

City of Old Town, Maine
Financial Statements and Supplemental Data
With Independent Auditors' Report
June 30, 2011



209 State St · Bangor, Maine 04401-5412

City of Old Town, Maine

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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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, cash flows 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 December 02, 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.

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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 financial statements that collectively comprise the City of Old Town's financial statements as a whole. 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. 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

December 02, 2011
Bangor, Maine

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City of Old Town, Maine
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

The Management Discussion & Analysis (MD&A) is a report of the City of Old Town for the fiscal year ending June 30, 2011. 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, 2011 was \$2,234,064.
- The City's long-term debt decreased by \$1,370,746 from \$16,599,236 to \$15,228,490.
- Under the government-wide basis of reporting, the City's total net assets decreased by \$37,700 to \$28,535,377.
- The governmental fund balance as reported on the City's governmental fund financial statements decreased by \$1,408,209 to \$9,293,501.
- On a budget basis, the City's actual expenditures and transfers-out exceeded its revenues and transfers-in by \$1,704,425. The City budgeted a deficiency of \$4,190,005. 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 general government services, public safety, public works, health and welfare, education, library and recreation. 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 21-23 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 24-25 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 26-49 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 53-59 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 \$28,535,377 as of June 30, 2011. However, of the \$28,535,377, only \$5,206,969 of governmental net assets and \$160,614 of sewer net assets is unrestricted and uncommitted at June 30, 2011.

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, *81.19%*, represents resources that are restricted. Unrestricted net assets of \$5,367,583 or *18.81%* may be used to meet the government's ongoing obligations to citizens and creditors.

SUMMARY OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 16,137,805	\$ 18,961,573	\$ 1,869,418	\$ 1,938,329	\$ 18,007,223	\$ 20,899,902
Capital assets	16,390,928	14,838,538	10,340,123	10,790,566	26,731,051	25,629,104
Total assets	<u>32,528,733</u>	<u>33,800,111</u>	<u>12,209,541</u>	<u>12,728,895</u>	<u>44,738,274</u>	<u>46,529,006</u>
Current Liabilities	1,224,352	2,181,234	361,000	372,961	1,585,352	2,554,195
Noncurrent Liabilities	10,495,942	10,963,987	4,121,603	4,437,747	14,617,545	15,401,734
Total liabilities	<u>11,720,294</u>	<u>13,145,221</u>	<u>4,482,603</u>	<u>4,810,708</u>	<u>16,202,897</u>	<u>17,955,929</u>
Net assets:						
Invested in capital assets, net of related debt	11,890,644	9,542,190	5,984,193	6,148,066	17,874,837	15,690,256
Restricted	3,710,826	6,120,825	1,582,131	1,512,995	5,292,957	7,633,820
Unrestricted	5,206,969	4,991,875	160,614	257,126	5,367,583	5,249,001
Total net assets	<u>\$ 20,808,439</u>	<u>\$ 20,654,890</u>	<u>\$ 7,726,938</u>	<u>\$ 7,918,187</u>	<u>\$ 28,535,377</u>	<u>\$ 28,573,077</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

As of June 30, 2011, 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.

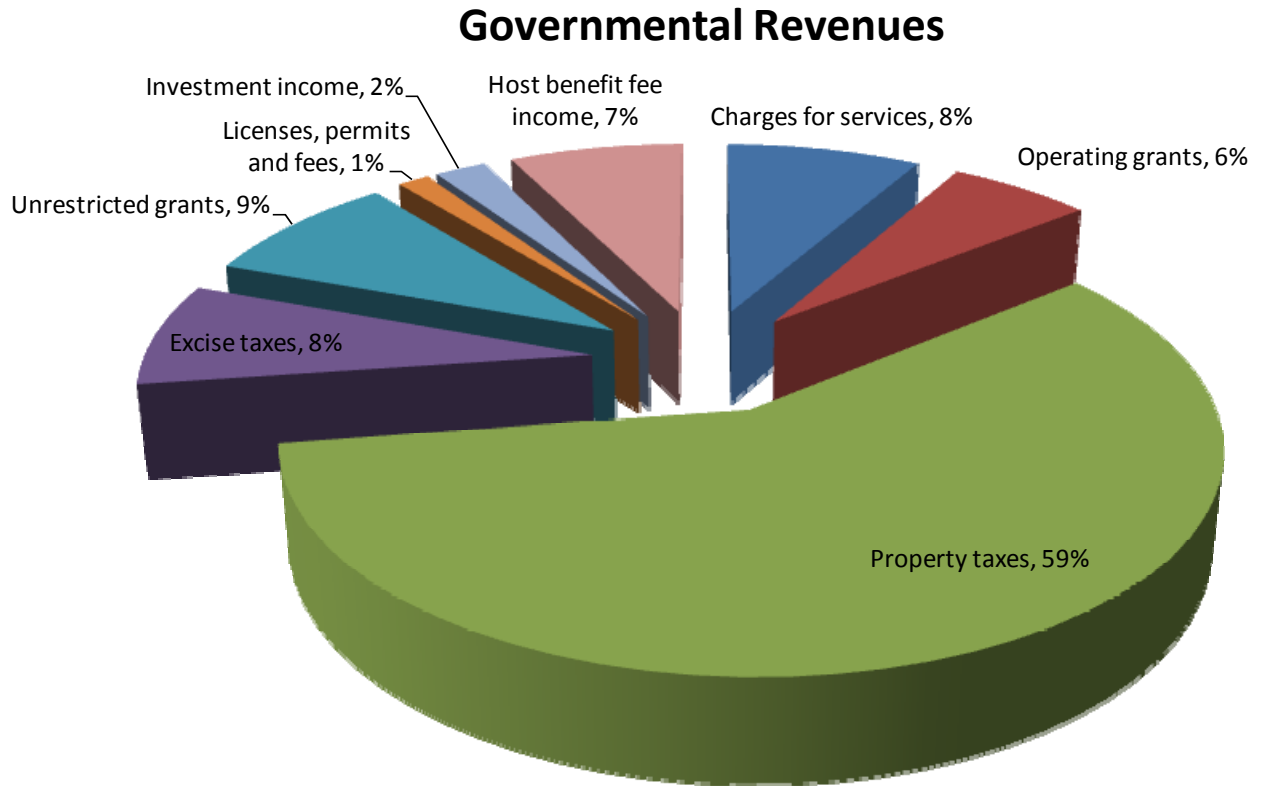
The following table presents a summary of the City's operations for the fiscal year ended June 30, 2011 with comparative totals for the fiscal year ended June 30, 2010.

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 1,207,893	\$ 1,042,300	\$ 1,421,200	\$ 1,423,901	\$ 2,629,093	\$ 2,466,201
Operating grants & contributions	882,258	679,431	-	-	882,258	679,431
Capital grants & contributions	-	662,003	16,928	16,928	16,928	678,931
General revenues						
Property taxes levied for general purposes	8,573,297	8,507,855	-	-	8,573,297	8,507,855
Excise taxes	1,144,393	1,181,694	-	-	1,144,393	1,181,694
Grants and contributions not restricted to specific programs	1,256,089	1,374,422	-	-	1,256,089	1,374,422
Licenses, permits and fees	194,866	222,497	-	-	194,866	222,497
Unrestricted investment income	316,574	258,234	2,654	2,488	319,228	260,722
Host benefit fee income	1,078,074	1,014,316	-	-	1,078,074	1,014,316
Total revenues	14,653,444	14,942,752	1,440,782	1,443,317	16,094,226	16,386,069
Expenses:						
General government	1,903,394	1,620,424	-	-	1,903,394	1,620,424
Public safety	3,458,165	3,403,968	-	-	3,458,165	3,403,968
Public works	1,681,995	1,712,979	-	-	1,681,995	1,712,979
Health, welfare and sanitation	810,515	886,062	-	-	810,515	886,062
Culture and recreation	890,839	882,623	-	-	890,839	882,623
Education	4,976,918	4,573,269	-	-	4,976,918	4,573,269
Interest on long-term debt	116,741	174,626	149,577	158,368	266,318	332,994
Airport	160,843	130,448	-	-	160,843	130,448
Capital outlay	106,495	381,933	-	-	106,495	381,933
County tax	550,694	530,683	-	-	550,694	530,683
Sewer	-	-	1,482,454	1,446,570	1,482,454	1,446,570
Total expenses	14,656,599	14,297,015	1,632,031	1,604,938	16,288,630	15,901,953
Excess (deficiency) before special items	(3,155)	645,737	(191,249)	(161,621)	(194,404)	484,116
Special Items						
Gain/(loss) on disposition of assets	9,694	329,068	-	-	9,694	329,068
Transfer to RSU #34	188,603	(8,301,917)	-	-	188,603	(8,301,917)
Change in net assets	195,142	(7,327,112)	(191,249)	(161,621)	3,893	(7,488,733)
Beginning net assets	20,654,890	27,982,002	7,918,187	8,079,808	28,573,077	36,061,810
Prior period adjustment	(41,593)	-	-	-	(41,593)	-
Ending net assets	\$ 20,808,439	\$ 20,654,890	\$ 7,726,938	\$ 7,918,187	\$ 28,535,377	\$ 28,573,077

