

City of Old Town, Maine
Financial Statements and Supplemental Data
With Independent Auditors' Report
June 30, 2010



209 State St · Bangor, Maine 04401-5412

City of Old Town, Maine

TABLE OF CONTENTS

June 30, 2010

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-14
Basic Financial Statements:	
<i>Government-Wide Financial Statements</i>	
Statement of Net Assets	15
Statement of Activities	16
<i>Fund Financial Statements</i>	
Governmental Funds	
Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds	
Statement of Net Assets	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
Statement of Cash Flows	23-24
Fiduciary Fund	
Statement of Fiduciary Net Assets	25
Statement of Changes in Fiduciary Net Assets	26
<i>Notes to Financial Statements</i>	27-49
Required Supplementary Information:	
Schedule of Funding Progress - Retiree Healthcare Plan	50
General Fund	
Budget and Actual (with budget to GAAP difference)	51
Budget and Actual (with variances)	52
Other Supplementary Information:	
Sewer Fund	
Budget and Actual (with budget to GAAP difference)	53
Budget and Actual (with variances)	54

City of Old Town, Maine
TABLE OF CONTENTS - Continued
June 30, 2010

	<u>PAGE</u>
Other Supplementary Information - Continued	
Non-Major Governmental Funds	
Combining Balance Sheet	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	56
Statement of Revenues, Expenditures and Changes in Fund Balances Capital Projects	57
Various Capital Reserves	
Schedule of Revenues, Expenditures and Changes in Fund Balances	58-60
General Fund	
Taxes Receivable, Tax Liens and Tax Acquired Property	61

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Old Town, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Old Town's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Old Town, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2011 on our consideration of the City of Old Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Visit us online: www.roycpas.com

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress – Retiree Healthcare Plan, and budgetary comparison information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The other supplementary information described in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Old Town. The other supplementary information is the responsibility of management and was derived from and relate 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 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Roy & Associates, CPAs, P.A

January 11, 2011
Bangor, Maine

Visit us online: www.roycpas.com

209 State St · Bangor, Maine 04401-5412 · Tel: 207-990-8909 · Fax: 207-990-1504

City of Old Town, Maine
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010

The Management Discussion & Analysis (MD&A) is a report of the City of Old Town for the fiscal year ending June 30, 2010. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the City's financial position, and the result of operations of the various funds, departments and accounts of the City. All disclosures necessary to enable the reader to gain accurate understanding of the City's financial activities have been included.

This report covers all funds, departments and accounts of the City of Old Town, that by law or other fiduciary obligation, the City administers in connection with its responsibility in providing services. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

THE COMMUNITY

The City of Old Town is a unique island community that sits on the edge of the Great North Woods, on several islands in the Penobscot River. The City of Old Town has always held a close relationship to the Penobscot River – whether for log driving, powering sawmills, transportation, hydropower, or as a medium to float canoes. A thriving residential community of 8,100, the City of Old Town's acres of forest and beautiful waters attract outdoor enthusiasts from hunters and anglers, to hikers and canoeists, and bird watchers and photographers. More than 50 miles of rivers and streams, accessible year-round, are known nationwide for smallmouth bass. Wildlife population abounds with deer, bear, moose and coyote.

Yet with all this scenic beauty, the City of Old Town is a bustling industrial community offering access to transportation, a trained workforce, diverse population, and a progressive, forward-thinking municipal administration.

The mission of the City of Old Town is to provide and promote a safe, affordable community with quality public services. The City encourages future growth while maintaining its cultural heritage.

FINANCIAL INFORMATION

The City Administration is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual and human resource assets of the City are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. The concept of reasonable assurance recognizes that: (1) the cost of any control should not exceed the benefit likely to be derived; (2) the valuation of cost and benefits requires judgments by management.

FINANCIAL HIGHLIGHTS

The following is a discussion of the financial highlights of the City during the past fiscal year.

- The total balance of the City's cash and cash equivalents at June 30, 2010 was \$3,329,115.
- The City's total debt decreased by \$588,752 from \$17,187,988 to \$16,599,236.
- Under the government-wide basis of reporting, the City's total net assets decreased by \$7,488,733 to \$28,573,077 primarily due to transfers of certain assets and liabilities to RSU #34.
- The governmental fund balance as reported on the City's governmental fund financial statements decreased by \$2,360,429 to \$10,701,710.
- On a budget basis, the City's actual expenditures and transfers-out exceeded its revenues and transfers-in by \$1,858,059. The City budgeted a deficiency of \$3,064,990. This is a negative budget variance and decreases the budget-basis fund balance which can be used to fund future expenditures and increase the need for significant increases in local property taxes for the residents of Old Town.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. 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 assets changed during the most recent fiscal year. All changes in net assets 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 such as uncollected taxes and earned but unused compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Government-wide Financial Statements – Continued

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the City include public safety, administrating services, operation and maintenance of plant, education, public works and human resources. The business-type activities of the City include sewer operations. The government-wide financial statements can be found on pages 15-16 of this report.

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.

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 current sources and uses 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 the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of 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 City'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 governmental funds and governmental activities. Capital assets and depreciation are not included in the governmental funds financial statements.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement is included in the required supplementary information portion of the financial statements.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Fund Financial Statements – Continued

Proprietary Funds

The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these funds to finance its operations. The basic fiduciary fund financial statements can be found on pages 25-26 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 27-49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 50-52 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules and budgetary comparison information for the sewer fund can be found on pages 53-60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$28,573,077 as of June 30, 2010. However, of the \$28,573,077, only \$4,991,875 of governmental net assets and \$257,126 of sewer net assets is unrestricted and uncommitted at June 30, 2010.

A portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, building improvements, vehicles, and furniture and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is 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.

The City's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

A portion of the City's net assets, *81.63%*, represents resources that are restricted. Unrestricted net assets of \$5,249,001 or *18.37%* may be used to meet the government's ongoing obligations to citizens and creditors.

SUMMARY OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$11,049,386	\$16,312,311	\$1,938,329	\$1,931,838	\$12,987,715	\$18,244,149
Capital assets	14,838,538	26,474,903	10,790,566	11,225,948	25,629,104	37,700,851
Total assets	25,887,924	42,787,214	12,728,895	13,157,786	38,616,819	55,945,000
Current Liabilities	2,181,234	3,645,771	372,961	366,968	2,554,195	4,012,739
Noncurrent Liabilities	10,872,560	11,159,441	4,437,747	4,711,010	15,310,307	15,870,451
Total liabilities	13,053,794	14,805,212	4,810,708	5,077,978	17,864,502	19,883,190
Net assets:						
Invested in capital assets, net of related debt	9,542,190	14,232,652	6,148,066	6,280,210	15,690,256	20,512,862
Restricted	6,120,825	5,995,718	1,512,995	1,435,274	7,633,820	7,430,992
Unrestricted	4,991,875	7,753,632	257,126	364,324	5,249,001	8,117,956
Total net assets	\$20,654,890	\$27,982,002	\$7,918,187	\$8,079,808	\$28,573,077	\$36,061,810

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

As of June 30, 2010, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its governmental activities. The City was also able to report positive balances in all three categories of its net assets for the business-type activities.

The following table presents a summary of the City's operations for the fiscal year ended June 30, 2010 with comparative totals for the fiscal year ended June 30, 2009.

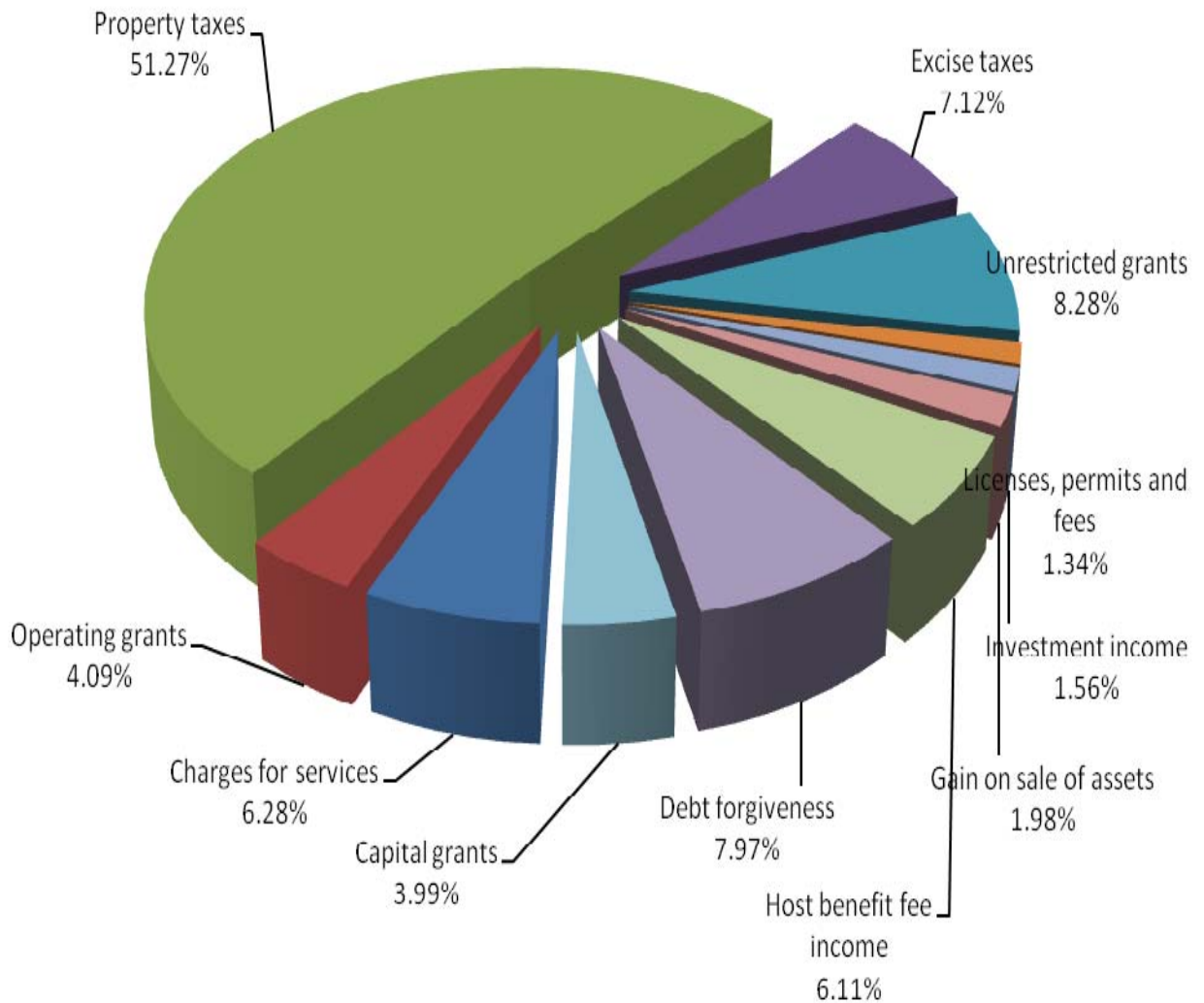
	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 1,042,300	\$ 4,358,166	\$ 1,423,901	\$ 1,500,276	\$ 2,466,201	\$ 5,858,442
Operating grants & contributions	679,431	8,775,150	-	-	679,431	8,775,150
Capital grants & contributions	662,003	438,410	16,928	16,928	678,931	455,338
General revenues						
Property taxes levied for general purposes	8,507,855	8,571,024	-	-	8,507,855	8,571,024
Excise taxes	1,181,694	1,238,645	-	-	1,181,694	1,238,645
Grants and contributions not restricted to specific programs	1,374,422	1,537,021	-	-	1,374,422	1,537,021
Licenses, permits and fees	222,497	186,455	-	-	222,497	186,455
Unrestricted investment income	258,234	54,980	2,488	10,590	260,722	65,570
Host benefit fee income	1,014,316	960,795	-	-	1,014,316	960,795
Special Items						
Gain/(loss) on disposition of assets	329,068	16,637	-	-	329,068	16,637
Debt forgiveness	-	1,321,800	-	-	-	1,321,800
Total revenues	15,271,820	27,459,083	1,443,317	1,527,794	16,715,137	28,986,877
Expenses:						
General government	1,620,424	1,791,900	-	-	1,620,424	1,791,900
Public Safety	3,403,968	3,156,749	-	-	3,403,968	3,156,749
Public Works	1,712,979	1,673,057	-	-	1,712,979	1,673,057
Health, Welfare and Sanitation	886,062	902,362	-	-	886,062	902,362
Culture and recreation	882,623	837,830	-	-	882,623	837,830
Education	4,573,269	14,257,115	-	-	4,573,269	14,257,115
Interest on long-term debt	174,626	560,190	158,368	162,927	332,994	723,117
Airport	130,448	137,306	-	-	130,448	137,306
Capital outlay	381,933	191,890	-	-	381,933	191,890
County tax	530,683	502,815	-	-	530,683	502,815
Sewer	-	-	1,446,570	1,549,573	1,446,570	1,549,573
Total expenses	14,297,015	24,011,214	1,604,938	1,712,500	15,901,953	25,723,714
Special Items						
Transfer to RSU #34	(8,301,917)	-	-	-	(8,301,917)	-
Change in net assets	(7,327,112)	3,447,869	(161,621)	(184,706)	(7,488,733)	3,263,163
Beginning net assets	27,982,002	24,534,133	8,079,808	8,264,514	36,061,810	32,798,647
Ending net assets	\$ 20,654,890	\$ 27,982,002	\$ 7,918,187	\$ 8,079,808	\$ 28,573,077	\$ 36,061,810

