>\$ 210,882</b>

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, 2019

	Balance 7/1/18	Approp.	Transfers	Total Available	Expended	(Over) Under Expended	
						Lapsed To Surplus	Carried
<u>General Government</u>							
City Manager's Department	\$ 8,174	\$ 277,726	\$ -	\$ 285,900	\$ 349,376	\$ (63,476)	\$ -
Finance Department	-	150,295	-	150,295	147,696	2,599	-
Assessing Department	-	144,692	-	144,692	141,522	3,170	-
City Clerk's Department	5,585	186,253	-	191,838	184,216	(5,269)	12,891
City Building Maintenance	-	135,919	-	135,919	137,877	(5,688)	3,730
Elections and Registrations	-	13,000	-	13,000	11,333	1,667	-
Agency Transactions	-	1,545,366	-	1,545,366	1,531,603	13,763	-
Boathouse	-	11,590	-	11,590	14,042	(2,452)	-
Planning Department	-	260,278	1,380	261,658	260,905	753	-
Total General Government	13,759	2,725,119	1,380	2,740,258	2,778,570	(54,933)	16,621
<u>Protection</u>							
Fire Department	-	254,633	28,790	283,423	280,549	2,874	-
Police Department	-	1,225,892	-	1,225,892	1,195,181	30,711	-
Street Lighting	-	98,300	-	98,300	98,233	67	-
Hydrants	-	424,464	-	424,464	424,464	-	-
Animal Control	-	8,362	-	8,362	7,362	1,000	-
Municipal Insurance	-	309,056	-	309,056	307,948	1,108	-
Ambulance Department	-	652,979	99,750	752,729	701,885	50,844	-
Crossing Guards	-	18,743	-	18,743	9,311	9,432	-
Cable Television	-	40,249	5,320	45,569	42,423	2,349	797
Total Protection	-	3,032,678	133,860	3,166,538	3,067,356	98,385	797
<u>Public Works</u>							
Highway Department	-	1,317,473	61,213	1,378,686	1,363,768	14,918	-
Sidewalk Maintenance	-	25,000	-	25,000	18,038	-	6,962
Recycling/Transfer Station	-	340,403	-	340,403	377,473	(37,070)	-
Road Construction/Paving	-	420,000	-	420,000	416,770	-	3,230
Tree Program	3,155	17,000	-	20,155	10,000	-	10,155
Total Public Works	3,155	2,119,876	61,213	2,184,244	2,186,049	(22,152)	20,347

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, 2019

	Balance 7/1/18	Approp.	Transfers	Total Available	Expended	(Over) Under Expended	
						To Surplus	Carried
<u>Social Services</u>							
General Assistance	-	65,000	-	65,000	64,420	580	-
Welfare Director	-	40,237	-	40,237	38,888	1,349	-
Outside Agencies	-	171,957	-	171,957	171,957	-	-
Total Social Services	-	277,194	-	277,194	275,265	1,929	-
<u>Parks and Recreation</u>	795	262,348	2,000	265,143	244,906	14,737	5,500
<u>Library</u>	-	467,836	-	467,836	457,149	10,687	-
<u>Cemeteries</u>	-	135,123	-	135,123	132,475	2,648	-
<u>Education - MSAD 34</u>	-	10,302,066	-	10,302,066	10,302,066	-	-
<u>Special Assessments</u>							
County Tax	-	1,541,219	-	1,541,219	1,541,219	-	-
<u>Debt Service</u>							
Notes and Interest	-	422,578	-	422,578	242,688	179,890	-
<u>Unclassified</u>							
Airport	-	28,000	-	28,000	22,988	5,012	-
Promotional Activities	-	33,475	-	33,475	32,804	671	-
State Law Enforcement Agency	-	66,000	-	66,000	71,437	(5,437)	-
Harbor	-	164,696	-	164,696	162,206	2,490	-
Planning and Zoning	13,699	11,700	-	25,399	9,173	1,200	15,026
MMA Dues	-	7,698	-	7,698	7,812	(114)	-
Economic Dev. Director	-	38,168	-	38,168	38,837	(669)	-
EMA Director	-	2,000	-	2,000	2,000	-	-
Contingency Operating	-	100	-	100	100	-	-
Total Unclassified	13,699	351,837	-	365,536	347,357	3,153	15,026

