

**City of Old Town, Maine**  
**Financial Statements and Supplemental Data**  
**With Independent Auditors' Report**  
**June 30, 2012**



209 State St · Bangor, Maine 04401-5412

# City of Old Town, Maine

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**City of Old Town, Maine**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2012**

The Management Discussion & Analysis (MD&A) is a report of the City of Old Town for the fiscal year ending June 30, 2012. 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**

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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 7,840, 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**

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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**

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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, 2012 was \$2,812,181.
- The City's long-term debt decreased by \$1,194,399 from \$15,228,490 to \$14,034,091.
- Under the government-wide basis of reporting, the City's total net assets increased by \$176,599 to \$28,711,976.
- The governmental fund balance as reported on the City's governmental fund financial statements decreased by \$296,999 to \$8,996,502.
- On a budget basis, the City's actual expenditures and transfers-out exceeded its revenues and transfers-in by \$13,502. The City budgeted revenues, transfers-in, and special items of \$14,100,992, and expenditures of \$15,666,918. Budgeted expenditures include \$1,113,018 of amounts carried forward from prior years. The budget variance decreases the budget-basis fund balance which can be used to fund future expenditures and decrease the need for significant increases in local property taxes for the residents of Old Town.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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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**

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### **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 3-4 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 5-8 of this report.

## **OVERVIEW OF THE FINANCIAL STATEMENTS - continued**

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### **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 9-11 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 12-13 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 14-38 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 39-41 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 42-49 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 \$28,711,976 as of June 30, 2012. However, of the \$28,711,976, only \$5,380,847 of governmental net assets and \$230,973 of sewer net assets is unrestricted and uncommitted at June 30, 2012.

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, 80.45%, represents resources that are restricted. Unrestricted net assets of \$5,611,820 or 19.55% may be used to meet the government's ongoing obligations to citizens and creditors.

### SUMMARY OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 15,671,451	\$ 16,137,805	\$ 1,929,984	\$ 1,869,418	\$ 17,601,435	\$ 18,007,223
Capital assets	16,551,204	16,390,928	9,941,581	10,340,123	26,492,785	26,731,051
Total assets	<u>32,222,655</u>	<u>32,528,733</u>	<u>11,871,565</u>	<u>12,209,541</u>	<u>44,094,220</u>	<u>44,738,274</u>
Current Liabilities	1,602,558	1,224,352	374,342	361,000	1,976,900	1,585,352
Noncurrent Liabilities	9,566,868	10,495,942	3,838,476	4,121,603	13,405,344	14,617,545
Total liabilities	<u>11,169,426</u>	<u>11,720,294</u>	<u>4,212,818</u>	<u>4,482,603</u>	<u>15,382,244</u>	<u>16,202,897</u>
Net assets:						
Invested in capital assets, net of related debt	12,367,318	11,890,644	5,872,222	5,984,193	18,239,540	17,874,837
Restricted	3,305,064	3,710,826	1,555,552	1,582,131	4,860,616	5,292,957
Unrestricted	5,380,847	5,206,969	230,973	160,614	5,611,820	5,367,583
Total net assets	<u>\$ 21,053,229</u>	<u>\$ 20,808,439</u>	<u>\$ 7,658,747</u>	<u>\$ 7,726,938</u>	<u>\$ 28,711,976</u>	<u>\$ 28,535,377</u>



**GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued**

As of June 30, 2012, 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.