Analysis of the City's Operations

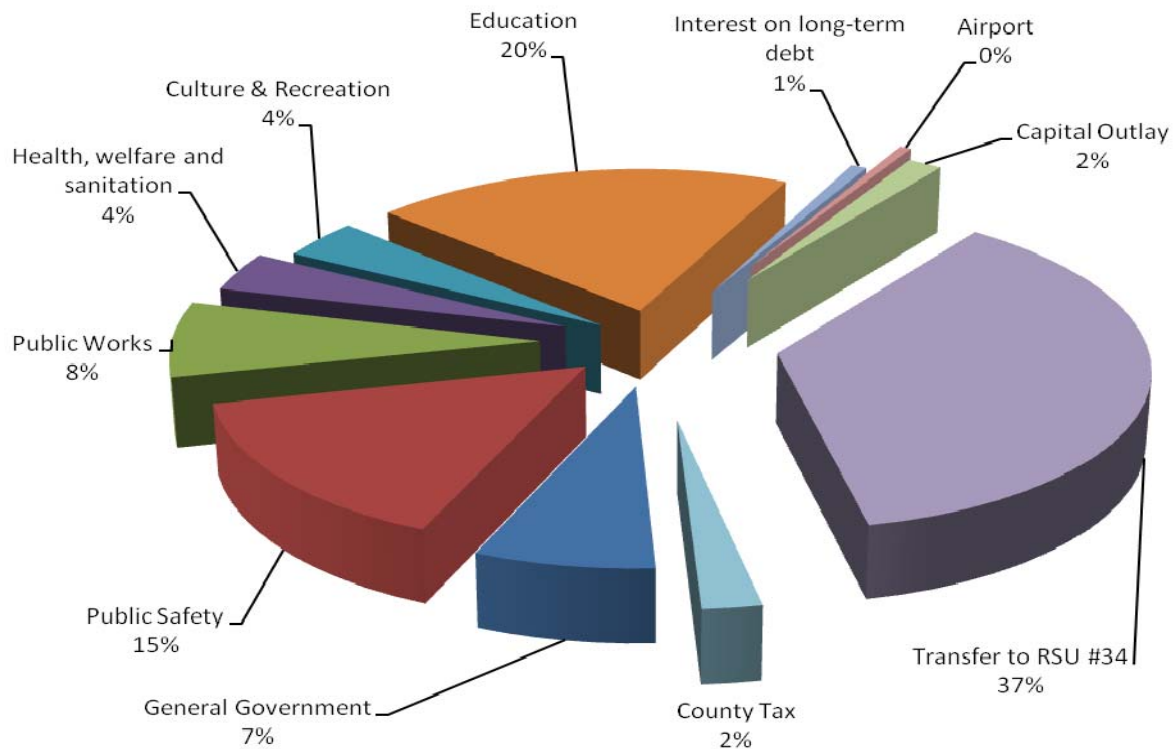
Overall the City had a decrease in net assets of \$7,488,733.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2010.

Governmental Revenues



Governmental Activities



Governmental Activities

Governmental activities decreased its net assets by \$7,327,112. Net assets invested in capital assets, net of related debt decreased by \$4,690,462 or 32.96% due to transfers of certain assets, liabilities and equity to RSU #34, airport improvements, capitalization of general infrastructure assets and debt payments. Unrestricted net assets decreased by \$2,761,757 or 35.62%.

Total revenues for governmental activities decreased from the prior year by \$12,187,263 primarily due to the absence of education subsidies and tuition revenue. Of this amount, charges for services decreased \$3,315,866, or 76.08% over prior year. Operating and capital grants and contributions decreased \$7,872,126, or 85.44% from the prior fiscal year. Property taxes decreased \$63,169, or 0.74%.

Expenses of governmental activities include depreciation expense of \$672,567, a decrease of 39% over the prior fiscal year. Depreciation expense has been allocated and is included in the various function/program expenses of the City. The decrease is attributable to the school assets no longer reported on the City's financial statements as they were transferred to RSU #34.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following illustration presents the cost of each of the City's four largest programs – general government, public safety, public works, and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

	Governmental Activities			
	Total Cost		Net Cost	
	2010	2009	2010	2009
General government	\$ 1,620,424	\$ 1,791,900	\$ 1,456,553	\$ 1,170,507
Public Safety	3,403,968	3,156,749	2,912,918	2,590,361
Public Works	1,712,979	1,673,057	1,625,622	1,578,817
Education	4,573,269	14,257,115	4,570,225	3,266,409
	<u>\$ 11,310,640</u>	<u>\$ 20,878,821</u>	<u>\$ 10,565,318</u>	<u>\$ 8,606,094</u>

Business-type Activities

Net assets from business-type activities decreased by \$161,621, 2.04% from \$8,079,808 to \$7,918,187. This decrease was primarily due to a decline in charges for services.

Charges for services decreased \$76,375 or 5.36% from the prior year.

Depreciation expense decreased from \$542,870 to \$521,891 or \$20,979 from the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds 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 the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$10,701,710, \$2,360,429 lower than the previous year. Approximately 45.6% of this amount, or \$4,879,989, constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

Total governmental fund expenditures for the year were \$16,901,213, representing a decrease of \$10,268,016, or 37.8% from the previous fiscal year.

The City paid \$3,591,240 in capital outlays which includes the acquisition of the City Hall and related renovations as well as several other projects.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued

Proprietary Funds

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

Unrestricted net assets of the sewer fund were \$257,126 which represents a \$107,198 decrease from the previous year.

General Fund Budgetary Highlights

In the general fund, the City originally budgeted for a decrease in the fund balance on a budget basis of \$879,966. Actual revenues were greater than budgeted; however actual expenses and transfers were more than budgeted, therefore, the actual fund balance decrease for fiscal year 2010 was \$1,858,059 on a budget basis.

Revenues from property taxes totaled \$8,458,198. Charges for services accounted for \$970,394 and intergovernmental revenue accounted for \$1,979,947 in total revenue of \$13,067,442 on a budget basis. Revenues from property taxes decreased by \$149,710, revenues from charges for services decreased by \$2,998,856 and revenues from intergovernmental sources decreased by \$4,793,383 on a budget basis. Revenues from charges for services and intergovernmental sources decreased due to the absence of school department revenues from tuition and state education subsidies.

The City Council authorized revisions to the original approved appropriations. Overall these changes resulted in an increase in budgeted expenditures, transfers-out and special items from the original budget of 43.8% or \$5,859,207. A portion, 30.1%, of this increase was due to transfers of school department fund balances to RSU #34. Other increases were approved appropriations of prior year unexpended balances carried forward and additional transfers from reserve funds.

There were a few significant budget-to-actual variances. Of these intergovernmental revenues were more than budgeted due to grant activity. General government and capital outlay expenditures were less than budgeted. General government costs were less due to various items throughout several departments. There are several capital outlay projects uncompleted as of yearend and a number of those account balances have been carried forward to next year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$25,629,104, net of accumulated depreciation. The investment in capital assets includes, land, building, equipment, improvements, infrastructure and construction in progress. Major capital asset events during the current fiscal year included city hall purchase and improvements, continuation of the airport runway improvement projects and industrial park development.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following summarizes capital assets at year end:

Additional information on the City's capital assets can be found in Note 4 on pages 38-39 of this report.

	Capital Assets at Year-End (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land & improvements	\$ 1,497,877	\$ 1,410,942	\$ 179,427	\$ 179,427	\$ 1,677,304	\$ 1,590,369
Construction in Progress	1,790,993	2,272,701	-	-	1,790,993	2,272,701
Non-extinguishable assets	-	43,696	-	-	-	43,696
Infrastructure	4,954,328	4,915,247	3,443,387	3,443,387	8,397,715	8,358,634
Buildings & Improvements	7,513,272	22,240,305	5,682,701	5,682,701	13,195,973	27,923,006
Equipment	2,949,903	3,851,059	6,631,615	6,545,106	9,581,518	10,396,165
Vehicles	2,009,571	1,627,987	406,454	406,454	2,416,025	2,034,441
Total capital assets	20,715,944	36,361,937	16,343,584	16,257,075	37,059,528	52,619,012
Acumulated depreciation	(5,877,406)	(9,887,034)	(5,553,018)	(5,031,127)	(11,430,424)	(14,918,161)
Capital assets, net	<u>\$ 14,838,538</u>	<u>\$ 26,474,903</u>	<u>\$ 10,790,566</u>	<u>\$ 11,225,948</u>	<u>\$ 25,629,104</u>	<u>\$ 37,700,851</u>

Debt Administration

The City's debt consists of eight bonds and several capital leases from various lending sources.

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Bonds Payable	\$ 11,956,735	\$ 11,559,540	\$ 4,642,501	\$ 4,945,738	\$ 16,599,236	\$ 16,505,278
Capital Lease Obligations	-	682,710	-	-	-	682,710
Totals	<u>\$ 11,956,735</u>	<u>12,242,250</u>	<u>\$ 4,642,501</u>	<u>\$ 4,945,738</u>	<u>\$ 16,599,236</u>	<u>\$ 17,187,988</u>

A summary of the City's debt activity for the year ended June 30, 2010 is detailed in Note 5 on pages 40-42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Old Town has been aggressively preparing for its future by working on four distinct and significant development projects which will position the City to respond to anticipated future development needs. These projects will place the City of Old Town at the epicenter for new, diversified growth and economic opportunities; Airport, Airport Business Park, Penny Road Park, and Eco-cultural Tourism. Old Town is a City of 8,100 persons and is located within the greater Bangor metropolitan region of 150,000. The regional labor force of almost 90,000 is well known for its quality skills and abilities. The labor skill set readily adapts to the needs and demands of new retail, service and industrial firms of the region.

The FY 11 budget will provide the necessary resources to address most service and capital needs of the community and its residents at a tax rate that is reasonable. The City has, in the past, made significant cuts in the budget prior to presenting it to the City Council, but given the current economic conditions we are certainly affected by increased costs due to certain commodity cost increases. The FY 11 budget contained no increase to salaries for the year.