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, 2019

	Balance 7/1/18	Approp.	Transfers	Total Available	Expended	Lapsed To Surplus	(Over) Under Expended Carried
<u>Reserves - Capital</u>							
Fahey Street RGW	-	9,249	-	9,249	9,249	-	-
Fiber Intern	-	7,977	-	7,977	7,977	-	-
Shore Stability	-	115,774	-	115,774	115,774	-	-
Total Reserves - Capital	-	133,000	-	133,000	133,000	-	-
Totals	\$ 31,408	\$ 21,770,874	\$ 198,453	\$ 22,000,735	\$ 21,708,100	\$ 234,344	\$ 58,291

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, 2019

	Balance 07/01/18	Investment Income	A		D		D		TRANSFERS		D		E		U		C		T		Balance 6/30/19
			Income	Other	Receipts	In	Out	In	Out	Expenditures											
Capital Reserves	\$ 3,650	\$ 58	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,708
Communication Equipment	46,194	1,467	-	-	-	148,445	99,750	-	-	-	-	-	-	-	-	-	-	-	-	-	96,356
Ambulance	901	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	915
Assessment	8,022	128	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,150
Cemeteries - Land Development	18,412	376	-	-	-	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,788
- Equipment	7,802	126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,928
- Maintenance	96	561	-	-	-	41,426	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,083
Personnel Reserve	77	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78
Downtown Development	53,363	1,915	-	-	-	139,000	28,791	-	-	-	-	-	-	-	-	-	-	-	-	-	165,487
Fire Equipment	5,263	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,278
Harbor Improvement	40,268	823	-	-	-	61,000	61,213	-	-	-	-	-	-	-	-	-	-	-	-	-	40,878
Highway - Highway Equipment	6,852	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,962
- Road Construction	28,757	529	-	-	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,286
- Culvert	9,763	211	-	-	-	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,974
Police Equipment	78,479	1,293	-	-	-	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81,772
Recreation - City Park	4,163	66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,229
- George Black	378	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	384
Ruth Greenlaw	55,483	959	-	-	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,442
Footbridge Capital	11,538	185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,723
Transfer Station Equipment	4,663	75	-	-	-	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,738
Airport	6,274	141	-	-	-	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,415
Airport Maintenance	10,481	183	-	-	-	1,000	1,380	-	-	-	-	-	-	-	-	-	-	-	-	-	10,284
Planning Equipment	3,617	58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,675
Waterfront/Thompson Wharf	2,525	57	-	-	-	2,530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,112
Ambulance Train. & Dev.	15,528	244	-	-	-	5,000	5,534	-	-	-	-	-	-	-	-	-	-	-	-	-	15,238
Cable TV Equipment	3,808	67	-	-	-	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,375
City Clerk Office Equipment	3,585	64	-	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,649
Assessing Office Equipment	5,564	96	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,160
Finance Office Equipment	24,268	464	-	-	-	28,945	4,753	-	-	-	-	-	-	-	-	-	-	-	-	-	48,924
Energy Savings Cap																					