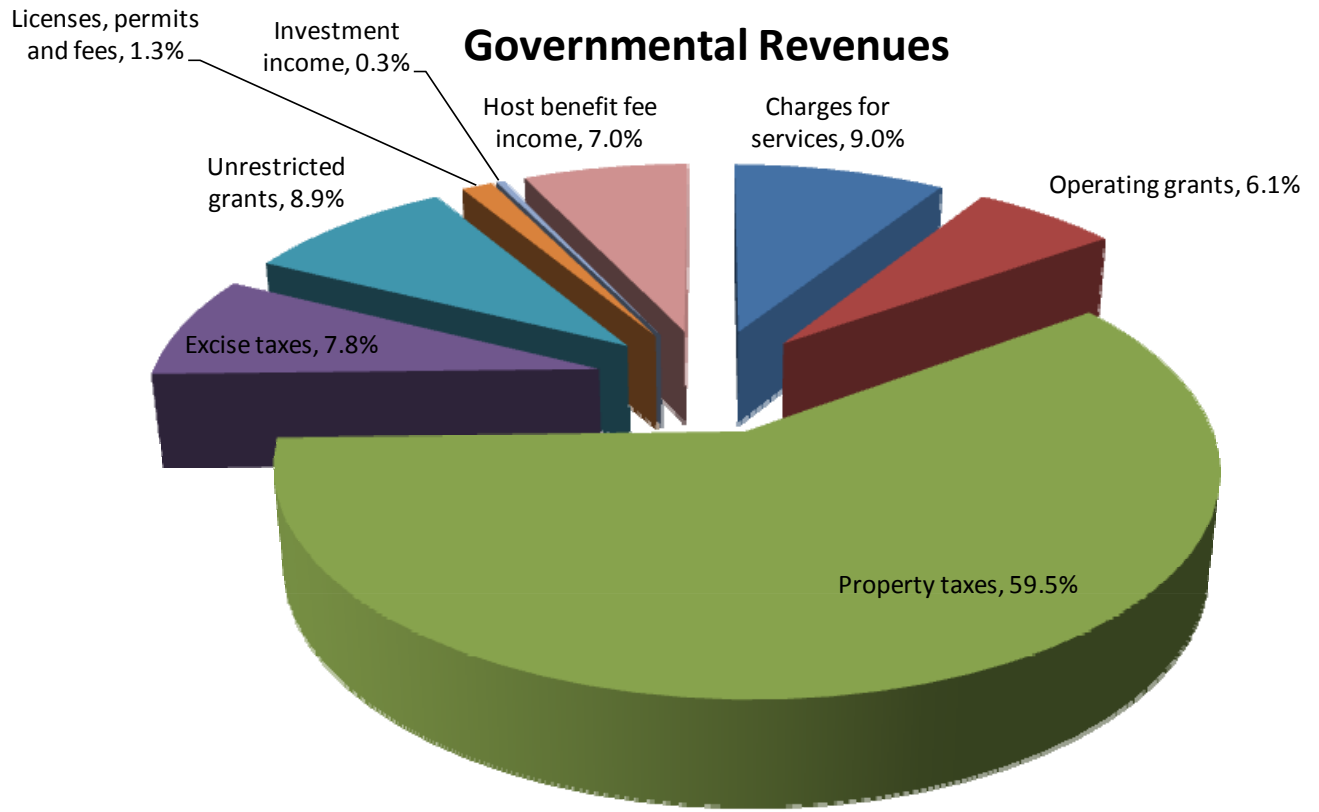
The following table presents a summary of the City's operations for the fiscal year ended June 30, 2012 with comparative totals for the fiscal year ended June 30, 2011.