Due to increased demands from Citizens for services, the City's goal is to maintain the existing level of service as we look for ways to reduce costs. The mil rate was \$17.40 in FY10 and increases to \$17.80 in FY 11.

The city continues to develop properties that can be marketed for industrial and business growth in the City. These projects include Airport-Aviation Projects, Airport Business Park, Private Hangars, Old Town Canoe grants and TIF, Maine Energy and Enterprise Park (Penny Road) and Eco-Cultural Tourism projects. Funding is from grants and City reserve accounts.

The Strategy of this base development is to increase the taxable property in the City to offset budgetary increases for the City, School and County services, especially in light of the last few years of changes to the existing industrial tax base, as well as developing new opportunities for future generations to live and work in Old Town.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information concerning these financial reports, contact the Finance Department, Attn: Finance Director, 265 Main Street, Old Town, Maine 04468, telephone 207-827-3965.

City of Old Town, Maine
Statement of Net Assets
June 30, 2010

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and Equivalents	\$ 2,015,270	\$ 1,313,845	\$ 3,329,115
Investments	7,980,465	-	7,980,465
Receivables, net	538,877	397,778	936,655
Due from fiduciary funds	28,067		28,067
Due from Other Governmental Agencies	442,292	-	442,292
Inventories	44,415	-	44,415
Prepays	31,094	-	31,094
Long-term notes and receivables	873,790	226,706	1,100,496
Due from RSU #34 for debt service payments	7,007,303	-	7,007,303
Capital Assets			
Land, improvements, and construction in progress	3,288,870	179,427	3,468,297
Infrastructure and infrastructure in progress	4,954,328	3,443,387	8,397,715
Buildings	7,513,272	5,682,701	13,195,973
Equipment and Furniture	2,949,903	6,631,615	9,581,518
Vehicles	2,009,571	406,454	2,416,025
Less: Accumulated Depreciation	<u>(5,877,406)</u>	<u>(5,553,018)</u>	<u>(11,430,424)</u>
Total Capital Assets	<u>14,838,538</u>	<u>10,790,566</u>	<u>25,629,104</u>
Total Assets	<u>33,800,111</u>	<u>12,728,895</u>	<u>46,529,006</u>
LIABILITIES			
Accounts payable and accrued expenses	528,612	86,389	615,001
Due to other governmental agencies	24,848	-	24,848
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	1,084,175	286,572	1,370,747
Accrued interest	92,850	-	92,850
Compensated Absences	450,749	70,012	520,761
Due in more than one year			
Bonds, capital leases and contracts	10,872,560	4,355,929	15,228,489
Accrued post retirement benefits	<u>91,427</u>	<u>11,806</u>	<u>103,233</u>
Total liabilities	<u>13,145,221</u>	<u>4,810,708</u>	<u>17,955,929</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,542,190	6,148,066	15,690,256
Restricted for:			
Endowments	-	-	-
Capital projects	6,120,825	1,329,665	7,450,490
Other purposes	-	183,330	183,330
Unrestricted	<u>4,991,875</u>	<u>257,126</u>	<u>5,249,001</u>
Total net assets	<u>\$ 20,654,890</u>	<u>\$ 7,918,187</u>	<u>\$ 28,573,077</u>

City of Old Town, Maine
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental Activities:							
General Government	\$ 1,620,424	\$ 6,879	\$ 156,992	\$ -	\$ (1,456,553)	\$ -	\$ (1,456,553)
Public Safety	3,403,968	486,342	4,708	-	(2,912,918)	-	(2,912,918)
Public Works	1,712,979	-	87,357	-	(1,625,622)	-	(1,625,622)
Health, Welfare and Sanitation	886,062	293,085	428,444	-	(164,533)	-	(164,533)
Culture and Recreation	882,623	156,768	(1,114)	-	(726,969)	-	(726,969)
Airport	130,448	99,226	-	-	(31,222)	-	(31,222)
Education	4,573,269	-	3,044	-	(4,570,225)	-	(4,570,225)
County tax	530,683	-	-	-	(530,683)	-	(530,683)
Interest on Long-term debt	174,626	-	-	-	(174,626)	-	(174,626)
Capital outlay	381,933	-	-	662,003	280,070	-	280,070
Total governmental activities	<u>14,297,015</u>	<u>1,042,300</u>	<u>679,431</u>	<u>662,003</u>	<u>(11,913,281)</u>	<u>-</u>	<u>(11,913,281)</u>
Business-type activities:							
Sewer fund	1,604,938	1,423,901	-	16,928	-	(164,109)	(164,109)
Total business-type activities	<u>1,604,938</u>	<u>1,423,901</u>	<u>-</u>	<u>16,928</u>	<u>-</u>	<u>(164,109)</u>	<u>(164,109)</u>
Total primary government	<u>\$ 15,901,953</u>	<u>\$ 2,466,201</u>	<u>\$ 679,431</u>	<u>\$ 678,931</u>	<u>(11,913,281)</u>	<u>(164,109)</u>	<u>(12,077,390)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					8,507,855	-	8,507,855
Public service taxes					1,181,694	-	1,181,694
Grants and contributions not restricted to specific programs					1,374,422	-	1,374,422
Licenses, permits and fees					222,497	-	222,497
Unrestricted investment earnings (loss)					258,234	2,488	260,722
Host benefit fee income					1,014,316	-	1,014,316
Special items - gain on sale of asset					329,068	-	329,068
- remove assets, liabilities transferred to RSU #34					(8,301,917)	-	(8,301,917)
Total general revenues and special items					<u>4,586,169</u>	<u>2,488</u>	<u>4,588,657</u>
Change in net assets					(7,327,112)	(161,621)	(7,488,733)
Net assets - beginning					27,982,002	8,079,808	36,061,810
Net assets - ending					<u>\$ 20,654,890</u>	<u>\$ 7,918,187</u>	<u>\$ 28,573,077</u>

The accompanying notes are an integral part of the financial statements.

City of Old Town, Maine
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General Fund</u>	<u>Various Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,911,628	\$ 5,058	\$ 98,584	\$ 2,015,270
Investments	6,730,641	-	1,249,824	7,980,465
Taxes receivable, net	280,954	-	-	280,954
Due from other funds	179,774	3,831,615	477,540	4,488,929
Receivable from other governments	442,292	-	-	442,292
Other receivables	952,766	80,000	97,958	1,130,724
Inventories	44,415	-	-	44,415
Total assets	<u>10,542,470</u>	<u>3,916,673</u>	<u>1,923,906</u>	<u>16,383,049</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	386,977	-	-	386,977
Due to other funds	4,309,155	-	151,707	4,460,862
Payable to other governments	24,848	-	-	24,848
Deferred revenue	217,257	-	-	217,257
Other accrued expenses	582,095	-	-	582,095
Other payables	9,300	-	-	9,300
Total liabilities	<u>5,529,632</u>	<u>-</u>	<u>151,707</u>	<u>5,681,339</u>
Fund balances:				
Reserved for:				
Other purposes	694,332	3,916,673	1,165,909	5,776,914
Capital Improvements	-	-	44,807	44,807
Unreserved:				
Designated	2,127,283	-	-	2,127,283
Undesignated	2,191,223	-	-	2,191,223
Unreserved, reported in non-major:				
Special revenue funds - City	-	-	432,733	432,733
Special revenue funds - School	-	-	-	-
Permanent funds	-	-	128,750	128,750
Total fund balances	<u>5,012,838</u>	<u>3,916,673</u>	<u>1,772,199</u>	<u>10,701,710</u>
Total liabilities and fund balances	<u>\$ 10,542,470</u>	<u>\$ 3,916,673</u>	<u>\$ 1,923,906</u>	<u>\$ 16,383,049</u>

City of Old Town, Maine
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
 June 30, 2010

Total fund balance, governmental funds	\$ 10,701,710
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
Prepays are not reported as assets in the fund financial statements but are reported as assets in the governmental activities of the Statement of Net Assets.	31,094
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	14,838,538
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	7,007,303
Deferred revenue included in fund financial statements not included in governmental activities of the Statement of Net Assets.	217,257
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(12,141,012)
Net Assets of Governmental Activities in the Statement of Net Assets	<u><u>\$ 20,654,890</u></u>

City of Old Town, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Various Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 8,458,198	\$ -	\$ -	\$ 8,458,198
Excise and miscellaneous taxes	1,181,694	-	-	1,181,694
Fees and fines	21,354	-	-	21,354
Licenses and permits	201,143	-	-	201,143
Intergovernmental	1,979,947	105,671	462,003	2,547,621
Charges for services	970,394	71,903	-	1,042,297
Investment earnings (loss)	129,974	98	128,162	258,234
Miscellaneous	98,842	71,221	(1,825)	168,238
Host benefit fee income	-	1,014,316	-	1,014,316
Total revenues	<u>13,041,546</u>	<u>1,263,209</u>	<u>588,340</u>	<u>14,893,095</u>
EXPENDITURES				
Current:				
General government	1,439,862	164,810	-	1,604,672
Public Safety	3,179,188	11,236	-	3,190,424
Public Works	1,325,330	-	-	1,325,330
Health, welfare and sanitation	885,579	-	-	885,579
Culture and recreation	757,360	46,559	9,281	813,200
Airport	84,399	-	-	84,399
Education	4,573,269	-	-	4,573,269
County Tax	530,683	-	-	530,683
Debt Service:				
Principal	190,000	-	-	190,000
Interest	112,417	-	-	112,417
Capital Outlay	<u>3,164,036</u>	<u>-</u>	<u>427,204</u>	<u>3,591,240</u>
Total Expenditures	<u>16,242,123</u>	<u>222,605</u>	<u>436,485</u>	<u>16,901,213</u>
Excess (deficiency) of revenues over expenditures	<u>(3,200,577)</u>	<u>1,040,604</u>	<u>151,855</u>	<u>(2,008,118)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt, net	1,410,825	-	-	1,410,825
Transfers in	2,263,358	604,672	9,801	2,877,831
Transfers out	<u>(614,473)</u>	<u>(2,263,358)</u>	<u>-</u>	<u>(2,877,831)</u>
Total other financing sources and uses	<u>3,059,710</u>	<u>(1,658,686)</u>	<u>9,801</u>	<u>1,410,825</u>
SPECIAL ITEM				
Proceeds from sale City assets	-	380,000	-	380,000
Transfer assets and liabilities to RSU #34	<u>(1,764,340)</u>	<u>(192,542)</u>	<u>(186,254)</u>	<u>(2,143,136)</u>
Total Special Items	<u>(1,764,340)</u>	<u>187,458</u>	<u>(186,254)</u>	<u>(1,763,136)</u>
Net change in fund balances	(1,905,207)	(430,624)	(24,598)	(2,360,429)
Fund balances - beginning	<u>6,918,045</u>	<u>4,347,297</u>	<u>1,796,797</u>	<u>13,062,139</u>
Fund balances - ending	<u>\$ 5,012,838</u>	<u>\$ 3,916,673</u>	<u>\$ 1,772,199</u>	<u>\$ 10,701,710</u>

City of Old Town, Maine
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds: \$ (2,360,429)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays, \$3,209,307, exceeded depreciation, \$672,567, in the current period. 2,536,740

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (50,932)

Prepays are not reported as assets in the fund financial statements but are reported as assets in the governmental activities of the statement of net assets. 31,094

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. 49,657

Governmental funds report bond proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, in contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (1,220,825)

Certain assets, liabilities and equity transferred to RSU #34 were not reported in the fund financial statements but are reported in the statement of activities. (6,158,781)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on governmental funds (62,209)
Accrued post employment benefits (91,427)

Change in net assets of governmental activities \$ (7,327,112)