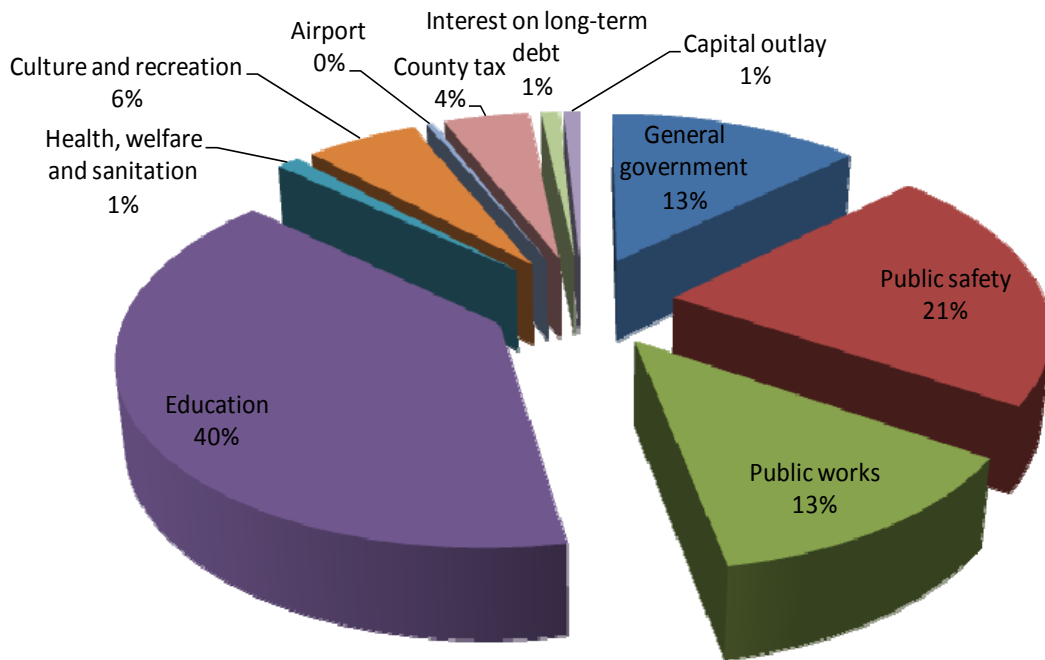
Analysis of the City's Operations

Overall the City had a decrease in net assets of \$37,700.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2011.



Governmental Activities



Governmental Activities

Governmental activities increased its net assets by \$153,549. Net assets invested in capital assets, net of related debt increased by \$2,348,454, or 24.61%, due to a net change in additions, retirements, and depreciation. Unrestricted net assets increased by \$215,094, or 4.31%.

Total revenues for governmental activities decreased from the prior year by \$289,308. Of this amount, charges for services increased \$165,593, or 15.89% over prior year. Operating grants and contributions increased \$202,827, or 15.12% from the prior fiscal year; capital grants and contributions decreased \$662,003 from the prior fiscal year. Property taxes increased \$65,442, or 0.77%.

Expenses of governmental activities include depreciation expense of \$704,245, an increase of 4.71% over the prior fiscal year. Depreciation expense has been allocated and is included in the various function/program expenses of the City.

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	
	2011	2010	2011	2010
General government	\$ 1,903,394	\$ 1,620,424	\$ 1,628,126	\$ 1,456,553
Public Safety	3,458,165	3,403,968	2,689,537	2,912,918
Public Works	1,681,995	1,712,979	1,595,173	1,625,622
Education	4,976,918	4,573,269	4,974,087	4,570,225
	<u>\$ 12,020,472</u>	<u>\$ 11,310,640</u>	<u>\$ 10,886,923</u>	<u>\$ 10,565,318</u>

Business-type Activities

Net assets from business-type activities decreased by \$191,249, 2.42%, from \$7,918,187 to \$7,726,938. This decrease was primarily due to the sewer fee structure was insufficient to support the cost of operations.

Charges for services decreased \$2,701, or 0.19%, from the prior year, while expenses increased \$27,093. Depreciation expense decreased from \$521,791 to \$507,132, or \$14,659, 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 \$9,293,501, \$1,408,209 lower than the previous year. Approximately \$1,586,767 of this amount, or 17.07%, constitutes unassigned fund balance. The remainder of the fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending.

Total governmental fund expenditures for the year were \$16,429,646, representing a decrease of \$471,567, or 2.8% from the previous fiscal year. The City paid \$2,362,412 in capital outlays which includes the acquisition of a fire truck, an ambulance, City Hall 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 \$160,614 which represents a \$96,512 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 \$3,607,384. Actual revenues were more than budgeted; in addition actual expenses and transfers were less than budgeted, therefore, the actual fund balance decrease for fiscal year 2011 was \$1,704,425 on a budget basis.

Revenues from property taxes totaled \$8,546,523. Charges for services accounted for \$1,122,244 and intergovernmental revenue accounted for \$1,753,395 in total revenue of \$13,379,525 on a budget basis. Revenues from property taxes increased by \$88,325, revenues from charges for services increased by \$151,850 and revenues from intergovernmental sources decreased by \$226,552 on a budget basis.

The City Council authorized revisions to the original approved appropriations. Overall these changes resulted in an increase in budgeted expenditures and transfers-out from the original budget of \$582,621 or 3.5%. 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, 2011, amounts to \$26,731,051, 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 a fire truck and ambulance purchase, City Hall 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 37-38 of this report.

	Capital Assets at Year-End (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land & improvements	\$ 1,567,279	\$ 1,497,877	\$ 179,427	\$ 179,427	\$ 1,746,706	\$ 1,677,304
Construction in Progress	2,673,590	1,790,993	15,500	-	2,689,090	1,790,993
Infrastructure	5,062,826	4,954,327	3,443,387	3,443,387	8,506,213	8,397,714
Buildings & Improvements	7,859,533	7,513,272	5,682,701	5,682,701	13,542,234	13,195,973
Equipment	3,073,004	2,949,903	6,672,804	6,631,615	9,745,808	9,581,518
Vehicles	2,628,169	2,009,571	406,454	406,454	3,034,623	2,416,025
Total capital assets	<u>22,864,401</u>	<u>20,715,943</u>	<u>16,400,273</u>	<u>16,343,584</u>	<u>39,264,674</u>	<u>37,059,527</u>
Acumulated depreciation	<u>(6,473,473)</u>	<u>(5,877,406)</u>	<u>(6,060,150)</u>	<u>(5,553,018)</u>	<u>(12,533,623)</u>	<u>(11,430,424)</u>
Capital assets, net	<u>\$ 16,390,928</u>	<u>\$ 14,838,537</u>	<u>\$ 10,340,123</u>	<u>\$ 10,790,566</u>	<u>\$ 26,731,051</u>	<u>\$ 25,629,103</u>

Debt Administration

The City's debt consists of eight bonds from various lending sources.

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Bonds Payable	\$ 10,872,560	\$ 11,956,735	\$ 4,355,930	\$ 4,642,501	\$ 15,228,490	\$ 16,599,236

A summary of the City's debt activity for the year ended June 30, 2011 is detailed in Note 6 on pages 39-41 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 Old Town Enterprise Park, and Eco-cultural Tourism. Old Town has a population of 7,840 according to the 2010 Maine Census. 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 12 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 the City is certainly affected by increased costs due to certain commodity cost increases. The FY 12 budget contained no increase to salaries for non-union employees for the year.

Due to demands from Citizens for services not decreasing, the City's goal is to maintain the existing level of service as we look for ways to reduce costs. The mil rate was \$17.80 in FY11 and increased to \$18.30 in FY 12. During the past 15 years the total increase to the City budget has averaged at or below the cost of living.