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 1,325,035	\$ 1,207,893	\$ 1,412,731	\$ 1,421,200	\$ 2,737,766	\$ 2,629,093
Operating grants & contributions	906,112	882,258	-	-	906,112	882,258
Capital grants & contributions	-	-	16,928	16,928	16,928	16,928
<b>General revenues</b>						
Property taxes levied for general purposes	8,774,548	8,573,297	-	-	8,774,548	8,573,297
Excise taxes	1,148,662	1,144,393	-	-	1,148,662	1,144,393
Grants and contributions not restricted to specific programs	1,317,298	1,256,089	-	-	1,317,298	1,256,089
Licenses, permits and fees	197,132	194,866	-	-	197,132	194,866
Unrestricted investment income	45,802	316,574	2,058	2,654	47,860	319,228
Host benefit fee income	1,034,440	1,078,074	-	-	1,034,440	1,078,074
Other	1,550	-	-	-	1,550	-
<b>Total revenues</b>	<b>14,750,579</b>	<b>14,653,444</b>	<b>1,431,717</b>	<b>1,440,782</b>	<b>16,182,296</b>	<b>16,094,226</b>
<b>Expenses:</b>						
General government	1,718,026	1,903,394	-	-	1,718,026	1,903,394
Public safety	3,340,753	3,458,165	-	-	3,340,753	3,458,165
Public works	1,639,442	1,681,995	-	-	1,639,442	1,681,995
Health, welfare and sanitation	804,250	810,515	-	-	804,250	810,515
Culture and recreation	881,483	890,839	-	-	881,483	890,839
Education	5,311,120	4,976,918	-	-	5,311,120	4,976,918
Interest on long-term debt	203,107	116,741	141,060	149,577	344,167	266,318
Airport	129,975	160,843	-	-	129,975	160,843
Capital outlay	55,272	106,495	-	-	55,272	106,495
County tax	569,530	550,694	-	-	569,530	550,694
Sewer	-	-	1,358,848	1,482,454	1,358,848	1,482,454
<b>Total expenses</b>	<b>14,652,958</b>	<b>14,656,599</b>	<b>1,499,908</b>	<b>1,632,031</b>	<b>16,152,866</b>	<b>16,288,630</b>
Excess (deficiency) before special items	97,621	(3,155)	(68,191)	(191,249)	29,430	(194,404)
<b>Special Items</b>						
Gain/(loss) on disposition of assets	11,250	9,694	-	-	11,250	9,694
Transfer (to)/from RSU #34	(63,581)	188,603	-	-	(63,581)	188,603
Contribution of land	199,500	-	-	-	199,500	-
<b>Change in net assets</b>	<b>244,790</b>	<b>195,142</b>	<b>(68,191)</b>	<b>(191,249)</b>	<b>176,599</b>	<b>3,893</b>
Beginning net assets	20,808,439	20,654,890	7,726,938	7,918,187	28,535,377	28,573,077
Prior period adjustment	-	(41,593)	-	-	-	(41,593)
<b>Ending net assets</b>	<b>\$ 21,053,229</b>	<b>\$ 20,808,439</b>	<b>\$ 7,658,747</b>	<b>\$ 7,726,938</b>	<b>\$ 28,711,976</b>	<b>\$ 28,535,377</b>

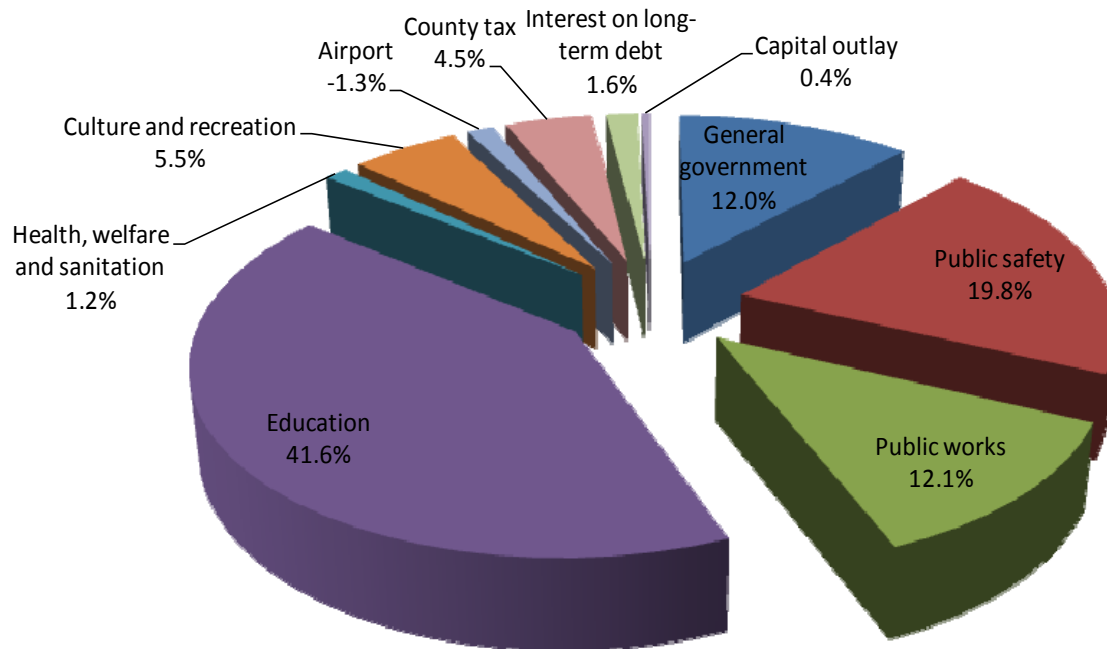
**Analysis of the City's Operations**

Overall the City had an increase in net assets of \$176,599.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2012.