City of Old Town, Maine
Statement of Net Assets
Proprietary Funds
June 30, 2010

	<u>Enterprise Funds</u>
	<u>Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,313,845
Accounts Receivable, net	395,410
Other receivables	229,074
Total current assets	<u>1,938,329</u>
Non-current assets:	
Capital Assets:	
Land and improvements	179,427
Infrastructure	3,443,387
Buildings	5,682,701
Equipment and Furniture	6,631,615
Vehicles	406,454
Less Accumulated depreciation	<u>(5,553,018)</u>
Total non-current assets	<u>10,790,566</u>
Total assets	<u>12,728,895</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	23,435
Salaries payable	11,850
Accrued interest payable	51,104
Bonds, notes and loans payable	286,572
Total current liabilities	<u>372,961</u>
Non-current liabilities:	
Compensated absences	81,818
Bonds, notes and loans payable	4,355,929
Total non-current liabilities	<u>4,437,747</u>
Total liabilities	<u>4,810,708</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,148,066
Restricted for capital projects	1,329,665
Restricted for other purposes	183,330
Unrestricted	257,126
Total net assets	<u>\$ 7,918,187</u>

City of Old Town, Maine
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
 For the Year Ended June 30, 2010

	Enterprise Funds
	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,423,901
Total operating revenues	<u>1,423,901</u>
OPERATING EXPENSES	
Administration	635,207
Maintenance	80,711
Waste treatment facility	146,295
Sludge disposal	62,466
Depreciation	521,891
Total Operating Expenses	<u>1,446,570</u>
Operating income (loss)	<u>(22,669)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	2,488
Interest expense	<u>(158,368)</u>
Total non-operating revenue (expenses)	<u>(155,880)</u>
Income (loss) before contributions and transfers	(178,549)
Capital contributions	<u>16,928</u>
Change in net assets	<u>(161,621)</u>
Total net assets - beginning	8,079,808
Total net assets - ending	<u><u>\$ 7,918,187</u></u>

City of Old Town, Maine
Statement of Cash Flows - Proprietary Fund
 For the Year Ended June 30, 2010

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 1,471,645
Payments for administrative services	(610,049)
Payments to suppliers for goods and services	(275,805)
Net cash provided by operating activities	585,791
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Collection of notes receivable	39,930
Acquisition of capital assets	(86,509)
Interest paid on debt	(161,226)
Repayment of bonds and capital leases	(303,237)
Capital contributions	16,928
Net cash used by capital activities	(494,114)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	2,488
NET DECREASE IN CASH AND CASH EQUIVALENTS	94,165
CASH AND CASH EQUIVALENTS, BEGINNING	1,219,680
CASH AND CASH EQUIVALENTS, ENDING	\$ 1,313,845

City of Old Town, Maine
Statement of Cash Flows - Proprietary Fund
 For the Year Ended June 30, 2010

	Enterprise Fund <hr style="border: 0.5px solid black;"/> <u>Sewer Fund</u>
Reconciliation of operating income (loss) to net cash used by operating activities	
Operating income (loss)	\$ (22,669)
Depreciaton	521,891
Changes in assets and liabilities	
(Increase) decrease in receivable, net	47,744
Increase (decrease) in accounts payable	13,667
Increase (decrease) in accrued expenses	25,158
Net cash provided by operating activities	<hr style="border: 0.5px solid black;"/> \$ 585,791 <hr style="border: 0.5px solid black;"/>

City of Old Town, Maine
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Fiduciary</u> <u>Funds</u> <u>Private</u> <u>Purpose</u> <u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 47,492
Investments:	
Other investments	<u>602,088</u>
Total assets	<u>649,580</u>
 LIABILITIES	
Due to other funds	<u>28,068</u>
Total liabilities	<u>28,068</u>
 NET ASSETS	
Reserved for endowments	601,114
Unreserved	<u>20,398</u>
	<u>\$ 621,512</u>

City of Old Town, Maine
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
 For the Year Ended June 30, 2010

	<u>Private Purpose</u> <u>Trust Fund</u>
ADDITIONS	
Investment earnings:	
Net increase (decrease) in fair value of investments	\$ 67,159
Total net investment earnings	67,159
Other Additions:	
Contributions	2,540
Total other additions	2,540
Total additions	69,699
DEDUCTIONS	
Administrative	16,956
Total deductions	16,956
Change in net assets	52,743
Net assets - beginning	568,769
Net assets - ending	\$ 621,512

City of Old Town, Maine
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Old Town (the “City”) was incorporated on March 30, 1891 under the laws of the State of Maine. The City operates under a Council-Manager form of government and provides the following services: general government services, public safety, public works, health and welfare, education, library and recreation.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and the Financial Accounting Standards Board Standards, when applicable. As allowed in section P80 of GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The City’s basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB’s *Codification of Government Accounting and Financial reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in its own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization’s board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Old Town has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity within the governmental and business-type activities columns, if applicable, 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. Fiduciary funds and/or component units that are fiduciary in nature are not included in government-wide financial statements.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary and fiduciary activities (when applicable). These statements present each major fund as a separate column on the fund financial statements, all non-major funds are aggregated and presented in a single column.

C. Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Governmental Funds (continued)

The City has presented the following governmental funds:

General Fund

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. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Capital Reserves Fund

The capital reserves fund is used to account for funds reserved by authorization of City Council.

D. Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the statement of net assets.

The City has presented the following major proprietary fund:

Enterprise Fund

The enterprise fund is used to account for the operations of the waste water treatment plant. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt for the sewer fund. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fiduciary Funds (Not included in the government-wide statements)

Fiduciary funds are not included in the government-wide statements. The City has presented the following fiduciary funds:

Private Purpose Funds

Private purpose funds are funds held by the City in a trustee capacity accounted for in essentially the same manner as proprietary funds. Capital maintenance of private purpose funds is critical.

F. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Agency funds are also presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, intergovernmental revenues and charges for services. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Revenues and Expenses

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g. general government, public safety, education, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either “dedicated” or “undedicated.” Undedicated revenues are available to fund any activity accounted for in the fund. Dedicated revenues are available only for specified purposes. Unused dedicated revenues at year-end are recorded as reservations of fund balance. When both dedicated and undedicated funds are available for use it is the City’s policy to use dedicated resources first.

In the governmental fund financial statements, expenditures are reported by function.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are sub-classified by object. The City uses the criteria prescribed in Section 2450 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, Cash Flows Statements, paragraphs .114 and .115 to determine operating revenues and expenses. Operating revenue includes sewer user fees, and all other revenues that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities. Operating expenses include salaries & wages, utilities, maintenance, depreciation of fixed assets, administrative expenses and all other expenses that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities.

H. Budgets and Budgetary Accounting

The City utilizes a formal budgetary accounting system to control revenues accounted for in the general fund and the enterprise fund. These budgets are established in accordance with the various laws which govern the City’s operations.

Generally, appropriations for the general fund and the enterprise fund lapse at year end, except for balances approved to be carried forward by City Council.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Budgets and Budgetary Accounting Continued

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the special revenue funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the City's fiscal year.

The City prepares its general fund annual budget on a basis (budget basis), which differs from generally accepting accounting principles (GAAP basis). Additional information is presented in Note 2.

I. Deposits and Investments

For purposes of the statement of cash flows, the proprietary and fiduciary funds consider all highly liquid investments, except for money market mutual funds, with a maturity of three months or less to be cash equivalents. Additional information is presented in Note 3.

Investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Additional information is presented in Note 3.

J. Inventories

Inventories of gasoline in the general fund are valued at the lower of cost or market value.

K. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

L. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds, if applicable. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are stated at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

General fixed assets capitalized have an original cost of \$5,000 or more and over one year of useful life. General infrastructure assets capitalized have an original cost of \$25,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated useful lives:

Buildings & improvements	20-50 (Years)
Sewer Systems	50-100
Machinery & Equipment	3-50
Vehicles	3-25
Infrastructure	20-35

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

N. Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable and capital leases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences

The City's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these governmental compensated absences is recorded in both the government-wide and fund financials. The proprietary funds report the liability as it is incurred, also in both the government-wide and fund financials.

P. Nature and Purpose of Reservations and Designations of Fund Equity

The City records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use, which is indicated by the title of each reserve listed in the balance sheet and statement of net assets. Further information is provided in Note 10.

The designated fund equity of the general fund represents funds set aside for future projects, primarily for future capital outlays. Further information is provided in Note 11.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations, imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

R. Property Taxes

Property taxes (real and personal, except vehicles) are assessed to the owner of record on April 1. On August 8, 2009 the taxes were committed to the tax collector for collection. One half of the taxes were due on September 17, 2009 and the second half was due on March 18, 2010. Interest is assessed from September 18, 2009 and March 19, 2010 at 9.00% per year on any amount unpaid as of September 18, 2009 and March 18, 2010 respectively. Tax liens on delinquent taxes may be placed on real property after eight months and within twelve months following the commitment date. The City may foreclose on property if the lien, interest and costs are not paid within eighteen months from the date the lien is filed.

The City is permitted by statute to levy taxes up to 105% of its net budgeted expenditures for the fiscal year.

Included in the City's tax assessment of \$17.40 per \$1,000 of assessed valuation is \$1.08 which represents the local assessment for county taxes and \$9.30 which represents the local assessment for Education. These taxes are collected by the City and forwarded as required by the taxing agency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Property Taxes – Continued

The 2010 tax levy is summarized as follows:

Assessed Value	
Real property	\$ 433,614,000
Personal property	57,981,500
	<u>491,595,500</u>
Tax rate (per \$1,000)	17.4
Commitment	<u>8,553,762</u>
Less collections and abatements	8,332,877
Receivable at June 30, 2010	<u><u>\$ 220,885</u></u>
Collection rate	97.42%

2. BUDGET BASIS OF ACCOUNTING

The City prepares its general fund annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions on page 51 are presented in accordance with the City’s method (budget basis) in the Budget and Actual (with budget to GAAP differences) – General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the general fund are compensated absences and payments made by the State of Maine to the Maine Public Employees Retirement System are recognized for GAAP basis only.

Adjustments necessary to convert the general fund’s excess of revenues and other sources over expenditures and other uses on the budget basis to a GAAP basis are provided below:

Net change in fund balances - budget basis	\$ (1,858,059)
Billing revenue in expenditures - revenue	25,896
Billing revenue in expenditures - expenditures	(25,896)
End of year adjustment for compensated absences not recognized as expenditures	(47,148)
Net change in fund balances - GAAP basis	<u><u>\$ (1,905,207)</u></u>

The City also prepares its sewer fund annual budget on a basis which differs from GAAP. The budget and all transactions are presented in accordance with the City’s method (budget basis) in the Budget and Actual (with budget to GAAP differences) – Sewer Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the sewer fund are depreciation which is recognized for GAAP basis only and capital asset additions and principal payments which are recognized for budget basis only.

2. BUDGET BASIS OF ACCOUNTING - Continued

Adjustments necessary to convert the sewer fund’s excess of revenues and other sources over expenditures and other uses on the budget basis to a GAAP basis are provided below:

Net change in net assets - budget basis	\$ 12,499
Current year depreciation expense	(521,891)
Current year capital asset additions	52,024
Current year principal payments	303,237
Interest charges	2,858
Accrued payroll	(11,850)
End of year adjustment for compensated absences not recognized as expenditures	1,502
Net change in net assets - GAAP basis	<u><u>\$ (161,621)</u></u>

3. DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2010, the City reported deposits of \$3,376,607 with bank balances of \$3,452,525 . Of the City’s total bank balance of \$3,452,525 , \$3,452,525 was collateralized by underlying securities held by the related bank, which were not in the City’s name.