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, Former Old Town Canoe Brownfield site, Old Town 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, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 992,860	\$ 1,241,204	\$ 2,234,064
Investments	7,030,288	-	7,030,288
Receivables, net	565,257	426,824	992,081
Due from other governmental agencies	382,816	-	382,816
Inventories	30,249	-	30,249
Prepays	17,976	-	17,976
Long-term notes and receivables	746,083	201,390	947,473
Due from RSU #34 for debt service payments	6,372,276	-	6,372,276
Capital Assets			
Land, improvements, and construction in progress	4,240,869	194,927	4,435,796
Infrastructure and infrastructure in progress	5,062,826	3,443,387	8,506,213
Buildings	7,859,533	5,682,701	13,542,234
Equipment and furniture	3,073,004	6,672,804	9,745,808
Vehicles	2,628,169	406,454	3,034,623
Less: accumulated depreciation	(6,473,473)	(6,060,150)	(12,533,623)
Total capital assets	<u>16,390,928</u>	<u>10,340,123</u>	<u>26,731,051</u>
Total assets	<u>32,528,733</u>	<u>12,209,541</u>	<u>44,738,274</u>
LIABILITIES			
Accounts payable and accrued expenses	87,635	10,674	98,309
Due to other governmental agencies	29,462	-	29,462
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	929,175	286,572	1,215,747
Accrued interest	85,156	48,405	133,561
Compensated absences	92,924	15,349	108,273
Due in more than one year			
Bonds, capital leases and contracts	9,943,385	4,069,358	14,012,743
Compensated absences	419,501	35,479	454,980
Accrued post retirement benefits	133,056	16,766	149,822
Total liabilities	<u>11,720,294</u>	<u>4,482,603</u>	<u>16,202,897</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,890,644	5,984,193	17,874,837
Restricted for:			
Capital projects	3,259,570	1,305,589	4,565,159
Other purposes	451,256	276,542	727,798
Unrestricted	5,206,969	160,614	5,367,583
Total net assets	<u>\$ 20,808,439</u>	<u>\$ 7,726,938</u>	<u>\$ 28,535,377</u>

City of Old Town, Maine
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General government	\$ 1,903,394	\$ 6,979	\$ 268,289	\$ -	\$ (1,628,126)	\$ -	\$ (1,628,126)
Public safety	3,458,165	620,449	148,179	-	(2,689,537)	-	(2,689,537)
Public works	1,681,995	-	86,822	-	(1,595,173)	-	(1,595,173)
Health, welfare and sanitation	810,515	290,777	375,303	-	(144,435)	-	(144,435)
Culture and recreation	890,839	169,440	834	-	(720,565)	-	(720,565)
Airport	160,843	120,248	-	-	(40,595)	-	(40,595)
Education	4,976,918	-	2,831	-	(4,974,087)	-	(4,974,087)
County tax	550,694	-	-	-	(550,694)	-	(550,694)
Interest on long-term debt	116,741	-	-	-	(116,741)	-	(116,741)
Capital outlay	106,495	-	-	-	(106,495)	-	(106,495)
Total governmental activities	<u>14,656,599</u>	<u>1,207,893</u>	<u>882,258</u>	<u>-</u>	<u>(12,566,448)</u>	<u>-</u>	<u>(12,566,448)</u>
Business-type activities:							
Sewer fund	1,632,031	1,421,200	-	16,928	-	(193,903)	(193,903)
Total business-type activities	<u>1,632,031</u>	<u>1,421,200</u>	<u>-</u>	<u>16,928</u>	<u>-</u>	<u>(193,903)</u>	<u>(193,903)</u>
Total primary government	<u>\$ 16,288,630</u>	<u>\$ 2,629,093</u>	<u>\$ 882,258</u>	<u>\$ 16,928</u>	<u>(12,566,448)</u>	<u>(193,903)</u>	<u>(12,760,351)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					8,573,297	-	8,573,297
Public service taxes					1,144,393	-	1,144,393
Grants and contributions not restricted to specific programs					1,256,089	-	1,256,089
Licenses, permits and fees					194,866	-	194,866
Unrestricted investment earnings (loss)					316,574	2,654	319,228
Host benefit fee income					1,078,074	-	1,078,074
Special items - gain on sale of asset					9,694	-	9,694
- transfer to RSU #34					188,603	-	188,603
Total general revenues and special items					<u>12,761,590</u>	<u>2,654</u>	<u>12,764,244</u>
Change in net assets					195,142	(191,249)	3,893
Net assets - beginning					20,654,890	7,918,187	28,573,077
Prior period adjustments					(41,593)	-	(41,593)
Net assets - ending					<u>\$ 20,808,439</u>	<u>\$ 7,726,938</u>	<u>\$ 28,535,377</u>

City of Old Town, Maine
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Various Capital Reserves	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 958,265	\$ -	\$ 34,595	\$ 992,860
Investments	5,626,614	-	1,403,674	7,030,288
Taxes receivable, net	284,155	-	-	284,155
Due from other funds	30,827	3,541,451	448,984	4,021,262
Receivable from other governments	382,816	-	-	382,816
Other receivables	882,516	60,000	84,669	1,027,185
Inventories	30,249	-	-	30,249
Total assets	<u>8,195,442</u>	<u>3,601,451</u>	<u>1,971,922</u>	<u>13,768,815</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,268	-	-	1,268
Due to other funds	3,990,435	22,407	8,420	4,021,262
Payable to other governments	29,462	-	-	29,462
Deferred revenue	244,031	-	-	244,031
Other accrued expenses	174,827	-	-	174,827
Other payables	4,464	-	-	4,464
Total liabilities	<u>4,444,487</u>	<u>22,407</u>	<u>8,420</u>	<u>4,475,314</u>
Fund balances:				
Nonspendable:				
Inventories	30,249	-	-	30,249
Loans receivable	599,914	60,000	84,669	744,583
Restricted	421,007	-	1,782,580	2,203,587
Committed	1,113,018	3,519,044	-	4,632,062
Assigned	-	-	96,253	96,253
Unassigned	1,586,767	-	-	1,586,767
Total fund balances	<u>3,750,955</u>	<u>3,579,044</u>	<u>1,963,502</u>	<u>9,293,501</u>
Total liabilities and fund balances	<u>\$ 8,195,442</u>	<u>\$ 3,601,451</u>	<u>\$ 1,971,922</u>	<u>\$ 13,768,815</u>

City of Old Town, Maine
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
 June 30, 2011

Total fund balance, governmental funds	\$ 9,293,501
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
Prepaids 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.	17,976
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.	16,390,928
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.	6,372,276
Deferred revenue included in fund financial statements not included in governmental activities of the Statement of Net Assets.	244,031
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.	(11,510,273)
Net Assets of Governmental Activities in the Statement of Net Assets	\$ 20,808,439

City of Old Town, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Various Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 8,546,523	\$ -	\$ -	\$ 8,546,523
Excise and miscellaneous taxes	1,144,393	-	-	1,144,393
Fees and fines	19,691	-	-	19,691
Licenses and permits	175,175	-	-	175,175
Intergovernmental	1,753,395	104,007	-	1,857,402
Charges for services	1,122,244	85,649	-	1,207,893
Investment earnings	49,792	205	266,577	316,574
Miscellaneous	222,343	58,602	-	280,945
Host benefit fee income	-	1,078,074	-	1,078,074
Total revenues	<u>13,033,556</u>	<u>1,326,537</u>	<u>266,577</u>	<u>14,626,670</u>
EXPENDITURES				
Current:				
General government	1,667,269	169,796	1,185	1,838,250
Public safety	3,279,581	744	-	3,280,325
Public works	1,303,935	-	-	1,303,935
Health, welfare and sanitation	809,978	-	-	809,978
Culture and recreation	756,776	38,623	19,282	814,681
Airport	107,473	-	-	107,473
Education	4,976,918	-	-	4,976,918
County tax	550,694	-	-	550,694
Debt Service:				
Principal	260,545	-	-	260,545
Interest	124,435	-	-	124,435
Capital Outlay	2,347,837	4,575	10,000	2,362,412
Total expenditures	<u>16,185,441</u>	<u>213,738</u>	<u>30,467</u>	<u>16,429,646</u>
Excess (deficiency) of revenues over expenditures	<u>(3,151,885)</u>	<u>1,112,799</u>	<u>236,110</u>	<u>(1,802,976)</u>
OTHER FINANCING SOURCES (USES)				
Other source	10,700	-	-	10,700
Transfers in	1,639,957	910,845	-	2,550,802
Transfers out	(186,315)	(2,364,487)	-	(2,550,802)
Total other financing sources and uses	<u>1,464,342</u>	<u>(1,453,642)</u>	<u>-</u>	<u>10,700</u>
SPECIAL ITEM				
Proceeds from sale of capital assets	6,159	-	-	6,159
Total Special Items	<u>6,159</u>	<u>-</u>	<u>-</u>	<u>6,159</u>
Net change in fund balances	(1,681,384)	(340,843)	236,110	(1,786,117)
Fund balances - beginning	5,012,838	3,916,673	1,772,199	10,701,710
Prior period adjustments	419,501	3,214	(44,807)	377,908
Fund balances - ending	<u>\$ 3,750,955</u>	<u>\$ 3,579,044</u>	<u>\$ 1,963,502</u>	<u>\$ 9,293,501</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, 2011