### Governmental Activities



#### Governmental Activities

Governmental activities increased its net assets by \$244,790. Net assets invested in capital assets, net of related debt increased by \$476,674, or 4.01%, due to a net change in additions, retirements, and depreciation. Unrestricted net assets increased by \$173,878, or 3.34%.

Total revenues for governmental activities increased from the prior year by \$97,135. Of this amount, charges for services increased \$117,142, or 9.70% over prior year. Operating grants and contributions increased \$23,854, or 2.70% from the prior fiscal year; capital grants and contributions had no change from the prior fiscal year. Property taxes increased \$201,251, or 2.35%.

Expenses of governmental activities include depreciation expense of \$747,150, an increase of 6.09% 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

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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	
	2012	2011	2012	2011
General government	\$ 1,718,026	\$ 1,903,394	\$ 1,535,010	\$ 1,628,126
Public Safety	3,340,753	3,458,165	2,523,908	2,689,537
Public Works	1,639,442	1,681,995	1,545,478	1,595,173
Education	5,311,120	4,976,918	5,311,120	4,974,087
	<u>\$ 12,009,341</u>	<u>\$ 12,020,472</u>	<u>\$ 10,915,516</u>	<u>\$ 10,886,923</u>

### *Business-type Activities*

Net assets from business-type activities decreased by \$68,191, 0.88%, from \$7,726,938 to \$7,658,747. This decrease was primarily due to the sewer fee structure being insufficient to support the cost of operations.

Charges for services decreased \$8,469, or 0.60%, from the prior year, while expenses decreased \$132,123. Depreciation expense decreased from \$507,132 to \$506,323, or \$809, from the prior year.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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### *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 \$8,996,502, \$296,999 lower than the previous year. Approximately \$2,762,604 of this amount, or 30.71%, constitutes unassigned fund balance, an increase of \$1,175,837 over the previous year. 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 \$14,957,072, representing a decrease of \$1,472,574, or 9.0% from the previous fiscal year. The City paid \$728,762 in capital outlays which includes the acquisition of a truck, paving projects, airport improvements as well as several other projects.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued**

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### *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 \$230,973 which represents a \$70,359 increase 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 \$1,104,559. 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 2012 was \$13,502 on a budget basis.

Revenues from property taxes totaled \$8,735,265. Charges for services accounted for \$1,227,603 and intergovernmental revenue accounted for \$1,917,935 of total revenue of \$13,632,278 on a budget basis. Revenues from property taxes increased by \$188,742, revenues from charges for services increased by \$105,359 and revenues from intergovernmental sources increased by \$164,540 on a budget basis.

The City Council authorized revisions to the original approved appropriations. Overall these changes resulted in an increase in budgeted expenditures from the original budget of \$247,400 or 1.6%. Increases were approved appropriations of prior year unexpended balances carried forward and additional funding for capital outlays.

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**

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### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$26,492,785, 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 truck, paving projects, 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 5 on pages 26-27 of this report.

	Capital Assets at Year-End (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land & improvements	\$ 1,766,779	\$ 1,567,279	\$ 179,427	\$ 179,427	\$ 1,946,206	\$ 1,746,706
Construction in Progress	2,418,885	2,673,590	93,288	15,500	2,512,173	2,689,090
Infrastructure	5,758,552	5,062,826	3,443,387	3,443,387	9,201,939	8,506,213
Buildings & Improvements	8,010,445	7,859,533	5,682,700	5,682,701	13,693,145	13,542,234
Equipment	3,147,746	3,073,004	6,702,798	6,672,804	9,850,544	9,745,808
Vehicles	2,347,246	2,628,169	341,593	406,454	2,688,839	3,034,623
Total capital assets	<u>23,449,653</u>	<u>22,864,401</u>	<u>16,443,193</u>	<u>16,400,273</u>	<u>39,892,846</u>	<u>39,264,674</u>
Accumulated depreciation	<u>(6,898,449)</u>	<u>(6,473,473)</u>	<u>(6,501,612)</u>	<u>(6,060,150)</u>	<u>(13,400,061)</u>	<u>(12,533,623)</u>
Capital assets, net	<u>\$ 16,551,204</u>	<u>\$ 16,390,928</u>	<u>\$ 9,941,581</u>	<u>\$ 10,340,123</u>	<u>\$ 26,492,785</u>	<u>\$ 26,731,051</u>