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, 2019

	Balance 7/01/18	A		D		D		TRANSFERS		D			Balance 6/30/19
		Investment Income	Other Receipts	Other Receipts	Other Receipts	In	Out	In	Out	Expenditures	Expenditures	Expenditures	
<u>Capital Reserves (cont'd)</u>													
City Manager Equipment	517	15	-	-	-	1,000	-	-	-	-	-	-	1,532
Boathouse Maintenance	3,928	72	-	-	-	1,200	-	-	-	-	-	-	5,200
Park Equipment	1	27	-	-	-	5,500	-	-	-	-	-	-	5,528
Future Land Purchase	21,216	340	-	-	-	-	-	-	-	-	-	-	21,556
Fuel Price	10,301	166	-	-	-	-	-	-	-	-	-	-	10,467
Sidewalk Capital	21,414	166	-	-	-	-	17,700	-	-	-	-	-	3,880
Total Capital Reserves	517,151	11,078	-	-	-	495,046	219,121	-	-	-	-	-	804,154
<u>Capital Improvements</u>													
Fahey St RGW	-	-	-	-	-	9,249	-	-	-	-	-	-	9,249
City Hall - Municipal Building	446	-	-	-	-	-	-	-	-	-	-	-	446
Solid Waste - Landfill Closing	25,106	-	-	-	-	-	-	-	-	-	-	-	25,106
Parks Mower	1,038	-	-	-	-	-	-	-	-	-	-	-	1,038
EDA PW Grant	229,940	-	-	-	-	-	-	-	-	-	-	-	229,940
Efficiency Audit Grant	3,125	-	-	-	-	-	-	-	-	-	-	-	3,125
Remodel DWNS	14,794	-	-	-	-	-	-	-	-	13,305	-	-	1,489
Police Forfeiture	12,625	-	-	1,561	-	-	-	-	-	6,836	-	-	7,350
Belfast Commons	15,000	-	-	-	-	-	-	-	-	13,835	-	-	1,165
Library Energy	7,500	-	-	-	-	-	-	-	-	-	-	-	7,500
Police Academy	1,927	-	-	-	-	-	-	-	-	-	-	-	1,927
Belfast Commons	20,000	-	-	-	-	-	-	-	-	-	-	-	20,000
Energy Initiatives	1,847	-	-	-	-	-	-	-	-	4,983	-	-	1,617
Heat Pump	35,000	-	-	4,753	-	-	-	-	-	-	-	-	35,000
Fiber Intern	-	-	-	-	-	7,976	-	-	-	-	-	-	7,976
Tile Harbor Res.	12,000	-	-	-	-	-	-	-	-	14,692	-	-	(2,692)
Tot Lot Replacement	2,837	-	-	-	-	-	-	-	-	-	-	-	2,837
Rangeway Development	12,076	-	-	-	-	-	-	-	-	-	-	-	12,076
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, 2019

	Balance 7/01/18	A		D		D		D		E		U		C		T		Balance 6/30/19
		Investment Income	Other Receipts	TRANSFERS In	TRANSFERS Out	Expenditures												
Capital Improvements (cont'd)																		
Consult Service	7,720	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,720
Downtown Waterfront TIF	223,070	-	-	329,119	-	-	-	-	-	-	-	-	-	-	-	-	-	127,123
Lib Weather	1,818	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,818
Sidewalks	243	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	243
Lowe Hanger	12,062	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,062
PW Site Search Evaluation	(495,687)	-	9,531,515	168	-	-	-	-	-	6,973,677	-	-	-	-	-	-	-	2,062,319
Shore Stability	-	-	-	115,774	-	-	-	-	-	8,713	-	-	-	-	-	-	-	107,061
Comp Plan Consultant	21,533	-	-	-	-	-	-	-	-	2,203	-	-	-	-	-	-	-	19,330
Police Building	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Skate Park	5,846	-	-	-	-	-	-	-	-	806	-	-	-	-	-	-	-	5,040
Fire Solar	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Park Playground Equipment	3,308	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,308
Steamboat landing Fencing	6,014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,014
Parallel Tax	(2,745)	-	1,542,440	-	-	-	-	-	-	1,622,221	-	-	-	-	-	-	-	(82,526)
Comm Impr	1,606	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,606
Cemetery Restoration	-	-	26,565	-	-	-	-	-	-	26,565	-	-	-	-	-	-	-	-
Runway 15	(9,365)	-	8,798	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(567)
GIS Programs	11,074	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,074
T.S. Office	5,058	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	118
Park Entrance	(3,522)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,522)
Fire SCBA Grant	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500