Net change in fund balances - total governmental funds:	\$ (1,786,117)
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, \$2,263,800, exceeded depreciation, \$704,245, in the current period.	1,559,555
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.	(7,165)
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.	(13,118)
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.	26,774
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 repayments exceeded proceeds.	260,545
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.	188,603
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	7,694
Accrued post employment benefits	(41,629)
Change in net assets of governmental activities	\$ 195,142

City of Old Town, Maine
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds
	Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,241,204
Accounts Receivable, net	426,824
Other receivables	201,390
Total current assets	1,869,418
Non-current assets:	
Capital Assets:	
Land and improvements	179,427
Infrastructure	3,443,387
Construction in Progress	15,500
Buildings	5,682,701
Equipment and Furniture	6,672,804
Vehicles	406,454
Less Accumulated depreciation	(6,060,150)
Total non-current assets	10,340,123
Total assets	12,209,541
LIABILITIES	
Current Liabilities:	
Accounts payable	4,000
Salaries payable	6,674
Accrued interest payable	48,405
Compensated absences	15,349
Bonds, notes and loans payable	286,572
Total current liabilities	361,000
Non-current liabilities:	
Compensated absences	52,245
Bonds, notes and loans payable	4,069,358
Total non-current liabilities	4,121,603
Total liabilities	4,482,603
NET ASSETS	
Invested in capital assets, net of related debt	5,984,193
Restricted for capital projects	1,305,589
Restricted for other purposes	276,542
Unrestricted	160,614
Total net assets	\$ 7,726,938

City of Old Town, Maine
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
 For the Year Ended June 30, 2011

	Enterprise Funds
	Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 1,421,200
Total operating revenues	1,421,200
OPERATING EXPENSES	
Administration	679,398
Maintenance	65,131
Waste treatment facility	139,187
Sludge disposal	91,606
Depreciation	507,132
Total Operating Expenses	1,482,454
Operating income (loss)	(61,254)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	2,654
Interest expense	(149,577)
Total non-operating revenue (expenses)	(146,923)
Income (loss) before contributions and transfers	(208,177)
Capital contributions	16,928
Change in net assets	(191,249)
Total net assets - beginning	7,918,187
Total net assets - ending	\$ 7,726,938

City of Old Town, Maine
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2011

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 1,392,154
Payments for administrative services	(698,798)
Payments to suppliers for goods and services	(315,359)
Net cash provided by operating activities	377,997
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Collection of notes receivable	25,316
Acquisition of capital assets	(56,689)
Interest paid on debt	(152,276)
Repayment of bonds and capital leases	(286,571)
Capital contributions	16,928
Net cash used by capital activities	(453,292)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	2,654
Net decrease in cash and cash equivalents	(72,641)
Cash and cash equivalents, beginning	1,313,845
Cash and cash equivalents, ending	\$ 1,241,204
Reconciliation of operating income (loss) to net cash used by operating activities	
Operating income (loss)	\$ (61,254)
Depreciaton	507,132
Changes in assets and liabilities	
(Increase) decrease in receivable, net	(29,046)
Increase (decrease) in accounts payable	(19,435)
Increase (decrease) in accrued expenses	(19,400)
Net cash provided by operating activities	\$ 377,997

City of Old Town, Maine
Statement of Fiduciary Net Assets
Fiduciary Funds
 June 30, 2011

	Fiduciary Funds
	Private Purpose Trust Fund
ASSETS	
Cash and cash equivalents	\$ 18,004
Investments:	
Other investments	730,490
Total assets	748,494
 NET ASSETS	
Reserved for endowments	726,920
Unreserved	21,574
Total net assets	\$ 748,494

City of Old Town, Maine
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
 For the Year Ended June 30, 2011

	Fiduciary Funds
	Private Purpose Trust Fund
ADDITIONS	
Investment earnings:	
Net increase (decrease) in fair value of investments	\$ 141,727
Total net investment earnings	141,727
Total additions	141,727
DEDUCTIONS	
Administrative	14,745
Total deductions	14,745
Change in net assets	126,982
Net assets - beginning	621,512
Net assets - ending	\$ 748,494

City of Old Town, Maine
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 Governmental 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 one component unit, Great Works Development, LLC. Great Works Development is a legally separate organization that has its board appointed by the primary government and whose sole member is the primary government. Therefore, the City reports Great Works Development’s balances and transactions as though they were a part of the primary government, using the blending method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity - Continued

Great Works Development was created in 2010 for purposes related to the promotion and facilitation of economic development within the City of Old Town, including, but not limited to, the application for and receipt of grant and/or other funds identified by the Managers and the disbursement of such funds, to own, hold, manage, develop, rehabilitate and/or lease land and buildings located in Old Town, Maine and for such other purposes reasonably related to or ancillary to the foregoing as approved by the Managers.

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 into 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.

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 nonspendable, restricted or unrestricted, which can further be classified as committed, assigned or unassigned. Nonspendable revenues are legally or contractually required to be maintained intact, such as the corpus of a permanent fund. Restricted revenues may only be spent for specific purposes stipulated by an external provider, such as a grant provider, or through enabling legislation. Committed revenues can only be used for a specific purpose determined by the City's highest level of decision making authority. Assigned revenues are intended to be used for a specific purpose; intent can be expressed by a governing body or other official or body delegated by the governing body. The residual fund balances in governmental funds other than the general fund are also recorded as an assigned fund balance. Unassigned revenues are available to fund any activity accounted for in the general fund. When both restricted and unrestricted funds are available for use, it is the City's policy to use restricted resources first. It is also the City's policy to use committed or assigned funds prior to using unassigned funds.

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 and 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 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 Committed 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 11.

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 enabling legislation 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 5, 2010 the taxes were committed to the tax collector for collection. One half of the taxes were due on September 15, 2010 and the second half was due on March 16, 2011. Interest is assessed from September 16, 2010 and March 17, 2011 at 7.00% per year on any amount unpaid as of September 15, 2010 and March 16, 2011 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 \$17.80 per \$1,000 of assessed valuation is \$1.11 which represents the local assessment for county taxes and \$10.05 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)

R. Property Taxes – Continued

The 2011 tax levy is summarized as follows:

Assessed Value	
Real property	\$ 438,376,000
Personal property	56,595,600
	<u>494,971,600</u>
Tax rate (per \$1,000)	17.8
Commitment	<u>8,810,494</u>
Supplementals	1,652
Less collections and abatements	8,633,718
Receivable at June 30, 2011	<u>\$ 178,428</u>
Collection rate	97.99%

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 difference between budget and GAAP basis in the general fund is compensated absences 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 GAAP basis are provided below:

Net change in fund balances - budget basis	\$ (1,704,425)
Billing revenue in expenditures - revenue	(23,399)
Billing revenue in expenditures - expenditures	23,399
Other financing source in revenue - revenue	(337,801)
Other financing source in revenue - OFS	337,801
End of year adjustment for compensated absences not recognized as expenditures	23,041
Net change in fund balances - GAAP basis	<u>\$ (1,681,384)</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 and other post employment benefits which are 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 GAAP basis are provided below:

Net change in net assets - budget basis	\$ (572,318)
Current year depreciation expense	(507,132)
Current year capital asset additions	26,189
Current year principal payments	286,571
Interest charges	2,699
Other post employment benefits	(4,960)
End of year adjustment for compensated absences not recognized as expenditures	19,184
Charges for services not recognized as revenue	558,518
Net change in net assets - GAAP basis	<u><u>\$ (191,249)</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, 2011, the City reported deposits of \$2,252,068 with bank balances of \$2,694,079. Of the City’s total bank balance of \$2,694,079, \$2,694,079 was collateralized by underlying securities held by the related bank, which were not in the City’s name.

Reported in governmental funds	\$ 992,860
Reported in proprietary funds	<u>1,241,204</u>
Total reported on the statement of net assets	2,234,064
Reported in private-purpose trust funds	<u>18,004</u>
Total Deposits	<u><u>\$ 2,252,068</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 \$7,760,778, 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: Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. There is no concentration of credit risk policy for the City’s investments. At June 30, 2011, there were no investments that represent five percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are excluded from this requirement.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. 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.S. Agency Notes	\$ 4,355,779	\$ 1,746,940
U.S. Treasury Notes	-	65,097
Total debt investments	<u>\$ 4,355,779</u>	<u>\$ 1,812,037</u>

Investments of \$7,760,778 have been reported as follows:

Reported in governmental funds	\$ 7,030,288
<i>Investments not included in government-wide statement</i>	
Reported in private-purpose trust funds	<u>730,490</u>
Total Investments	<u>\$ 7,760,778</u>

The City’s investments by type are as follows:

U.S. Agency Notes	\$ 6,102,719
U.S. Treasury Notes	65,097
Equities	<u>1,592,962</u>
	<u>\$ 7,760,778</u>

4. RECEIVABLES

Receivable balances are segregated by type, and presented in the fund financial statements net of allowance for uncollectible amounts. The following table disaggregates amounts considered to be uncollectible by fund and type of receivable as of June 30, 2011:

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:				
General Fund	\$ 354,602	\$ 599,914	\$ (72,000)	\$ 882,516
Capital Reserves	-	60,000	-	60,000
Other Governmental	86,169	-	(1,500)	84,669
Total Governmental Funds	<u>440,771</u>	<u>659,914</u>	<u>\$ (73,500)</u>	<u>1,027,185</u>
Allowance for Uncollectibles	(40,500)	(33,000)		
Net Receivables	<u>\$ 400,271</u>	<u>\$ 626,914</u>		<u>\$ 1,027,185</u>
Proprietary Funds:				
Sewer Fund	\$ 433,576	\$ 201,390	\$ (6,752)	\$ 628,214
Allowance for Uncollectibles	(6,752)	-		
Net Receivables	<u>\$ 426,824</u>	<u>\$ 201,390</u>		<u>\$ 628,214</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is summarized below.