### Debt Administration

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Bonds Payable	\$ 9,943,385	\$ 10,872,560	\$ 4,069,359	\$ 4,355,930	\$ 14,012,744	\$ 15,228,490
Capital Lease						
Obligations	<u>21,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,347</u>	<u>-</u>
Totals	<u>\$ 9,964,732</u>	<u>\$ 10,872,560</u>	<u>\$ 4,069,359</u>	<u>\$ 4,355,930</u>	<u>\$ 14,034,091</u>	<u>\$ 15,228,490</u>

A summary of the City's debt activity for the year ended June 30, 2012 is detailed in Note 6 on pages 28-30 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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The City of Old Town has been preparing for its future by working on five 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 in an excellent position for new, diversified growth and economic opportunities; Airport, Airport Business Park, Old Town Enterprise Park, Stillwater Avenue and Eco-cultural Tourism. Most of these projects have had significant capital support in past years and should not need the same level of investment to support or institute their use in the future. 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 13 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.

Due to demands from Citizens not to decrease services, the City's goal is to maintain the existing level of service as we look for ways to reduce costs. The mil rate was \$18.30 in FY12 and increased to \$18.69 in FY 13. 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**

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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.

## 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, 2012, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2012, 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 November 30, 2012 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 the 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*

November 30, 2012  
Bangor, Maine

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# City of Old Town, Maine

## STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,448,367	\$ 1,363,814	\$ 2,812,181
Investments	6,941,257	-	6,941,257
Taxes receivable, net	287,477	-	287,477
Other receivables, net	441,565	400,005	841,570
Internal balances	5,660	(5,660)	-
Due from fiduciary funds	2,189	-	2,189
Due from other governments	95,557	-	95,557
Inventories	62,483	-	62,483
Prepays	21,134	-	21,134
Long-term notes and receivables, net	584,916	171,825	756,741
Due from RSU #34 for debt service payments	5,780,846	-	5,780,846
Capital Assets			
Construction in progress	2,418,885	93,288	2,512,173
Nondepreciable	1,766,779	179,427	1,946,206
Depreciable, net	12,365,540	9,668,866	22,034,406
Total capital assets	<u>16,551,204</u>	<u>9,941,581</u>	<u>26,492,785</u>
Total assets	<u>32,222,655</u>	<u>11,871,565</u>	<u>44,094,220</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	382,377	33,926	416,303
Due to other governments	26,395	-	26,395
Deferred revenues	96,132	-	96,132
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	934,225	286,572	1,220,797
Accrued interest	78,678	45,722	124,400
Compensated absences	84,751	8,122	92,873
Due in more than one year			
Bonds, capital leases and contracts	9,030,507	3,782,787	12,813,294
Compensated absences	361,306	34,332	395,638
Accrued post retirement benefits	175,055	21,357	196,412
Total liabilities	<u>11,169,426</u>	<u>4,212,818</u>	<u>15,382,244</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,367,318	5,872,222	18,239,540
Restricted for:			
Capital projects	3,174,937	1,392,143	4,567,080
Other purposes	130,127	163,409	293,536
Unrestricted	5,380,847	230,973	5,611,820
Total net assets	<u>\$ 21,053,229</u>	<u>\$ 7,658,747</u>	<u>\$ 28,711,976</u>