Reported in governmental funds	\$ 2,015,270
Reported in proprietary funds	<u>1,313,845</u>
Total reported on the statement of net assets	3,329,115
Reported in private-purpose trust funds	<u>47,492</u>
Total Deposits	<u><u>\$ 3,376,607</u></u>

B. Investments

Maine statutes authorize the City to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the City can invest in direct debt securities obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks and bonds and certificates of deposit.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments. The City does not have an investment policy for custodial credit risk. The City’s investments of \$5,857,212, invested in money market funds, U.S. Treasury notes, U.S. Agency notes, stock mutual funds and common stock, are not exposed to custodial credit risk as the investments are in the City’s name.

3. DEPOSITS AND INVESTMENTS – Continued

B. Investments – Continued

Concentration of Credit Risk: The City has an investment that meets the criteria of a concentration of credit risk. The money market funds with Bangor Savings Bank for \$1,610,489 invests in short-term U.S. Treasury and government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities and have a Moody’s AAA rating.

Interest Rate Risk: The City does not have a policy related to interest rate risk. The City is required to disclose the interest rate risk of its debt investments as follows.

	<u>Due in less than one Year</u>	<u>Due in 1-5 Years</u>	<u>Due in More than Five Years</u>
U.S. Agency Notes	\$ 2,948,140	\$ 4,225,899	\$ 86,867
U.S. Treasury Notes	-	62,054	
Total debt investments	<u>\$ 2,948,140</u>	<u>\$ 4,287,953</u>	<u>\$ 86,867</u>

Investments of \$8,582,553 have been reported as follows:

Reported in governmental funds	\$ 7,980,465
<i>Investments not included in government-wide statement</i>	
Reported in private-purpose trust funds	<u>602,088</u>
Total Investments	<u>\$ 8,582,553</u>

The City’s investments by type are as follows:

U.S. Agency Notes	\$ 7,260,906
U.S. Treasury Notes	62,054
Equities	<u>1,259,593</u>
	<u>\$ 8,582,553</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 is summarized below. Beginning balances in certain asset categories have been restated to more closely reflect actual usage.

	Beginning Balance 6/30/09	Additions	Transfer to RSU #34	Retirements	Ending Balance 6/30/010
Governmental Activities:					
<i>Non-Depreciable Assets:</i>					
Land	\$ 860,093	\$ 213,427	\$ -	\$ -	\$ 1,073,520
Art	43,696	-	(43,696)	-	-
Construction in Progress	2,272,701	1,114,694	(1,596,402)	-	1,790,993
Total Non-Depreciable Assets	<u>3,176,490</u>	<u>1,328,121</u>	<u>(1,640,098)</u>	<u>-</u>	<u>2,864,513</u>
<i>Depreciable Assets:</i>					
Buildings & Improvements	22,213,646	1,463,526	(16,163,900)	-	7,513,272
Equipment & Furniture	3,474,891	310,661	(728,777)	(106,872)	2,949,903
Vehicles	2,030,814	46,518	(67,761)	-	2,009,571
Land Improvements	550,849	21,728	(148,220)	-	424,357
Infrastructure	4,915,247	39,080	-	-	4,954,327
Total Depreciable Assets	<u>33,185,447</u>	<u>1,881,513</u>	<u>(17,108,658)</u>	<u>(106,872)</u>	<u>17,851,430</u>
<i>Less accumulated depreciation for:</i>					
Buildings & Improvements	(5,642,262)	(159,639)	4,188,322	-	(1,613,579)
Equipment & Furniture	(2,012,983)	(190,806)	401,756	55,940	(1,746,093)
Vehicles	(1,392,027)	(142,317)	22,588	-	(1,511,756)
Land Improvements	(85,725)	(14,901)	13,587	-	(87,039)
Infrastructure	(754,035)	(164,904)	-	-	(918,939)
Total accumulated depreciation	<u>(9,887,032)</u>	<u>(672,567)</u>	<u>4,626,253</u>	<u>55,940</u>	<u>(5,877,406)</u>
Total capital assets being depreciated, net	23,298,415	1,208,946	(12,482,405)	(50,932)	11,974,024
Governmental activities capital assets, net	<u>\$ 26,474,905</u>	<u>\$ 2,537,067</u>	<u>\$ (14,122,503)</u>	<u>\$ (50,932)</u>	<u>\$ 14,838,537</u>

As of July 1, 2009, the Old Town School Department joined Regional School Unit (RSU) #34. As part of the agreement, the School Department transferred its assets to RSU #34 as shown above.

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2010

4. CAPITAL ASSETS (Continued)

	Beginning Balance 6/30/09	Additions	Retirements	Ending Balance 6/30/10
Business-type Activities:				
<i>Capital Assets not being Depreciated</i>				
Land	\$ 179,427	\$ -	\$ -	\$ 179,427
Total capital assets not being depreciated	<u>179,427</u>	<u>-</u>	<u>-</u>	<u>179,427</u>
<i>Capital Assets being Depreciated</i>				
Infrastructure	3,443,387	-	-	3,443,387
Buildings and Improvements	5,682,700	-	-	5,682,700
Equipment and Furniture	6,545,107	86,509	-	6,631,616
Vehicles	406,454	-	-	406,454
Total capital assets being depreciated	<u>16,077,648</u>	<u>86,509</u>	<u>-</u>	<u>16,164,157</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(517,400)	(54,776)	-	(572,176)
Buildings & Improvements	(1,903,393)	(140,619)	-	(2,044,012)
Equipment & Furniture	(2,337,146)	(282,455)	-	(2,619,601)
Vehicles	(273,288)	(43,941)	-	(317,229)
Total accumulated depreciation	<u>(5,031,227)</u>	<u>(521,791)</u>	<u>-</u>	<u>(5,553,018)</u>
Total capital assets, being depreciated, net	11,046,421	(435,282)	-	10,611,139
Business-type activities capital assets, net	<u>\$ 11,225,848</u>	<u>\$ (435,282)</u>	<u>\$ -</u>	<u>\$ 10,790,566</u>

Depreciation expense for the year ended June 30, 2010 was charged as direct expense to programs as follows:

<i>Governmental Activities</i>	
General government	\$ 31,667
Public safety	167,437
Public works	366,794
Culture and recreation	60,620
Airport	46,049
Total depreciation expense - Governmental activities	<u>\$ 672,567</u>
<i>Business-type Activities</i>	
Sewer Fund	<u>\$ 521,791</u>

5. LONG-TERM DEBT

General obligation and proprietary fund bonds payable

The following is a summary of general obligation and proprietary fund bonds payable transactions of the City for the year ended June 30, 2010

	Original Amount	Principal Balance 6/30/09	Borrowed (Paid) Year Ended 6/30/10	Principal Balance 6/30/10
<i>Governmental Debt</i>				
General Obligation Bonds Payable				
<i>Maine Municipal Bond Bank</i>				
2000 school renovation bond, due 2010, with annual principal payments and semiannual interest payments. Interest ranges from 5.281% to 5.406%.	\$ 900,000	\$ 180,000	\$ (90,000)	\$ 90,000
2000 public improvement bond, due 2010, with annual principal payments and semiannual interest payments. Interest ranges from 5.281% to 5.406%	650,000	130,000	(65,000)	65,000
2007 school renovation bond, due 2017, with annual principal payments and semiannual interest payments. Interest ranges from 1.000% to 6.000%.	1,000,000	900,000	(100,000)	800,000
2002 public improvement bond, due 2022, with annual principal payments and semiannual interest payments. Interest ranges from 3.050% to 5.250%	2,500,000	1,750,000	(125,000)	1,625,000
2002 school construction bond, due 2022, with annual principal payments and semiannual interest payments. Interest ranges from 3.050% to 5.250%	11,316,198	7,921,340	(565,810)	7,355,530
2008 school renovation revolving loan fund due 2018, with annual principal payments with no interest	2,000,000	678,200	(67,820)	610,380
2009 Bangor Savings Bank Municipal Building due 2029, with annual payments of \$70,545 during the first five years and \$70,540 thereafter with interest at 3.7% for the first five years and 65% of the Libor Swaps five year rate plus 2.85% as determined at the beginning of each successive five year period.	1,410,825	-	1,410,825	1,410,825
Total General Obligation Bonds		\$ 11,559,540	\$ 397,195	\$ 11,956,735

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2010

5. LONG-TERM DEBT (continued)

<i>Business-type Debt</i>	Original Amount	Principal Balance 6/30/09	Borrowed (Paid) Year Ended 6/30/10	Principal Balance 6/30/10
Proprietary Fund Bonds Payable				
<i>Capmark Finance Inc.</i>				
1979 sewer bond, due 2010 with annual principal and semi-annual interest payments. Interest at 5.000%.	\$ 499,980	\$ 16,666	\$ (16,666)	\$ -
<i>Rural Development</i>				
2003 treatment facility construction and improvements bond, due 2031 with annual principal and semi-annual interest. Interest at 4.250%.	2,000,000	1,642,857	(71,428)	1,571,429
2007 treatment facility construction and improvement bond, due 2022 with annual principal and semi-annual interest. Interest at 4.125%.	914,000	848,714	(32,642)	816,072
<i>Maine Municipal Bond Bank</i>				
2002 treatment facility construction bond, due 2022 with annual principal and semi-annual interest. Interest at 2.380%.	3,000,000	1,950,000	(150,000)	1,800,000
2003 treatment facility construction and improvement bond, due 2024 with annual principal and semi-annual interest. Interest at 1.600%.	1,525,290	487,500	(32,500)	455,000
Total Proprietary Fund Bonds		<u>4,945,737</u>	<u>(303,236)</u>	<u>4,642,501</u>
Total general obligation and proprietary fund bonds payable		<u>\$ 16,505,277</u>	<u>\$ 93,959</u>	16,599,236
Less current portion				<u>(1,370,747)</u>
				<u>\$ 15,228,489</u>

Future maturities of general obligation and proprietary fund bonds payable are as follows:

Year ended June 30	General Obligations		Proprietary Obligations		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,084,175	\$ 512,519	\$ 286,571	\$ 148,791	\$ 1,370,746	\$ 661,310
2012	929,175	470,899	286,571	140,318	1,215,746	611,217
2013	929,175	432,417	286,571	131,846	1,215,746	564,263
2014	929,175	394,280	286,571	123,373	1,215,746	517,653
2015	929,175	357,337	286,571	114,902	1,215,746	472,239
2016-2020	4,378,030	1,172,155	1,432,857	447,425	5,810,887	1,619,580
2021-2025	2,425,130	252,692	950,357	248,108	3,375,487	500,800
2026-2030	352,700	33,148	520,357	137,343	873,057	170,491
2031-2035	-	-	306,075	42,968	306,075	42,968
Totals	<u>\$ 11,956,735</u>	<u>\$ 3,625,447</u>	<u>\$ 4,642,501</u>	<u>\$ 1,535,074</u>	<u>\$ 16,599,236</u>	<u>\$ 5,160,521</u>

5. LONG-TERM DEBT (continued)

As of July 1, 2009, the City of Old Town School Department joined Regional School Unit (RSU) #34. As part of the agreement, certain liabilities of the school department were transferred to RSU #34, except for general obligation bonds which remain obligations of the City of Old Town. RSU #34 is obligated to reimburse the City for the annual debt service payments on the school-related bonds of \$7,000,303. This obligation has been recorded as a long-term receivable from RSU #34 on the entity wide statement of net assets.

Obligations under Capital Leases

The City of Old Town School Department was lessee under various capital leases totaling \$682,710 as of June 30, 2009. On July 1, 2009, the obligations under these capital leases were transferred to RSU #34.