	Balance 06/30/10	Additions	Retirements	Balance 06/30/11
Governmental Activities:				
<i>Non-Depreciable Assets:</i>				
Land	\$ 1,073,520	\$ -	\$ -	\$ 1,073,520
Construction in Progress	1,790,993	1,110,848	(228,251)	2,673,590
Total Non-Depreciable Assets	<u>2,864,513</u>	<u>1,110,848</u>	<u>(228,251)</u>	<u>3,747,110</u>
<i>Depreciable Assets:</i>				
Buildings & Improvements	7,513,272	346,261	-	7,859,533
Equipment & Furniture	2,949,903	123,101	-	3,073,004
Vehicles	2,009,571	733,941	(115,343)	2,628,169
Land Improvements	424,357	69,402	-	493,759
Infrastructure	4,954,327	108,499	-	5,062,826
Total Depreciable Assets	<u>17,851,430</u>	<u>1,381,204</u>	<u>(115,343)</u>	<u>19,117,291</u>
<i>Less accumulated depreciation for:</i>				
Buildings & Improvements	(1,613,579)	(167,509)	-	(1,781,088)
Equipment & Furniture	(1,746,093)	(212,605)	-	(1,958,698)
Vehicles	(1,511,756)	(141,640)	108,178	(1,545,218)
Land Improvements	(87,039)	(15,413)	-	(102,452)
Infrastructure	(918,939)	(167,078)	-	(1,086,017)
Total accumulated depreciation	<u>(5,877,406)</u>	<u>(704,245)</u>	<u>108,178</u>	<u>(6,473,473)</u>
Total capital assets being depreciated, net	11,974,024	676,959	(7,165)	12,643,818
Governmental activities capital assets, net	<u>\$ 14,838,537</u>	<u>\$ 1,787,807</u>	<u>\$ (235,416)</u>	<u>\$ 16,390,928</u>

5. CAPITAL ASSETS (Continued)

	Balance 06/30/10	Additions	Retirements	Balance 06/30/11
Business-type Activities:				
<i>Non-Depreciable Assets:</i>				
Land	\$ 179,427	\$ -	\$ -	\$ 179,427
Infrastructure in Process	-	15,500	-	15,500
Total Non-Depreciable Assets	<u>179,427</u>	<u>15,500</u>	<u>-</u>	<u>194,927</u>
<i>Depreciable Assets:</i>				
Infrastructure	3,443,387	-	-	3,443,387
Buildings and Improvements	5,682,700	-	-	5,682,700
Equipment and Furniture	6,631,616	41,189	-	6,672,805
Vehicles	406,454	-	-	406,454
Total Depreciable Assets	<u>16,164,157</u>	<u>41,189</u>	<u>-</u>	<u>16,205,346</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(572,176)	(54,776)	-	(626,952)
Buildings & Improvements	(2,044,012)	(138,827)	-	(2,182,839)
Equipment & Furniture	(2,619,601)	(274,220)	-	(2,893,821)
Vehicles	(317,229)	(39,309)	-	(356,538)
Total accumulated depreciation	<u>(5,553,018)</u>	<u>(507,132)</u>	<u>-</u>	<u>(6,060,150)</u>
Total capital assets being depreciated, net	10,611,139	(465,943)	-	10,145,196
Business-type activities capital assets, net	<u>\$ 10,790,566</u>	<u>\$ (450,443)</u>	<u>\$ -</u>	<u>\$ 10,340,123</u>

Depreciation expense for the year ended June 30, 2011 was charged as direct expense to programs as follows:

<i>Governmental Activities</i>	
General government	\$ 53,128
Public safety	166,680
Public works	369,136
Culture and recreation	61,931
Airport	53,370
Total depreciation expense - Governmental activities	<u>\$ 704,245</u>

6. 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, 2011

	Original Amount	Principal Balance 06/30/10	Payments	Principal Balance 06/30/11	Due in 1 year
<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	\$ 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	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	800,000	(100,000)	700,000	100,000
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	1,625,000	(125,000)	1,500,000	125,000
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	7,355,530	(565,810)	6,789,720	565,810
2008 school renovation revolving loan fund due 2018, with annual principal payments with no interest	2,000,000	610,380	(67,820)	542,560	67,820
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	(70,545)	1,340,280	70,545
Total General Obligation Bonds		\$ 11,956,735	\$ (1,084,175)	\$ 10,872,560	\$ 929,175

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2011

6. LONG-TERM DEBT – Continued

<i>Business-type Debt</i>	Original Amount	Principal Balance 06/30/10	Payments	Principal Balance 06/30/11	Due in 1 year
Proprietary Fund Bonds Payable					
<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	1,571,428	(71,428)	1,500,000	71,429
2007 treatment facility construction and improvement bond, due 2022 with annual principal and semi-annual interest. Interest at 4.125%.	914,000	816,071	(32,641)	783,430	32,643
<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	1,800,000	(150,000)	1,650,000	150,000
2003 treatment facility construction and improvement bond, due 2024 with annual principal and semi-annual interest. Interest at 1.600%.	1,525,290	455,000	(32,500)	422,500	32,500
Total Proprietary Fund Bonds		<u>4,642,499</u>	<u>(286,569)</u>	<u>4,355,930</u>	<u>286,572</u>
Total general obligation and proprietary fund bonds payable		<u>\$ 16,599,234</u>	<u>\$ (1,370,744)</u>	15,228,490	<u>\$ 1,215,747</u>
Less current portion				<u>(1,215,747)</u>	
				<u>\$ 14,012,743</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
2012	\$ 929,175	\$ 470,899	\$ 286,571	\$ 139,645	\$ 1,215,746	\$ 610,544
2013	929,175	432,418	286,572	131,173	1,215,747	563,591
2014	929,175	394,280	286,572	122,701	1,215,747	516,981
2015	929,175	357,607	286,572	114,229	1,215,747	471,836
2016	929,175	317,626	286,572	105,236	1,215,747	422,862
2017-2021	4,210,210	973,448	1,432,857	401,698	5,643,067	1,375,146
2022-2026	1,734,320	158,635	767,857	212,353	2,502,177	370,988
2027-2031	282,155	21,228	520,357	96,887	802,512	118,115
2032-2036	-	-	202,000	12,290	202,000	12,290
Totals	<u>\$ 10,872,560</u>	<u>\$ 3,126,141</u>	<u>\$ 4,355,930</u>	<u>\$ 1,336,212</u>	<u>\$ 15,228,490</u>	<u>\$ 4,462,353</u>

6. 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 \$6,372,276. This obligation has been recorded as a long-term receivable from RSU #34 on the entity wide statement of net assets.

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, 2011:

	Governmental Activities		Business-Type Activities	
	Compensated Absences	Other Post Employment Benefits	Compensated Absences	Other Post Employment Benefits
	Balance at July 1	450,749	91,427	70,012
Additions	143,415	50,939	1,958	6,069
Payments/Adjustments	(81,739)	(9,310)	(21,142)	(1,109)
Balance at June 30	<u>\$ 512,425</u>	<u>\$ 133,056</u>	<u>\$ 50,828</u>	<u>\$ 16,766</u>
Due within one year	<u>\$ 92,924</u>	<u>\$ -</u>	<u>\$ 15,349</u>	<u>\$ -</u>

7. 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.

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 five years and 50% for the final five years. The remaining percentage is retained by the City for economic development within the City.

7. TAX INCREMENT FINANCING – Continued

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 one and two and 100% for years three to 11. For years one and two the remaining TIF revenues will be applied in accordance with the original agreement.