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

**City of Old Town, Maine**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2012

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
<b>Primary government</b>							
Governmental Activities:							
General government	\$ 1,718,026	\$ 10,965	\$ 172,051	\$ -	\$ (1,535,010)	\$ -	\$ (1,535,010)
Public safety	3,340,753	718,728	98,117	-	(2,523,908)	-	(2,523,908)
Public works	1,639,442	-	93,964	-	(1,545,478)	-	(1,545,478)
Health, welfare and sanitation	804,250	281,219	374,316	-	(148,715)	-	(148,715)
Culture and recreation	881,483	180,791	2,162	-	(698,530)	-	(698,530)
Airport	129,975	133,332	165,502	-	168,859	-	168,859
Education	5,311,120	-	-	-	(5,311,120)	-	(5,311,120)
County tax	569,530	-	-	-	(569,530)	-	(569,530)
Interest on long-term debt	203,107	-	-	-	(203,107)	-	(203,107)
Capital outlay	55,272	-	-	-	(55,272)	-	(55,272)
Total governmental activities	<u>14,652,958</u>	<u>1,325,035</u>	<u>906,112</u>	<u>-</u>	<u>(12,421,811)</u>	<u>-</u>	<u>(12,421,811)</u>
Business-type activities:							
Sewer fund	1,499,908	1,412,731	-	16,928	-	(70,249)	(70,249)
Total business-type activities	<u>1,499,908</u>	<u>1,412,731</u>	<u>-</u>	<u>16,928</u>	<u>-</u>	<u>(70,249)</u>	<u>(70,249)</u>
Total primary government	<u>\$ 16,152,866</u>	<u>\$ 2,737,766</u>	<u>\$ 906,112</u>	<u>\$ 16,928</u>	<u>(12,421,811)</u>	<u>(70,249)</u>	<u>(12,492,060)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					8,774,548	-	8,774,548
Public service taxes					1,148,662	-	1,148,662
Grants and contributions not restricted to specific programs					1,317,298	-	1,317,298
Licenses, permits and fees					197,132	-	197,132
Unrestricted investment earnings (loss)					45,802	2,058	47,860
Host benefit fee income					1,034,440	-	1,034,440
Miscellaneous revenue					1,550	-	1,550
Special items - gain on sale of asset					11,250	-	11,250
- transfer to RSU #34					(63,581)	-	(63,581)
- land contributed from Old Town Canoe					199,500	-	199,500
Total general revenues and special items					<u>12,666,601</u>	<u>2,058</u>	<u>12,668,659</u>
Change in net assets					244,790	(68,191)	176,599
Net assets - beginning					<u>20,808,439</u>	<u>7,726,938</u>	<u>28,535,377</u>
Net assets - ending					<u>\$ 21,053,229</u>	<u>\$ 7,658,747</u>	<u>\$ 28,711,976</u>

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

**City of Old Town, Maine**  
**BALANCE SHEET**  
**Governmental Funds**  
June 30, 2012

	<u>General Fund</u>	<u>Various Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,362,591	\$ -	\$ 85,776	\$ 1,448,367
Investments	5,687,906	-	1,253,351	6,941,257
Taxes receivable, net	287,477	-	-	287,477
Due from other funds	38,941	3,395,777	-	3,434,718
Receivable from other governments	95,557	-	-	95,557
Other receivables, net	986,606	40,000	-	1,026,606
Inventories	62,483	-	-	62,483
Total assets	<u>8,521,561</u>	<u>3,435,777</u>	<u>1,339,127</u>	<u>13,296,465</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	281,097	-	-	281,097
Due to other funds	3,395,777	22,407	8,685	3,426,869
Payable to other governments	26,395	-	-	26,395
Deferred revenue	379,446	-	-	379,446
Other accrued expenses	175,290	-	-	175,290
Other payables	10,866	-	-	10,866
Total liabilities	<u>4,268,871</u>	<u>22,407</u>	<u>8,685</u>	<u>4,299,963</u>
Fund balances:				
Nonspendable:				
Inventories	62,483	-	-	62,483
Loans receivable	544,645	40,000	-	584,645
Restricted	67,644	-	1,245,990	1,313,634
Committed	815,314	3,373,370	-	4,188,684
Assigned	-	-	84,452	84,452
Unassigned	2,762,604	-	-	2,762,604
Total fund balances	<u>4,252,690</u>	<u>3,413,370</u>	<u>1,330,442</u>	<u>8,996,502</u>
Total liabilities and fund balances	<u>\$ 8,521,561</u>	<u>\$ 3,435,777</u>	<u>\$ 1,339,127</u>	<u>\$ 13,296,465</u>

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

**City of Old Town, Maine**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
 June 30, 2012

Total fund balance, governmental funds		\$ 8,996,502
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Prepays are not reported as assets in the fund financial statements but are reported as assets in the governmental activities of the Statement of Net Assets.		21,134
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.		16,551,204
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.		5,780,846
Deferred property tax revenue included in fund financial statements not included in governmental activities of the Statement of Net Assets.		283,314
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.		(10,579,771)
Net Assets of Governmental Activities in the Statement of Net Assets		\$ 21,053,229