Other Long-Term Debt

The following is a summary of other long-term debt transactions of the City for the fiscal year ended June 30, 2010:

	Governmental Activities		Business-Type Activities	
	Compensated Absences	Other Post Employment Benefits	Compensated Absences	Other Post Employment Benefits
Balance at July 1	\$ 497,897	\$ -	\$ 68,510	\$ -
Additions	-	91,427	1,502	11,806
Payments/Adjustments	(47,148)	-	-	-
Balance at June 30	<u>\$ 450,749</u>	<u>\$ 91,427</u>	<u>\$ 70,012</u>	<u>\$ 11,806</u>

6. TAX INCREMENT FINANCING

The City currently has three approved tax increment financing (TIF) districts. The objective of these TIF districts is to stimulate new investment in the community by financing, through various tax increment financing projects, various public improvements. Taxes derived from increased assessed valuation within the districts can be “captured” for approved uses. The City accounts for its portion of the activity of the TIF districts, including captured taxes and expenditures for approved purposes, in a capital reserve fund. The following is a brief description of each district:

Old Town Canoe –This TIF was established in 1998 and is for 15 years. The amount set aside for Old Town Canoe is 50% of the captured assessed value in the District. The remaining percentage is retained by the City for economic development within the City.

6. TAX INCREMENT FINANCING - Continued

Penobscot County Federal Credit Union –This TIF was established in 2007 and is for 10 years. The amount set aside for Penobscot County Federal Credit Union is 75% of the captured assessed value in the District for the first 5 years and 50% for the final 5 years. The remaining percentage is retained by the City for economic development within the City.

Humble Beginnings, LLC/Old Town Industrial Park –This TIF was established in 2007 and the original term was for 10 years. On October 23, 2009, the City’s application to amend the original agreement was approved. The new agreement extends the term from 10 to 11 years. The amount set aside for Humble Beginnings, LLC/Old Town Industrial Park is 100% of the captured assessed value in the District for the first 10 years and 50% for the final year. The final year is unsheltered and can be deposited into the City’s general fund.

The percentage of TIF revenues to be returned to the Developer as part of a Credit Enhancement Agreement (CEA) is 80% for years 1 and 2 and 100% for years 3 to 11. For years 1 & 2 the remaining TIF revenues will be applied in accordance with the original agreement.

7. INTERFUND TRANSACTIONS

Interfund balances of amounts due to/from other funds and operating transfers by fund at and for the year ended June 30, 2010 are as follows:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to Other</u> <u>Funds</u>	<u>Transfers In</u>	<u>Tranfers Out</u>
General fund	\$ 179,774	\$ 4,309,155	\$ 2,263,358	\$ 614,473
Capital reserves fund	3,831,615	-	604,672	2,263,358
Other governmental funds	477,540	151,707	9,801	-
Fiduciary funds	-	28,067	-	-
	<u>\$ 4,488,929</u>	<u>\$ 4,488,929</u>	<u>\$ 2,877,831</u>	<u>\$ 2,877,831</u>

Transfers are used to (1) move revenues that are collected in accordance with the budget to the appropriate fund to expend and (2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorization.

8. NET ASSETS – ENTERPRISE FUND – RESTRICTED – OTHER PURPOSES

At June 30, 2010, the enterprise fund’s restricted fund balance for other purposes was comprised of the following:

Capital outlay - equipment and facility	<u>\$ 183,330</u>
---	-------------------

9. NET ASSETS – RESTRICTED FOR ENDOWMENTS

At June 30, 2010, the permanent fund’s reserved fund balance was comprised of the following:

Reserved for cemetery	\$ 501,729
Reserved for Library	513,503
Reserved for city parks	2,388
Reserved for high school library	1,304
Reserved for high school athletics	<u>49,027</u>
	<u><u>\$ 1,067,951</u></u>

10. FUND BALANCE – RESERVED – OTHER PURPOSES

At June 30, 2010, the fund balances which are reserved for other purposes were comprised of the following:

General Fund	
Long-term note receivable	<u>\$ 694,332</u>
Capital Reserves	
Tech equipment	184,243
Heavy equipment	1,394,780
Community center reserve	28,500
Highway block grant	70,433
Municipal/public safety building	2,363
Economic development	86,826
Airport hangar	285,380
Penny Road property	(6,526)
J Ridge landfill	1,391,982
City hall	110,671
City facilities	80,000
Debt service	167,395
Donations - library	28,638
Special recreation programs	6,460
Community festival	23,973
Concerts in the park	1,356
Coombs park	407
Skateboard park	37,545
Public safety programs	7,769
Book restoration	1,961
Save the pool	8,034
Oak street field	<u>4,483</u>
Total capital reserves	<u>3,916,673</u>
Other governmental funds	
Long-term note receivable	97,958
Endowments	<u>1,067,951</u>
Total other governmental funds	<u>1,165,909</u>
Total fund balance - reserved - other purposes	<u><u>\$ 5,776,914</u></u>

11. FUND BALANCE - DESIGNATED

At June 30, 2010, the general fund designated fund balances were comprised of projects in the following categories:

Information Technology Services	\$	22,272
Airport		55,355
Juniper Ridge Landfill		112,849
Municipal Building		19,423
Special Accounts		52,249
Capital Projects		<u>1,865,135</u>
Total fund balance - designated	<u>\$</u>	<u>2,127,283</u>

12. PENSION PLANS

Defined Benefit Pension Plans

The City has contributed to the MainePERS Participating Local District Consolidated Retirement Plan, a cost-sharing multiple-employer defined benefit plan. The City’s payroll for the year ended June 30, 2010 for employees covered by this plan was \$2,526,611.

Full-time City employees are eligible to participate in the MainePERS. Benefits vest after five years of service. Beyond the five year period, the employee would receive a certain benefit upon attaining the age of sixty; this benefit would be computed at that time. Employees who retire at or after age 60 with 1 year credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of the average of their highest three year earnings. The MainePERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. A copy of the most recent financial report for the plan may be obtained from the MainePERS by calling 1-800-451-9800.

Funding Status and Progress

Participating City employees are required to contribute 6.5% of their annual salary to the Plan by State Statute. The City is required to pay contributions as determined on an annual basis by the Plan’s actuaries. Three year trend information for MainePERS:

	Year ended:					
	6/30/10		6/30/09		6/30/08	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Employer	\$ 47,654	1.89%	\$ 47,224	1.86%	\$ 41,236	1.90%
Employee	\$ 164,982	6.53%	\$ 166,291	6.53%	\$ 141,374	6.50%

12. PENSION PLANS – Continued

Deferred Compensation Plan

The City also provides a 457 Deferred Compensation Plan (defined contribution plan – DCP) and a 401 qualified plan both of which are administered by International City Manager Association (ICMA) Retirement Corporation and a 403 (b) tax sheltered plan for school department employees. Copies of the most recent financial reports may be obtained from the respective corporations.

The City contributes at rates which vary from 0 to 6.5%, depending on the monthly elections and contributions of participants. Employees may elect to contribute up to 25% of earnings, but the City limits its match to 6.5%. The City made matching contributions of \$106,794 and employees elected to defer \$198,981 for a contribution of \$305,775, for municipal employees.

13. OTHER POST EMPLOYMENT BENEFITS

In June of 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45 which addressed the reporting and disclosure requirements for other postemployment benefits (OPEB). GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, was implemented by the City for the year ended June 30, 2010. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

Description of the Plan –

The City sponsors a single-employer post-retirement benefit plan providing health insurance to retiring employees through MMEHT. MMEHT issues a publicly available financial report that may be obtained through their website www.cigna.com. The City does not provide any payment toward employee retirement benefits for health, dental or life insurances. However, if an employee meets the requirements, they may, at their own cost, remain on the employer's health insurance plan. Funding Policy and Annual OPEB Cost - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

13. OTHER POST EMPLOYMENT BENEFITS - Continued

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 30,083
Amortization of Unfunded Accrued Liability	39,675
Interest	<u>1,395</u>
Annual Required Contribution (ARC)	71,153
Interest on Net OPEB Obligation	2,083
Amortizing Adjustment to ARC	<u>(3,012)</u>
Annual OPEB Cost	70,224
Contributions Paid in 2010	<u>(19,072)</u>
Increase (decrease) in Net OPEB Obligation	51,152
Net OPEB Obligation, Beginning of Year	<u>52,081</u>
Net OPEB Obligation, End of Year	<u><u>\$ 103,233</u></u>

Funding Status and Funding Progress – The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2010 was as follows:

Annual Required Contribution	\$ 71,153
Actual Contribution	19,072
Percent Contributed	26.80%
Actuarial Accrued Liability	\$ 713,502
Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 713,502</u></u>
Covered Payroll	\$ 3,938,372
Unfunded Actuarial Accrued Liability as Percentage of Covered Payroll	18.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information (only two years available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial methods and assumptions – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets.

13. OTHER POST EMPLOYMENT BENEFITS – Continued

Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/09
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Remaining amortization period	29 years

Actuarial assumptions:

Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0 – 9.6%

14. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The City pays an annual premium to the Fund for its worker’s compensation coverage. The City’s agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies’ reinsurance contracts, individual stop loss coverage for member Cities for claims in excess of \$400,000 with an excess limit of \$2,000,000.

The City is also a member of the Maine Municipal Association – Property and Casualty Pool (“Pool”). As with the Fund above, the Pool was created to obtain lower rates for its members. The City pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$200,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

15. CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the City’s financial position.

The City participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the City’s compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

16. JOINTLY GOVERNED ORGANIZATION

The City and various entities in the region have jointly agreed to operate a vocational education school. A separate legal entity known as the United Technologies Center (UTC) was established by State law and is governed by a nine-member board, of which one member represents the City. Complete financial statements for the UTC can be obtained from the United Technologies Center, 200 Hogan Road, Bangor, Maine, 04401.

17. TRANSFERS OF CERTAIN SCHOOL ASSETS, LIABILITIES AND EQUITY

On July 1, 2009, the Old Town School Department’s assets, liabilities and equity were transferred to RSU #34 as follows:

	<u>Governmental Activities</u>	<u>Governmental Funds</u>	<u>Agency Funds</u>
Capital assets	\$ 18,748,756	\$ -	\$ -
Accumulated depreciation	(4,626,253)	-	-
Beginning Receivable from RSU #34	(7,688,733)	-	-
Receivables	529,884	-	-
Capital leases	(662,673)	-	-
Agency funds	-	-	338,220
Debt service adjustment	(142,200)	-	-
Fund balances			
Operations	1,764,340	1,764,340	-
Capital projects (deficit)	(193,757)	(193,757)	-
Reserve accounts	192,542	192,542	-
Food service	229,027	229,027	-
Special revenue	150,984	150,984	-
	<u>\$ 8,301,917</u>	<u>\$ 2,143,136</u>	<u>\$ 338,220</u>

City of Old Town, Maine
Required Supplemental Information
Schedule of Funding Progress - Retiree Healthcare Plan
 For the Year Ended June 30, 2010

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as Percentage of Covered Payroll [(b-a)/c]
2009	1/1/2009	\$ -	\$ 713,502	\$ 713,502	0.00%	\$ 3,894,407	18.3%
2010	1/1/2009	-	713,502	713,502	0.00%	3,938,372	18.1%