8. INTERFUND TRANSACTIONS

Interfund balances of amounts due to/from other funds and operating transfers by fund at and for the year ended June 30, 2011 are as follows:

	Due from Other Funds	Due to Other Funds	Transfers In	Tranfers Out
General fund	\$ 30,827	\$ 3,990,435	\$ 1,639,957	\$ 186,315
Capital reserves fund	3,541,451	22,407	910,845	2,364,487
Other governmental funds	448,984	8,420	-	-
	<u>\$ 4,021,262</u>	<u>\$ 4,021,262</u>	<u>\$ 2,550,802</u>	<u>\$ 2,550,802</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.

During fiscal year 2011, the City of Old Town, in accordance with the authorized budget, recorded several non-routine, nonrecurring transfers.

The Heavy Equipment Replacement Reserve transferred \$403,433 to the General Fund for capital equipment purchased during the fiscal year.

The Juniper Ridge Landfill Reserve transferred \$500,000 to Great Works Development to create a new reserve account.

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

At June 30, 2011, the enterprise fund’s restricted fund balance for other purposes was comprised of the following:

Capital outlay - equipment and facility	<u>\$ 276,542</u>
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10. NET ASSETS – GOVERNMENTAL FUNDS – RESTRICTED

At June 30, 2011, the governmental funds had restricted funds that were required to be used for the following activities per external parties:

General Fund:	
Airport Grant	\$ 378,255
Drug Enforcement Grant	4,842
Energy Efficiency and Conservation Block Grant	27,987
Maine Military Authority Grant	1,442
Homeland Security Grant	8,481
Total General Fund	<u>421,007</u>
Permanent Funds:	
UDAG Loan Fund	448,984
Cemetery	660,601
Public Library	619,592
City Park	2,802
High School Library	1,573
High School Athletics	49,028
Total Permanent Funds	<u>1,782,580</u>
Total Restricted Fund Balance	<u>\$ 2,203,587</u>

11. FUND BALANCE – COMMITTED

Committed fund balances have been established by vote of the City Council; the City Council has the highest decision making authority for the City. At June 30, 2011, the fund balances which are committed were comprised of the following:

General Fund:	
Employee Benefits	\$ 3,000
City Manager	47,582
Economic Development	170,961
Information Technology	40,119
Airport	62,354
Juniper Ridge Landfill	149,693
Swimming Pool	34,345
Municipal Building	29,416
Capital Projects	<u>575,548</u>
Total General Fund Committed Balance	<u>1,113,018</u>
Capital Reserves:	
Great Works LLC	310,790
Tech equipment	208,773
Heavy equipment	966,817
Community center reserve	28,500
Highway block grant	77,033
Municipal/public safety building	1,117
Economic development	10,901
Airport hangar	303,229
Industrial park	1,274
J Ridge landfill	975,654
City hall	210,012
City facilities	120,000
Debt service	167,395
Donations - library	24,027
Special recreation programs	5,069
Community festival	23,719
Concerts in the park	5,743
Skateboard park	37,713
Public safety programs	30,625
Book restoration	1,969
Save the pool	3,834
Oak street field	128
Library friends	<u>4,722</u>
Total Capital Reserves Committed Balance	<u>3,519,044</u>
Total fund balance - committed	<u><u>\$ 4,632,062</u></u>

12. FUND BALANCE – ASSIGNED

At June 30, 2011, the general fund assigned fund balances were comprised of the residual balance in governmental funds other than the general fund.

13. 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, 2011 for employees covered by this plan was \$3,373,078.

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 60; this benefit would be computed at that time. Employees who retire at or after age 60 with one 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:					
	6/30/11		6/30/10		6/30/09	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Employer	\$ 75,380	2.23%	\$ 47,654	1.89%	\$ 47,224	1.86%
Employee	\$ 219,560	6.51%	\$ 164,982	6.53%	\$ 166,291	6.53%

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. Copies of the most recent financial reports may be obtained from the plan administrator.

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 \$81,794 and employees elected to defer \$180,355 for a contribution of \$262,149, for municipal employees.

14. 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.

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

Normal cost	\$ 21,417
Amortization of unfunded accrued liability	32,624
Interest	1,070
Annual required contribution (ARC)	<u>55,111</u>
Interest on net OPEB obligation	1,897
Amortizing adjustment to ARC	<u>(2,743)</u>
Annual OPEB cost	54,265
Contributions paid in 2011	<u>(7,676)</u>
Increase (decrease) in net OPEB obligation	46,589
Net OPEB obligation, beginning of year	103,233
Net OPEB obligation, end of year	<u><u>\$ 149,822</u></u>

14. OTHER POST EMPLOYMENT BENEFITS - Continued

The annual OPEB cost for the current year and two preceding years, the percentage of annual OPEB cost contributed to the plan, and the net OPEB (asset) obligation are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB (Asset) Obligation</u>
06/30/11	\$ 54,265	13.93%	\$ 149,822
06/30/10	70,224	26.80%	103,233
06/30/09	70,224	26.80%	52,081

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, 2011 was as follows:

Annual required contribution	\$ 55,111
Actual contribution	7,676
Percent contributed	13.93%
Actuarial accrued liability	\$ 586,694
Plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 586,694</u>
Covered payroll	\$ 3,299,493
UAAL as percentage of covered payroll	17.78%

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 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.

14. OTHER POST EMPLOYMENT BENEFITS – Continued

Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/2011
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Remaining amortization period	28 years

Actuarial assumptions:

Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0 – 8.7%

15. 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.

16. 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.

17. 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.

18. ACCOUNTING CHANGES AND RESTATEMENTS

During fiscal year 2011, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement modifies the presentation of fund balance to five new categories: nonspendable, restricted, committed, assigned, and unassigned. The Statement also redefines governmental fund types for consistency among governments.

The beginning fund balance of the General Fund, a major governmental fund, was increased by \$419,501 due to incorrect recording of long-term liabilities in the prior year. The beginning fund balance of the Capital Reserves, a major governmental fund, and the Governmental Activities increased \$3,214 due to prior year activity not recorded in the fund. The beginning fund balance of the Airport Runway Fund, a non-major governmental fund, and the Governmental Activities decreased \$44,807 due to an error in reported due from other funds.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 02, 2011, the date on which the financial statements were available to be issued.

City of Old Town, Maine
Required Supplementary Information
Schedule of Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2011

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)	UAAL as Percentage of Covered Payroll [(b-a)/c]
2009	1/1/2009	\$ -	\$ 713,502	\$ 713,502	0.00%	\$3,894,407	18.32%
2010	1/1/2009	-	713,502	713,502	0.00%	3,938,372	18.12%
2011	1/1/2011	-	586,694	586,694	0.00%	3,299,493	17.78%

Major changes in actuarial assumptions include the following:

Valuation Date	Investment Rate of Return	Projected Salary Increases	Health Care Cost Trend
1/1/2011	4.0%	N/A	4.0 - 8.7%
1/1/2009	4.0%	N/A	4.0 - 9.6%

City of Old Town, Maine
Budget and Actual (with Budget to GAAP Differences)
General Fund
For the year ended June 30, 2011

	Budgeted Amounts		Actual	Budget to	Actual
	Original	Final	Amounts, Budgetary Basis	GAAP Differences	Amounts, GAAP Basis
REVENUES					
Property Taxes	\$ 8,810,494	\$ 8,810,494	\$ 8,546,523	\$ -	\$ 8,546,523
Excise and miscellaneous taxes	1,278,643	1,278,643	1,144,393	-	1,144,393
Fees and fines	19,800	19,800	19,691	-	19,691
Licenses and permits	175,195	175,195	175,175	-	175,175
Intergovernmental	933,187	933,187	1,753,395	-	1,753,395
Charges for services	1,020,361	1,020,361	1,122,244	-	1,122,244
Investment earnings	226,000	226,000	49,792	-	49,792
Miscellaneous	637,554	637,554	568,312	(345,969)	222,343
Total revenues	<u>13,101,234</u>	<u>13,101,234</u>	<u>13,379,525</u>	<u>(345,969)</u>	<u>13,033,556</u>
EXPENDITURES					
Current:					
General government	1,845,052	2,109,624	1,704,292	(37,023)	1,667,269
Public Safety	2,995,102	2,998,664	3,276,823	2,758	3,279,581
Public Works	1,265,501	1,268,183	1,318,604	(14,669)	1,303,935
Health, welfare and sanitation	723,253	723,253	809,978	-	809,978
Culture and recreation	807,273	807,273	754,282	2,494	756,776
Airport	167,313	167,313	107,473	-	107,473
Education	5,653,960	5,653,960	4,976,918	-	4,976,918
County Tax	550,694	550,694	550,694	-	550,694
Debt Service:					
Principal	260,545	260,545	260,545	-	260,545
Interest	129,621	129,621	124,435	-	124,435
Capital Outlay	2,338,984	2,482,898	2,347,837	-	2,347,837
Total Expenditures	<u>16,737,298</u>	<u>17,152,028</u>	<u>16,231,881</u>	<u>(46,440)</u>	<u>16,185,441</u>
Excess (deficiency) of revenues over expenditures	<u>(3,636,064)</u>	<u>(4,050,794)</u>	<u>(2,852,356)</u>	<u>(299,529)</u>	<u>(3,151,885)</u>
OTHER FINANCING SOURCES (USES)					
Other source	18,680	18,680	25,931	(15,231)	10,700
Transfers in	-	-	1,302,156	337,801	1,639,957
Transfers out	-	(167,891)	(186,315)	-	(186,315)
Total other financing sources and uses	<u>18,680</u>	<u>(149,211)</u>	<u>1,141,772</u>	<u>322,570</u>	<u>1,464,342</u>
SPECIAL ITEMS					
Proceeds from sale of capital assets	10,000	10,000	6,159	-	6,159
Total Special Items	<u>10,000</u>	<u>10,000</u>	<u>6,159</u>	<u>-</u>	<u>6,159</u>
Net change in fund balances	(3,607,384)	(4,190,005)	(1,704,425)	23,041	(1,681,384)
Fund balances - beginning	5,012,838	5,012,838	5,012,838	-	5,012,838
Fund balances - ending	<u>\$ 1,405,454</u>	<u>\$ 822,833</u>	<u>\$ 3,308,413</u>	<u>\$ 23,041</u>	<u>\$ 3,331,454</u>