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, 2019

	Balance 7/01/18	A		D		TRANSFERS		D E D U C T				Balance 6/30/19
		Investment Income	Other Receipts	D	D	In	Out	Expenditures				
Capital Improvements (cont'd)												
Please Be Seated Sign	(186)	-	-	-	-	-	-	-	-	-	-	(186)
Boathouse Improvements	800	-	-	-	-	-	-	-	-	-	-	800
EPA Browns	11,075	-	92,638	-	-	-	168	-	-	95,731	-	7,814
Trio Update	6,000	-	-	-	-	-	-	-	-	-	-	6,000
Solar Buyout	9,033	-	-	-	-	-	-	-	-	-	-	9,033
French & Webb	6,643	-	-	-	-	-	-	-	-	-	-	6,643
Airport Land	(5,305)	-	-	-	-	-	-	-	-	-	-	(5,305)
Harbor Walk	60,963	-	-	-	-	-	2,500	-	-	2,262	-	56,201
PD Firearms	775	-	-	-	-	-	-	-	-	-	-	775
EPA Browns	(656)	-	-	-	-	-	-	-	-	-	-	(656)
ME Downtown Ctr.	(112)	-	144,514	-	-	-	-	-	-	144,513	-	(111)
CDBG Micro	3,820	-	-	-	-	-	-	-	-	-	-	3,820
Airport Taxiway	(3,907)	-	-	-	-	-	-	-	-	-	-	(3,907)
Police School	(5,661)	-	-	-	-	-	-	-	-	-	-	(5,661)
Pickleball	(4,300)	-	-	-	-	-	-	-	-	-	-	(4,300)
Bel Yards Plan & Redev.	29,710	-	-	-	-	-	-	-	-	4,730	-	24,980
Downtown Waterfront Cap.	120,406	-	-	-	-	-	-	-	-	982	-	119,424
Housing Gr. Rep.	14,453	-	-	-	-	-	-	-	-	-	-	14,453
Connect Me Bridge	-	-	7,500	-	-	-	-	-	-	7,500	-	-
Footbridge	1,153	-	3,750	-	-	-	-	-	-	-	-	4,903

City of Belfast, Maine  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Capital Projects Fund  
For the Year Ended June 30, 2019

	Balance 7/01/18	A		D		TRANSFERS		D E D U C T				Balance 6/30/19
		Investment Income	Other Receipts	In	Out	In	Out	Expenditures				
Capital Improvements (cont'd)												
CDBG Downtown	57,354	-	-	-	-	-	-	-	-	-	-	57,354
Airport Master Plan	(13,204)	-	19,810	-	-	-	-	-	-	14,150	-	(7,544)
Cable TV Truck	28	-	-	-	-	-	-	-	-	-	-	28
Airport Obstruction	5,291	-	-	-	-	-	-	-	-	-	-	5,291
Thompson Wharf	(37,769)	-	-	-	-	-	-	-	-	-	-	(37,769)
Broadband Street	3,055	-	-	-	-	-	-	-	-	2,233	-	822
Front St. Reconstruction	(122,320)	-	-	-	-	-	-	-	-	-	-	(122,320)
T.S. Pave Res	3,500	-	-	-	-	-	-	-	-	3,500	-	-
Solar Farm C	(155,267)	-	2,938,842	-	-	-	-	-	-	2,783,575	-	-
Asphalt Path	6,000	-	-	-	-	-	-	-	-	-	-	6,000
Project Plan	14,000	-	-	-	-	-	-	-	-	4,463	-	9,537
Goose River	-	-	-	-	-	-	-	-	-	5,500	-	(5,500)
WWTP Energy	-	-	-	-	-	-	-	-	-	60,666	-	(60,666)
St. Lgts. Purchase	-	-	-	290,000	-	-	-	-	-	22,501	-	267,499
IMPR Coast Guard	(4,810)	-	-	-	-	-	-	-	-	-	-	(4,810)
T.S. Pave Co.	10,000	-	-	7,750	-	-	-	-	-	17,750	-	-
<b>Total Capital Improvements</b>	<b>219,556</b>	<b>-</b>	<b>14,322,686</b>	<b>760,036</b>	<b>2,668</b>	<b>-</b>	<b>-</b>	<b>12,287,898</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,011,712</b>
<b>Totals</b>	<b>736,707</b>	<b>\$ 11,078</b>	<b>\$ 14,322,686</b>	<b>\$ 1,255,082</b>	<b>\$ 221,789</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,287,898</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,815,866</b>