City of Old Town, Maine
Budget and Actual (with Budget to GAAP Differences)
General Fund
For the year ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>Budgetary</u> <u>Basis</u>	<u>GAAP</u> <u>Differences</u>	<u>Amounts,</u> <u>GAAP Basis</u>
REVENUES					
Property Taxes	\$ 8,553,762	\$ 8,553,762	\$ 8,458,198	\$ -	\$ 8,458,198
Sales and miscellaneous taxes	1,269,299	1,269,299	1,181,694	-	1,181,694
Fees and fines	19,800	19,800	21,354	-	21,354
Licenses and permits	175,195	175,195	201,143	-	201,143
Intergovernmental	1,161,900	1,161,900	1,979,947	-	1,979,947
Charges for services	850,678	850,678	970,394	-	970,394
Investment earnings	226,000	226,000	129,974	-	129,974
Miscellaneous	224,008	224,008	124,738	(25,896)	98,842
Total revenues	<u>12,480,642</u>	<u>12,480,642</u>	<u>13,067,442</u>	<u>(25,896)</u>	<u>13,041,546</u>
EXPENDITURES					
Current:					
General government	1,554,495	1,805,298	1,476,129	(36,267)	1,439,862
Public Safety	2,955,422	2,955,422	3,115,430	63,758	3,179,188
Public Works	1,259,255	1,259,255	1,326,868	(1,538)	1,325,330
Health and sanitation	742,583	778,243	885,579	-	885,579
Culture and recreation	740,024	740,024	762,061	(4,701)	757,360
Education	4,573,269	4,573,269	4,573,269	-	4,573,269
Airport	131,216	131,216	84,399	-	84,399
County Tax	530,681	530,681	530,683	-	530,683
Debt Service:					
Principal	190,000	190,000	190,000	-	190,000
Interest and other charges	87,365	113,465	112,417	-	112,417
Capital Outlay	462,859	3,774,129	3,164,036	-	3,164,036
Total Expenditures	<u>13,227,169</u>	<u>16,851,002</u>	<u>16,220,871</u>	<u>21,252</u>	<u>16,242,123</u>
Excess (deficiency) of revenues over expenditures	<u>(746,527)</u>	<u>(4,370,360)</u>	<u>(3,153,429)</u>	<u>(47,148)</u>	<u>(3,200,577)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	1,410,825	1,410,825	-	1,410,825
Transfers in	-	2,263,358	2,263,358	-	2,263,358
Transfers out	(143,439)	(614,473)	(614,473)	-	(614,473)
Total other financing sources and uses	<u>(143,439)</u>	<u>3,059,710</u>	<u>3,059,710</u>	<u>-</u>	<u>3,059,710</u>
SPECIAL ITEMS					
Proceeds from sale of capital assets	10,000	10,000	-	-	-
Transfer Equity to RSU #34	-	(1,764,340)	(1,764,340)	-	(1,764,340)
Total Special Items	<u>10,000</u>	<u>(1,754,340)</u>	<u>(1,764,340)</u>	<u>-</u>	<u>(1,764,340)</u>
Net change in fund balances	(879,966)	(3,064,990)	(1,858,059)	(47,148)	(1,905,207)
Fund balances - beginning	6,918,045	6,918,045	6,918,045	-	6,918,045
Fund balances - ending	<u>\$ 6,038,079</u>	<u>\$ 3,853,055</u>	<u>\$ 5,059,986</u>	<u>\$ (47,148)</u>	<u>\$ 5,012,838</u>

City of Old Town, Maine
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts,</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 8,553,762	\$ 8,553,762	\$ 8,458,198	\$ (95,564)
Sales and miscellaneous taxes	1,269,299	1,269,299	1,181,694	(87,605)
Fees and fines	19,800	19,800	21,354	1,554
Licenses and permits	175,195	175,195	201,143	25,948
Intergovernmental	1,161,900	1,161,900	1,979,947	818,047
Charges for services	850,678	850,678	970,394	119,716
Investment earnings	226,000	226,000	129,974	(96,026)
Miscellaneous	224,008	224,008	124,738	(99,270)
Total revenues	<u>12,480,642</u>	<u>12,480,642</u>	<u>13,067,442</u>	<u>586,800</u>
EXPENDITURES				
Current:				
General government	1,554,495	1,805,298	1,476,129	329,169
Public safety	2,955,422	2,955,422	3,115,430	(160,008)
Public Works	1,259,255	1,259,255	1,326,868	(67,613)
Health and sanitation	742,583	778,243	885,579	(107,336)
Culture and recreation	740,024	740,024	762,061	(22,037)
Education	4,573,269	4,573,269	4,573,269	-
Airport	131,216	131,216	84,399	46,817
County tax	530,681	530,681	530,683	(2)
Debt Service:				
Principal	190,000	190,000	190,000	-
Interest and other charges	87,365	113,465	112,417	1,048
Capital Outlay	462,859	3,774,129	3,164,036	610,093
Total Expenditures	<u>13,227,169</u>	<u>16,851,002</u>	<u>16,220,871</u>	<u>630,131</u>
Excess (deficiency) of revenues over expenditures	<u>(746,527)</u>	<u>(4,370,360)</u>	<u>(3,153,429)</u>	<u>1,216,931</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	1,410,825	1,410,825	-
Transfers in	-	2,263,358	2,263,358	-
Transfers out	(143,439)	(614,473)	(614,473)	-
Total other financing sources and uses	<u>(143,439)</u>	<u>3,059,710</u>	<u>3,059,710</u>	<u>-</u>
SPECIAL ITEMS				
Proceeds from sale capital assets	10,000	10,000	-	10,000
Transfer Equity to RSU #34	-	(1,764,340)	(1,764,340)	-
Total Special Items	<u>10,000</u>	<u>(1,754,340)</u>	<u>(1,764,340)</u>	<u>10,000</u>
Net change in fund balances	(879,966)	(3,064,990)	(1,858,059)	<u>\$ 1,226,931</u>
Fund balances - beginning	6,918,045	6,918,045	6,918,045	
Fund balances - ending	<u>\$ 6,038,079</u>	<u>\$ 3,853,055</u>	<u>\$ 5,059,986</u>	

City of Old Town, Maine
Budget and Actual (with Budget to GAAP Differences)
Sewer Fund
For the year ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts,</u> <u>Budgetary</u> <u>Basis</u>	<u>Budget to</u> <u>GAAP</u> <u>Differences</u>	<u>Actual</u> <u>Amounts,</u> <u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Charges for services	\$ 873,000	\$ 873,000	\$ 1,376,029	\$ -	\$ 1,376,029
Other	16,283	16,283	47,872	-	47,872
Total revenues	<u>889,283</u>	<u>889,283</u>	<u>1,423,901</u>	<u>-</u>	<u>1,423,901</u>
EXPENDITURES					
Current:					
Administration	648,353	648,353	624,859	10,348	635,207
Maintenance	76,370	285,682	118,729	(38,018)	80,711
Waste treatment facility	178,930	178,930	160,301	(14,006)	146,295
Sludge disposal	89,130	89,130	62,466	-	62,466
Depreciation	-	-	-	521,891	521,891
Debt Service:					
Principal	270,595	303,238	303,237	(303,237)	-
Interest and other charges	132,465	162,747	161,226	(2,858)	158,368
Total Expenditures	<u>1,395,843</u>	<u>1,668,080</u>	<u>1,430,818</u>	<u>174,120</u>	<u>1,604,938</u>
Excess (deficiency) of revenues over expenditures	<u>(506,560)</u>	<u>(778,797)</u>	<u>(6,917)</u>	<u>(174,120)</u>	<u>(181,037)</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment earnings	18,000	18,000	2,488	-	2,488
Capital Contributions	-	-	16,928	-	16,928
Total other financing sources and uses	<u>18,000</u>	<u>18,000</u>	<u>19,416</u>	<u>-</u>	<u>19,416</u>
Net change in fund balances	(488,560)	(760,797)	12,499	(174,120)	(161,621)
Net assets - beginning	8,079,808	8,079,808	8,079,808	-	8,079,808
Net assets - ending	<u>\$ 7,591,248</u>	<u>\$ 7,319,011</u>	<u>\$ 8,092,307</u>	<u>\$ (174,120)</u>	<u>\$ 7,918,187</u>

City of Old Town, Maine
Budget and Actual (with Variances)
Sewer Fund
For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 873,000	\$ 873,000	\$ 1,376,029	\$ 503,029
Other	16,283	16,283	47,872	31,589
Total revenues	889,283	889,283	1,423,901	534,618
EXPENDITURES				
Current:				
Administration	648,353	648,353	624,859	23,494
Maintenance	76,370	285,682	118,729	166,953
Waste treatment facility	178,930	178,930	160,301	18,629
Sludge disposal	89,130	89,130	62,466	26,664
Depreciation	-	-	-	-
Debt Service:				
Principal	270,595	303,238	303,237	1
Interest and other charges	132,465	162,747	161,226	1,521
Total Expenditures	1,395,843	1,668,080	1,430,818	237,262
Excess (deficiency) of revenues over expenditures	(506,560)	(778,797)	(6,917)	771,880
OTHER FINANCING SOURCES (USES)				
Investment earnings	18,000	18,000	2,488	(15,512)
Capital Contributions	-	-	16,928	-
Total other financing sources and uses	18,000	18,000	19,416	(15,512)
Net change in fund balances	(488,560)	(760,797)	12,499	\$ (773,296)
Net assets - beginning	8,079,808	8,079,808	8,079,808	
Net assets - ending	\$ 7,591,248	\$ 7,319,011	\$ 8,092,307	

City of Old Town, Maine
Combining Balance Sheet
Other Governmental Funds
June 30, 2010

	<u>UDAG Loan</u> <u>Fund</u>	<u>Airport</u> <u>Runway</u>	<u>Cemetery</u>	<u>Public</u> <u>Library</u>	<u>City Park</u>	<u>High School</u> <u>Library</u>	<u>High School</u> <u>Athletics</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ 48,139	\$ 45,795	\$ 211	\$ 114	\$ 4,325	\$ 98,584
Investments	-	-	610,297	580,593	2,667	1,458	54,809	1,249,824
Due from other funds	432,733	44,807	-	-	-	-	-	477,540
Other receivables	97,958	-	-	-	-	-	-	97,958
Total assets	<u>530,691</u>	<u>44,807</u>	<u>658,436</u>	<u>626,388</u>	<u>2,878</u>	<u>1,572</u>	<u>59,134</u>	<u>1,923,906</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to other funds	-	-	75,741	68,635	194	185	6,952	151,707
Total liabilities	<u>-</u>	<u>-</u>	<u>75,741</u>	<u>68,635</u>	<u>194</u>	<u>185</u>	<u>6,952</u>	<u>151,707</u>
Fund balances:								
Reserved for:								
Other purposes	97,958	-	-	-	-	-	-	97,958
Capital projects	-	44,807	-	-	-	-	-	44,807
Endowments	-	-	501,729	513,503	2,388	1,304	49,027	1,067,951
Unreserved	432,733	-	80,966	44,250	296	83	3,155	561,483
Total fund balances	<u>530,691</u>	<u>44,807</u>	<u>582,695</u>	<u>557,753</u>	<u>2,684</u>	<u>1,387</u>	<u>52,182</u>	<u>1,772,199</u>
Total liabilities and fund balances	<u>\$ 530,691</u>	<u>\$ 44,807</u>	<u>\$ 658,436</u>	<u>\$ 626,388</u>	<u>\$ 2,878</u>	<u>\$ 1,572</u>	<u>\$ 59,134</u>	<u>\$ 1,923,906</u>