City of Old Town, Maine
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2011

	<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	\$ 8,810,494	\$ 8,810,494	\$ 8,546,523	\$ (263,971)
Excise and miscellaneous taxes	1,278,643	1,278,643	1,144,393	(134,250)
Fees and fines	19,800	19,800	19,691	(109)
Licenses and permits	175,195	175,195	175,175	(20)
Intergovernmental	933,187	933,187	1,753,395	820,208
Charges for services	1,020,361	1,020,361	1,122,244	101,883
Investment earnings	226,000	226,000	49,792	(176,208)
Miscellaneous	637,554	637,554	568,312	(69,242)
Total revenues	<u>13,101,234</u>	<u>13,101,234</u>	<u>13,379,525</u>	<u>278,291</u>
EXPENDITURES				
Current:				
General government	1,845,052	2,109,624	1,704,292	405,332
Public safety	2,995,102	2,998,664	3,276,823	(278,159)
Public Works	1,265,501	1,268,183	1,318,604	(50,421)
Health, welfare and sanitation	723,253	723,253	809,978	(86,725)
Culture and recreation	807,273	807,273	754,282	52,991
Airport	167,313	167,313	107,473	59,840
Education	5,653,960	5,653,960	4,976,918	677,042
County tax	550,694	550,694	550,694	-
Debt Service:				
Principal	260,545	260,545	260,545	-
Interest	129,621	129,621	124,435	5,186
Capital Outlay	2,338,984	2,482,898	2,347,837	135,061
Total Expenditures	<u>16,737,298</u>	<u>17,152,028</u>	<u>16,231,881</u>	<u>920,147</u>
Excess (deficiency) of revenues over expenditures	<u>(3,636,064)</u>	<u>(4,050,794)</u>	<u>(2,852,356)</u>	<u>1,198,438</u>
OTHER FINANCING SOURCES (USES)				
Other source	18,680	18,680	25,931	7,251
Transfers in	-	-	1,302,156	1,302,156
Transfers out	-	(167,891)	(186,315)	(18,424)
Total other financing sources and uses	<u>18,680</u>	<u>(149,211)</u>	<u>1,141,772</u>	<u>1,290,983</u>
SPECIAL ITEMS				
Proceeds from sale of capital assets	10,000	10,000	6,159	(3,841)
Total Special Items	<u>10,000</u>	<u>10,000</u>	<u>6,159</u>	<u>(3,841)</u>
Net change in fund balances	<u>(3,607,384)</u>	<u>(4,190,005)</u>	<u>(1,704,425)</u>	<u>\$ 2,485,580</u>
Fund balances - beginning	5,012,838	5,012,838	5,012,838	
Fund balances - ending	<u>\$ 1,405,454</u>	<u>\$ 822,833</u>	<u>\$ 3,308,413</u>	

City of Old Town, Maine
Budget and Actual (with Budget to GAAP Differences)
Sewer Fund
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Charges for services	\$ 887,000	\$ 887,000	\$ 829,980	\$ 558,518	\$ 1,388,498
Other	32,000	32,000	32,702	-	32,702
Total revenues	<u>919,000</u>	<u>919,000</u>	<u>862,682</u>	<u>558,518</u>	<u>1,421,200</u>
EXPENDITURES					
Current:					
Administration	701,960	701,960	693,622	(14,224)	679,398
Maintenance	351,760	351,760	88,269	(23,138)	65,131
Waste treatment facility	161,800	161,800	142,238	(3,051)	139,187
Sludge disposal	83,950	83,950	91,606	-	91,606
Depreciation	-	-	-	507,132	507,132
Total Expenditures	<u>1,299,470</u>	<u>1,299,470</u>	<u>1,015,735</u>	<u>466,719</u>	<u>1,482,454</u>
Excess (deficiency) of revenues over expenditures	<u>(380,470)</u>	<u>(380,470)</u>	<u>(153,053)</u>	<u>91,799</u>	<u>(61,254)</u>
NON-OPERATING REVENUES (EXPENSES)					
Debt Service:					
Principal	(286,572)	(286,572)	(286,571)	286,571	-
Interest	(153,795)	(153,795)	(152,276)	2,699	(149,577)
Investment earnings	5,000	5,000	2,654	-	2,654
Capital Contributions	-	-	16,928	-	16,928
Total other financing sources and uses	<u>(435,367)</u>	<u>(435,367)</u>	<u>(419,265)</u>	<u>289,270</u>	<u>(129,995)</u>
Net change in fund balances	(815,837)	(815,837)	(572,318)	381,069	(191,249)
Net assets - beginning	7,918,187	7,918,187	7,918,187	-	7,918,187
Net assets - ending	<u>\$ 7,102,350</u>	<u>\$ 7,102,350</u>	<u>\$ 7,345,869</u>	<u>\$ 381,069</u>	<u>\$ 7,726,938</u>

City of Old Town, Maine
Budget and Actual (with Variances)
Sewer Fund
For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 887,000	\$ 887,000	\$ 829,980	\$ (57,020)
Other	32,000	32,000	32,702	702
Total revenues	<u>919,000</u>	<u>919,000</u>	<u>862,682</u>	<u>(56,318)</u>
EXPENDITURES				
Current:				
Administration	701,960	701,960	693,622	8,338
Maintenance	351,760	351,760	88,269	263,491
Waste treatment facility	161,800	161,800	142,238	19,562
Sludge disposal	83,950	83,950	91,606	(7,656)
Total Expenditures	<u>1,299,470</u>	<u>1,299,470</u>	<u>1,015,735</u>	<u>283,735</u>
Excess (deficiency) of revenues over expenditures	<u>(380,470)</u>	<u>(380,470)</u>	<u>(153,053)</u>	<u>227,417</u>
OTHER FINANCING SOURCES (USES)				
Debt Service:				
Principal	(286,572)	(286,572)	(286,571)	(1)
Interest	(153,795)	(153,795)	(152,276)	(1,519)
Investment earnings	5,000	5,000	2,654	(2,346)
Capital Contributions	-	-	16,928	16,928
Total other financing sources and uses	<u>(435,367)</u>	<u>(435,367)</u>	<u>(419,265)</u>	<u>13,062</u>
Net change in fund balances	(815,837)	(815,837)	(572,318)	<u>\$ 243,519</u>
Net assets - beginning	7,918,187	7,918,187	7,918,187	
Net assets - ending	<u>\$ 7,102,350</u>	<u>\$ 7,102,350</u>	<u>\$ 7,345,869</u>	

City of Old Town, Maine
Combining Balance Sheet
Other Governmental Funds
June 30, 2011

	<u>UDAG Loan Fund</u>	<u>Cemetery</u>	<u>Public Library</u>	<u>City Park</u>	<u>High School Library</u>	<u>High School Athletics</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ 16,880	\$ 16,174	\$ -	\$ 40	\$ 1,501	\$ 34,595
Investments	-	684,892	656,263	-	1,619	60,900	1,403,674
Due from other funds	448,984	-	-	-	-	-	448,984
Other receivables	84,669	-	-	-	-	-	84,669
Total assets	<u>533,653</u>	<u>701,772</u>	<u>672,437</u>	<u>-</u>	<u>1,659</u>	<u>62,401</u>	<u>1,971,922</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	-	-	8,420	-	-	-	8,420
Total liabilities	<u>-</u>	<u>-</u>	<u>8,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,420</u>
Fund balances:							
Nonspendable:							
Loan receivable	84,669						84,669
Restricted	448,984	660,601	619,592	2,802	1,573	49,028	1,782,580
Assigned	-	41,171	44,425	(2,802)	86	13,373	96,253
Total fund balances	<u>533,653</u>	<u>701,772</u>	<u>664,017</u>	<u>-</u>	<u>1,659</u>	<u>62,401</u>	<u>1,963,502</u>
Total liabilities and fund balances	<u>\$ 533,653</u>	<u>\$ 701,772</u>	<u>\$ 672,437</u>	<u>\$ -</u>	<u>\$ 1,659</u>	<u>\$ 62,401</u>	<u>\$ 1,971,922</u>