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, 2019

Valuation	
Real Estate	\$ 726,870,200
Personal Property	23,176,000
Total Valuation	<u>\$ 750,046,200</u>
Assessment	
Valuation x Rate = 750,046,200 X .02270	\$ 17,026,049
Supplements	16,266
Abatements & TIF Financing	<u>(680,454)</u>
Property Tax Revenue Actual	16,361,861
Add Deferred Property Taxes - Prior Year	303,132
Less Deferred Property Taxes - Current Year	<u>(294,900)</u>
Property Tax Revenue Recognized	<u>\$ 16,370,093</u>

City of Belfast, Maine  
 Schedule of Activity on Special Purpose Accounts  
 For the Year Ended June 30, 2019

Account Name	Balances 7-01-18	Receipts	Expended	Balances 6-30-19
Future Land Acquisition	\$ 22,170	\$ -	\$ -	\$ 22,170
Belfast Dev Corp/Econ Dev	19,876	-	90	19,786
Road Opening Account	14,086	2,320	3,720	12,686
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	(30,226)	37,955	-	7,729
Thomas Wharf/Paddle Dock	(816)	-	-	(816)
Parks & Rec. Bus Service	(4,797)	-	-	(4,797)
Boathouse Key Deposit	2,784	6,540	4,350	4,974
Jaws of Life	2,870	500	-	3,370
Sale/Industrial Park Prop.	141,493	-	-	141,493
Park Pavillian	263	-	-	263
Harbor Gasoline	33,814	109,123	95,138	47,799
Harbor Diesel	58,922	89,816	108,352	40,386
Waterfront Heritage Park	82,294	1,121	-	83,415
Playground Impr. Group	246	-	-	246
City Park Donations	5,843	-	-	5,843
Poet Laureate	740	-	-	740
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	1,050	458	-	1,508
Police Memorial Fund	20	-	-	20
Rail Trail Trust Account	60,338	-	5,304	55,034
Worthy Poor	(6,747)	-	2,135	(8,882)
Senior Dinner Program	200	-	-	200
Belfast Comm. Radio	47,760	10,197	19,809	38,148
McCrum Rail Trail	(4,800)	-	-	(4,800)
K-9 Donations	494	-	-	494
Animal Welfare Licensing	2,238	322	-	2,560
Keeping Belfast Beautiful	370	6,300	4,596	2,074
Belfast Daffodil Project	-	7,860	6,880	980
Mayor's Travel Expense	-	1,355	1,355	-
Good Cause Program	(588)	6,410	6,454	(632)
Totals	<u>\$ 460,518</u>	<u>\$ 280,277</u>	<u>\$ 258,183</u>	<u>\$ 482,612</u>

City of Belfast, Maine  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**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: Airport Improvement Program CFDA # 20.106.
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, 2019 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, 2019

<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	\$ 92,638
Total U.S. Dept. of Environmental Protection			<u>92,638</u>
<u>Department of Housing and Urban Development</u>			
<u>Pass-through Maine Department of Economic &amp; Community Development</u>			
Maine Downtown Center Assistance Program	14.228	015-19A-0587-01-6331	144,514
Total U.S. Department of Economic & Community Development			<u>144,514</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	12,735
Airport Improvement Program	20.106	3-23-0007-016-2016	* 1,530,557
Total Department of Transportation			<u>1,543,292</u>
Total Expenditures of Federal Awards			<u>\$ 1,780,444</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, 2019

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, 2019. 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.

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, 2019.

### **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, 2019, 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 2, 2020, 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

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

CERTIFIED PUBLIC ACCOUNTANTS

Robert A. Dorr, CPA  
Nicholas R. Dorr, MBA  
Charles H. Dorr, CPA

146 PARKWAY SOUTH – SUITE 102  
BREWER, MAINE 04412-1655

TEL (207) 989-2800  
FAX (207) 989-2801

## 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, 2019. 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

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

C.H. Dowd & Co.

Brewer, Maine  
March 2, 2020

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

CERTIFIED PUBLIC ACCOUNTANTS

Robert A. Dorr, CPA  
Nicholas R. Dorr, MBA  
Charles H. Dorr, CPA

146 PARKWAY SOUTH – SUITE 102  
BREWER, MAINE 04412-1655

TEL (207) 989-2800  
FAX (207) 989-2801

**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, 2019, 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 2, 2020.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*C.H. Down & Co.*

Brewer, Maine  
March 2, 2020