City of Old Town, Maine
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>UDAG Loan</u>	<u>School Lunch</u>	<u>School</u>	<u>Airport</u>			<u>High School</u>	<u>High School</u>	<u>Total-Other</u>
	<u>Fund</u>	<u>Program</u>	<u>Grants</u>	<u>Runway</u>	<u>Cemetery</u>	<u>Public Library</u>	<u>Library</u>	<u>Athletics</u>	<u>Governmental</u>
									<u>Funds</u>
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ 462,003	\$ -	\$ -	\$ -	\$ -	\$ 462,003
Investment earnings	3,472	-	-	-	61,275	57,515	266	146	128,162
New funds and contributions	-	-	-	-	-	(1,825)	-	-	(1,825)
Total revenues	<u>3,472</u>	<u>-</u>	<u>-</u>	<u>462,003</u>	<u>61,275</u>	<u>55,690</u>	<u>266</u>	<u>146</u>	<u>588,340</u>
EXPENDITURES									
Current:									
Culture and recreation	-	-	-	-	-	7,795	-	39	9,281
Capital Outlay	-	-	-	417,196	10,008	-	-	-	427,204
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>417,196</u>	<u>10,008</u>	<u>7,795</u>	<u>-</u>	<u>39</u>	<u>436,485</u>
Excess (deficiency) of revenues over expenditures	<u>3,472</u>	<u>-</u>	<u>-</u>	<u>44,807</u>	<u>51,267</u>	<u>47,895</u>	<u>266</u>	<u>107</u>	<u>151,855</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	9,801	-	-	-	-	9,801
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,801</u>
SPECIAL ITEM									
Transfer Equity to RSU #34	-	(229,027)	(150,984)	193,757	-	-	-	-	(186,254)
Net change in fund balances	<u>3,472</u>	<u>(229,027)</u>	<u>(150,984)</u>	<u>248,365</u>	<u>51,267</u>	<u>47,895</u>	<u>266</u>	<u>107</u>	<u>(24,598)</u>
Fund balances - beginning	<u>527,219</u>	<u>229,027</u>	<u>150,984</u>	<u>(203,558)</u>	<u>531,428</u>	<u>509,858</u>	<u>2,418</u>	<u>1,280</u>	<u>1,796,797</u>
Fund balances - ending	<u>\$ 530,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,807</u>	<u>\$ 582,695</u>	<u>\$ 557,753</u>	<u>\$ 2,684</u>	<u>\$ 1,387</u>	<u>\$ 1,772,199</u>

City of Old Town, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects
 For the Year Ended June 30, 2010

	<u>Airport</u> <u>Runway</u> <u>Grant</u>
REVENUES	
Intergovernmental	\$ 462,003
Total revenues	<u>462,003</u>
EXPENDITURES	
Capital Outlay	<u>417,196</u>
Total Expenditures	<u>417,196</u>
Excess (deficiency) of revenues over expenditures	<u>44,807</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from long-term debt, net	-
Transfers in	<u>9,801</u>
Total other financing sources and uses	<u>9,801</u>
Net change in fund balances	54,608
Fund balances - beginning	<u>(9,801)</u>
Fund balances - ending	<u>\$ 44,807</u>

City of Old Town, Maine
Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Reserves
For the Year ended June 30, 2010

	<u>TIF</u> <u>Financing</u> <u>Plan</u>	<u>School</u> <u>Equip</u> <u>Reserve</u>	<u>Tech</u> <u>Equip</u> <u>Reserve</u>	<u>Heavy</u> <u>Equip</u> <u>Reserve</u>	<u>Community</u> <u>Center</u> <u>Reserve</u>	<u>Highway</u> <u>Block</u> <u>Grant</u>	<u>Muni/Public</u> <u>Safety</u> <u>Bldg</u>	<u>Economic</u> <u>Development</u>	<u>Airport</u> <u>Hanger</u> <u>Reserve</u>	<u>Industrial</u> <u>Park</u> <u>Reserve</u>	<u>Sub</u> <u>Total</u>
REVENUES											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,129	\$ -	\$ -	\$ -	\$ -	\$ 99,129
Charges for services	-	-	-	-	-	-	-	-	71,903	-	71,903
Interest and dividends	-	-	-	-	-	-	-	-	-	-	-
Host benefit fee income	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	19,673	-	7,800	27,473
Total revenues	-	-	-	-	-	99,129	-	19,673	71,903	7,800	198,505
EXPENSES											
General government	143,439	-	-	-	-	-	-	-	-	-	143,439
Public safety	-	-	-	-	-	-	7,220	-	-	-	7,220
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-
Total expenses	143,439	-	-	-	-	-	7,220	-	-	-	150,659
Excess (deficiency) of revenues over expenses	(143,439)	-	-	-	-	99,129	(7,220)	19,673	71,903	7,800	47,846
OTHER FINANCING SOURCES (USES)											
Transfer in	143,439	-	16,210	363,864	-	-	-	-	81,159	-	604,672
Transfer out	-	-	(20,393)	-	(9,729)	(75,000)	(9,583)	(100,799)	-	-	(215,504)
Total other financing sources (uses)	143,439	-	(4,183)	363,864	(9,729)	(75,000)	(9,583)	(100,799)	81,159	-	389,168
SPECIAL ITEM											
Sale of City owned assets	-	-	-	-	-	-	-	-	-	-	-
Transfer assets and liabilities to RSU #34	-	(25,875)	-	-	-	-	-	-	-	-	(25,875)
Net change in fund balance	-	(25,875)	(4,183)	363,864	(9,729)	24,129	(16,803)	(81,126)	153,062	7,800	411,139
Fund balance - Beginning	-	25,875	188,426	1,030,916	38,229	46,304	19,166	167,952	132,318	(14,326)	1,634,860
Fund balance - Ending	\$ -	\$ -	\$ 184,243	\$ 1,394,780	\$ 28,500	\$ 70,433	\$ 2,363	\$ 86,826	\$ 285,380	\$ (6,526)	\$ 2,045,999

City of Old Town, Maine
Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Reserves
For the Year ended June 30, 2010

	<u>J Ridge Landfill</u>	<u>City Hall Reserve</u>	<u>City Facilities Reserve</u>	<u>Debt Service Reserve</u>	<u>Library Grants</u>	<u>Girlstalk Grant</u>	<u>Memorial Books</u>	<u>Special Recreation Programs</u>	<u>Community Festival</u>	<u>Concerts in the Park</u>	<u>Coombs Park</u>	<u>Sub Total</u>
REVENUES												
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-	-	-	-	-	-	-
Host benefit fee income	814,316	100,000	100,000	-	-	-	-	-	-	-	-	1,014,316
Miscellaneous	-	-	-	-	12,166	-	3,778	-	19,807	5,438	-	41,189
Total revenues	<u>814,316</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>12,166</u>	<u>-</u>	<u>3,778</u>	<u>-</u>	<u>19,807</u>	<u>5,438</u>	<u>-</u>	<u>1,055,505</u>
EXPENSES												
General government	1,124	20,247	-	-	-	-	-	-	-	-	-	21,371
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	19,247	-	5,221	-	17,641	4,450	-	46,559
Total expenses	<u>1,124</u>	<u>20,247</u>	<u>-</u>	<u>-</u>	<u>19,247</u>	<u>-</u>	<u>5,221</u>	<u>-</u>	<u>17,641</u>	<u>4,450</u>	<u>-</u>	<u>67,930</u>
Excess (deficiency) of revenues over expenses	<u>813,192</u>	<u>79,753</u>	<u>100,000</u>	<u>-</u>	<u>(7,081)</u>	<u>-</u>	<u>(1,443)</u>	<u>-</u>	<u>2,166</u>	<u>988</u>	<u>-</u>	<u>987,575</u>
OTHER FINANCING SOURCES (USES)												
Transfer in	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out	(1,257,345)	(611,544)	(20,000)	(72,438)	(8,765)	-	-	-	-	-	-	(1,970,092)
Total other financing sources (uses)	<u>(1,257,345)</u>	<u>(611,544)</u>	<u>(20,000)</u>	<u>(72,438)</u>	<u>(8,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,970,092)</u>
SPECIAL ITEM												
Sale of City owned assets	-	380,000	-	-	-	-	-	-	-	-	-	380,000
Transfer assets and liabilities to RSU #34	-	-	(166,667)	-	-	-	-	-	-	-	-	(166,667)
	<u>-</u>	<u>380,000</u>	<u>(166,667)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,333</u>
Net change in fund balance	<u>(444,153)</u>	<u>(151,791)</u>	<u>(86,667)</u>	<u>(72,438)</u>	<u>(15,846)</u>	<u>-</u>	<u>(1,443)</u>	<u>-</u>	<u>2,166</u>	<u>988</u>	<u>-</u>	<u>(769,184)</u>
Fund balance - Beginning	<u>1,836,135</u>	<u>262,462</u>	<u>166,667</u>	<u>239,833</u>	<u>44,484</u>	<u>197</u>	<u>2,637</u>	<u>5,069</u>	<u>21,807</u>	<u>368</u>	<u>407</u>	<u>2,580,066</u>
Fund balance - Ending	<u>\$ 1,391,982</u>	<u>\$ 110,671</u>	<u>\$ 80,000</u>	<u>\$ 167,395</u>	<u>\$ 28,638</u>	<u>\$ 197</u>	<u>\$ 1,194</u>	<u>\$ 5,069</u>	<u>\$ 23,973</u>	<u>\$ 1,356</u>	<u>\$ 407</u>	<u>\$ 1,810,882</u>

City of Old Town, Maine
Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Reserves
For the Year ended June 30, 2010

	<u>Skateboard</u>		<u>Every</u>	<u>Gayle</u>	<u>EMS</u>		<u>EMS</u>		<u>Save the</u>	<u>Oak St.</u>	<u>Sub</u>	<u>Grand</u>
	<u>Park</u>	<u>DARE</u>	<u>15 Minutes</u>	<u>Seymour</u>	<u>Adolescent</u>	<u>Fire</u>	<u>Regionali-</u>	<u>Book</u>	<u>Pool</u>	<u>Field</u>	<u>Total</u>	<u>Total</u>
				<u>Fire Dept</u>	<u>Pub Rel Fund</u>	<u>Public Rel</u>	<u>zation</u>	<u>Restoration</u>				
REVENUES												
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,542	\$ 6,542	\$ 105,671
Charges for services	-	-	-	-	-	-	-	-	-	-	-	71,903
Interest and dividends	98	-	-	-	-	-	-	-	-	-	98	98
Host benefit fee income	-	-	-	-	-	-	-	-	-	-	-	1,014,316
Miscellaneous	-	1,720	-	-	778	-	-	61	-	-	2,559	71,221
Total revenues	98	1,720	-	-	778	-	-	61	-	6,542	9,199	1,263,209
EXPENSES												
General government	-	-	-	-	-	-	-	-	-	-	-	164,810
Public safety	-	4,016	-	-	-	-	-	-	-	-	4,016	11,236
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	46,559
Total expenses	-	4,016	-	-	-	-	-	-	-	-	4,016	222,605
Excess (deficiency) of revenues over expenses	98	(2,296)	-	-	778	-	-	61	-	6,542	5,183	1,040,604
OTHER FINANCING SOURCES (USES)												
Transfer in	-	-	-	-	-	-	-	-	-	-	-	604,672
Transfer out	-	-	-	-	-	-	-	-	-	(77,762)	(77,762)	(2,263,358)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	(77,762)	(77,762)	(1,658,686)
SPECIAL ITEM												
Sale of City owned assets	-	-	-	-	-	-	-	-	-	-	-	380,000
Transfer assets and liabilities to RSU #34	-	-	-	-	-	-	-	-	-	-	-	(192,542)
	-	-	-	-	-	-	-	-	-	-	-	187,458
Net change in fund balance	98	(2,296)	-	-	778	-	-	61	-	(71,220)	(72,579)	(430,624)
Fund balance - Beginning	37,447	5,801	1,080	245	335	1,497	329	1,900	8,034	75,703	132,371	4,347,297
Fund balance - Ending	\$ 37,545	\$ 3,505	\$ 1,080	\$ 245	\$ 1,113	\$ 1,497	\$ 329	\$ 1,961	\$ 8,034	\$ 4,483	\$ 59,792	\$ 3,916,673

City of Old Town, Maine
Taxes Receivable, Tax Liens and
Tax Acquired Property - General Fund
June 30, 2010

Taxes receivable	
2010	\$ 220,885
2009	1,185
2008	397
2007	373
2006	92
2003	1,493
Total taxes receivable	<u>224,425</u>
Tax Liens	
2009	52,447
Tax acquired property	<u>4,082</u>
Total taxes receivable, tax liens and tax acquired property	<u><u>\$ 280,954</u></u>