City of Old Town, Maine
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	UDAG Loan Fund	Airport Runway	Cemetery	Public Library	City Park	High School Library	High School Athletics	Total-Other Governmental Funds
REVENUES								
Investment earnings	\$ 4,147	\$ -	\$ 129,077	\$ 121,071	\$ 415	\$ 307	\$ 11,560	\$ 266,577
Total revenues	<u>4,147</u>	<u>-</u>	<u>129,077</u>	<u>121,071</u>	<u>415</u>	<u>307</u>	<u>11,560</u>	<u>266,577</u>
EXPENDITURES								
Current:								
General government	1,185	-	-	-	-	-	-	1,185
Culture and recreation	-	-	-	14,807	3,099	35	1,341	19,282
Capital outlay	-	-	10,000	-	-	-	-	10,000
Total Expenditures	<u>1,185</u>	<u>-</u>	<u>10,000</u>	<u>14,807</u>	<u>3,099</u>	<u>35</u>	<u>1,341</u>	<u>30,467</u>
Excess (deficiency) of revenues over expenditures	<u>2,962</u>	<u>-</u>	<u>119,077</u>	<u>106,264</u>	<u>(2,684)</u>	<u>272</u>	<u>10,219</u>	<u>236,110</u>
Fund balances - beginning	530,691	44,807	582,695	557,753	2,684	1,387	52,182	1,772,199
Restate prior year	-	(44,807)	-	-	-	-	-	(44,807)
Fund balances - ending	<u>\$ 533,653</u>	<u>\$ -</u>	<u>\$ 701,772</u>	<u>\$ 664,017</u>	<u>\$ -</u>	<u>\$ 1,659</u>	<u>\$ 62,401</u>	<u>\$ 1,963,502</u>

City of Old Town, Maine
Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Reserves
For the Year Ended June 30, 2011

	TIF Financing Plan	Great Works LLC	Tech Equip Reserve	Heavy Equip Reserve	Community Center Reserve	Highway Block Grant	Muni/Public Safety Bldg	Economic Development	Airport Hanger Reserve	Industrial Park Reserve	J Ridge Landfill
Revenues											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,007	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	77,849	7,800	-
Interest and dividends	-	-	-	-	-	-	-	37	-	-	-
Host benefit fee income	-	-	-	-	-	-	-	-	-	-	1,078,074
Miscellaneous	-	-	-	-	-	-	-	19,543	-	-	-
Total revenues	-	-	-	-	-	104,007	-	19,580	77,849	7,800	1,078,074
Expenses											
General government	167,891	-	-	-	-	-	1,246	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenses	167,891	-	-	-	-	-	1,246	-	-	-	-
Excess (deficiency) of revenues over expenses	(167,891)	-	-	-	-	104,007	(1,246)	19,580	77,849	7,800	1,078,074
Other Financing Sources (Uses)											
Proceeds from sale of property	-	-	-	-	-	-	-	-	-	-	-
Transfer in	167,891	500,000	24,530	-	-	-	-	-	-	-	-
Transfer out	-	(189,210)	-	(427,963)	-	(97,407)	-	(95,505)	(60,000)	-	(1,494,402)
Total other financing sources (uses)	167,891	310,790	24,530	(427,963)	-	(97,407)	-	(95,505)	(60,000)	-	(1,494,402)
Net change in fund balance	-	310,790	24,530	(427,963)	-	6,600	(1,246)	(75,925)	17,849	7,800	(416,328)
Fund balance - Beginning	-	-	184,243	1,394,780	28,500	70,433	2,363	86,826	285,380	(6,526)	1,391,982
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-
Fund balance - Ending	\$ -	\$ 310,790	\$ 208,773	\$ 966,817	\$ 28,500	\$ 77,033	\$ 1,117	\$ 10,901	\$ 303,229	\$ 1,274	\$ 975,654

Continued

City of Old Town, Maine
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Capital Reserves
 For the Year Ended June 30, 2011

	City Hall Reserve	City Facilities Reserve	Debt Service Airport	Library Grants	Girlstalk Grant	Madelin Lane/ Coombs Park	Memorial Books	Special Recreation Programs	Community Festival	Oak St. Field	Concerts in the Park
Revenues											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-	-	-	-	-	-
Host benefit fee income	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	3,127	-	-	5,439	-	18,328	220	4,537
Total revenues	-	-	-	3,127	-	-	5,439	-	18,328	220	4,537
Expenses											
General government	659	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	9,664	-	-	5,311	-	18,582	-	150
Capital outlay	-	-	-	-	-	-	-	-	-	4,575	-
Total expenses	659	-	-	9,664	-	-	5,311	-	18,582	4,575	150
Excess (deficiency) of revenues over expenses	(659)	-	-	(6,537)	-	-	128	-	(254)	(4,355)	4,387
Other Financing Sources (Uses)											
Proceeds from sale of property	-	-	-	-	-	-	-	-	-	-	-
Transfer in	100,000	100,000	-	-	-	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	100,000	100,000	-	-	-	-	-	-	-	-	-
Net change in fund balance	99,341	100,000	-	(6,537)	-	-	128	-	(254)	(4,355)	4,387
Fund balance - Beginning	110,671	80,000	167,395	28,638	197	407	1,194	5,069	23,973	4,483	1,356
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-
Fund balance - Ending	\$ 210,012	\$ 180,000	\$ 167,395	\$ 22,101	\$ 197	\$ 407	\$ 1,322	\$ 5,069	\$ 23,719	\$ 128	\$ 5,743

Continued

City of Old Town, Maine
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Capital Reserves
 For the Year Ended June 30, 2011

	Skateboard Park	DARE	Every 15 Minutes	Gayle Seymour Fire Dept	EMS Adolescent Pub Rel Fund	Fire Public Rel	EMS Regionalization	Book Restoration	Save the Pool	Activities/ Library Friends	Totals
Revenues											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,007
Charges for services	-	-	-	-	-	-	-	-	-	-	85,649
Interest and dividends	168	-	-	-	-	-	-	-	-	-	205
Host benefit fee income	-	-	-	-	-	-	-	-	-	-	1,078,074
Miscellaneous	-	5,131	-	-	45	-	-	8	-	2,224	58,602
Total revenues	168	5,131	-	-	45	-	-	8	-	2,224	1,326,537
Expenses											
General government	-	-	-	-	-	-	-	-	-	-	169,796
Public safety	-	744	-	-	-	-	-	-	-	-	744
Culture and recreation	-	-	-	-	-	-	-	-	4,200	716	38,623
Capital outlay	-	-	-	-	-	-	-	-	-	-	4,575
Total expenses	-	744	-	-	-	-	-	-	4,200	716	213,738
Excess (deficiency) of revenues over expenses	168	4,387	-	-	45	-	-	8	(4,200)	1,508	1,112,798
Other Financing Sources (Uses)											
Proceeds from sale of property	-	-	-	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	18,424	-	-	-	-	-	910,845
Transfer out	-	-	-	-	-	-	-	-	-	-	(2,364,487)
Total other financing sources (uses)	-	-	-	-	18,424	-	-	-	-	-	(1,453,642)
Net change in fund balance	168	4,387	-	-	18,469	-	-	8	(4,200)	1,508	(340,844)
Fund balance - Beginning	37,545	3,505	1,080	245	1,113	1,497	329	1,961	8,034	-	3,916,673
Prior period adjustment	-	-	-	-	-	-	-	-	-	3,214	3,214
Fund balance - Ending	\$ 37,713	\$ 7,892	\$ 1,080	\$ 245	\$ 19,582	\$ 1,497	\$ 329	\$ 1,969	\$ 3,834	\$ 4,722	\$ 3,579,043

City of Old Town, Maine
Taxes Receivable, Tax Liens and
Tax Acquired Property - General Fund
June 30, 2011

Taxes receivable	
2011	\$ 14,370
2010	3,860
2009	390
2008	304
2007	359
2006	85
2003	<u>1,493</u>
Total taxes receivable	<u>20,861</u>
Tax Liens	
2010	87,323
2011	<u>164,058</u>
Total tax liens	<u>251,381</u>
Tax acquired property	<u>11,913</u>
Total taxes receivable, tax liens and tax acquired property	<u><u>\$ 284,155</u></u>