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

**City of Old Town, Maine**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
For the year ended June 30, 2012

	<u>General Fund</u>	<u>Various Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 8,735,265	\$ -	\$ -	\$ 8,735,265
Excise and miscellaneous taxes	1,148,662	-	-	1,148,662
Fees and fines	15,279	-	-	15,279
Licenses and permits	181,853	-	-	181,853
Intergovernmental	1,917,935	113,798	-	2,031,733
Charges for services	1,227,603	97,432	-	1,325,035
Investment earnings	58,160	90	(12,447)	45,803
Miscellaneous	131,959	61,268	-	193,227
Host benefit fee income	-	1,034,440	-	1,034,440
Total revenues	<u>13,416,716</u>	<u>1,307,028</u>	<u>(12,447)</u>	<u>14,711,297</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,510,389	166,123	-	1,676,512
Public safety	3,174,490	15,780	-	3,190,270
Public works	1,229,829	26,243	-	1,256,072
Health, welfare and sanitation	803,195	-	-	803,195
Culture and recreation	734,355	46,954	15,051	796,360
Airport	69,922	7,999	-	77,921
Education	5,311,120	-	-	5,311,120
County tax	569,530	-	-	569,530
Debt Service:				
Principal	337,745	-	-	337,745
Interest	209,585	-	-	209,585
Capital Outlay	708,762	-	20,000	728,762
Total expenditures	<u>14,658,922</u>	<u>263,099</u>	<u>35,051</u>	<u>14,957,072</u>
Excess (deficiency) of revenues over expenditures	<u>(1,242,206)</u>	<u>1,043,929</u>	<u>(47,498)</u>	<u>(245,775)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,586,168	680,576	11,672	2,278,416
Transfers out	(382,237)	(1,896,179)	-	(2,278,416)
Total other financing sources and uses	<u>1,203,931</u>	<u>(1,215,603)</u>	<u>11,672</u>	<u>-</u>
<b>SPECIAL ITEM</b>				
Proceeds from sale of capital assets	6,357	6,000	-	12,357
Transfer trusts to RSU #34	-	-	(63,581)	(63,581)
Total Special Items	<u>6,357</u>	<u>6,000</u>	<u>(63,581)</u>	<u>(51,224)</u>
Net change in fund balances	(31,918)	(165,674)	(99,407)	(296,999)
Fund balances - beginning	3,750,955	3,579,044	1,963,502	9,293,501
Residual equity transfer	533,653	-	(533,653)	-
Fund balances - ending	<u>\$ 4,252,690</u>	<u>\$ 3,413,370</u>	<u>\$ 1,330,442</u>	<u>\$ 8,996,502</u>

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

**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, 2012

Net change in fund balances - total governmental funds:	\$ (296,999)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p> <p>This is the amount by which depreciation, \$747,150, exceeded capital outlays, \$681,923, in the current period.</p>	(65,227)
<p>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.</p>	(1,107)
<p>Prepays are not reported as assets in the fund financial statements but are reported as assets in the governmental activities of the statement of net assets.</p>	3,158
<p>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.</p>	39,283
<p>Governmental funds report long-term debt as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term 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.</p>	343,508
<p>Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.</p>	58,195
<p>Donations of capital assets are not reported in the governmental funds because they do not provide current financial resources. In contrast, the Statement of Activities reports the capital asset and the related revenue.</p>	199,500
<p>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:</p>	
Accrued interest not reflected on governmental funds	6,478
Accrued post employment benefits	(41,999)
Change in net assets of governmental activities	\$ 244,790

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

City of Old Town, Maine  
**STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
June 30, 2012

	<b>Enterprise Funds</b>
	<b>Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,363,814
Accounts receivable, net	400,005
Other receivables	171,825
Total current assets	1,935,644
Non-current assets:	
Capital Assets	
Construction in progress	93,288
Nondepreciable	179,427
Depreciable, net	9,668,866
Total assets	11,877,225
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	25,659
Salaries payable	8,267
Accrued interest payable	45,722
Due to other funds	5,660
Compensated absences	8,122
Bonds, notes and loans payable	286,572
Total current liabilities	380,002
Non-current liabilities:	
Compensated absences	55,689
Bonds, notes and loans payable	3,782,787
Total non-current liabilities	3,838,476
Total liabilities	4,218,478
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,872,222
Restricted for capital projects	1,392,143
Restricted for other purposes	163,409
Unrestricted	230,973
Total net assets	\$ 7,658,747

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



City of Old Town, Maine  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS**  
**Proprietary Funds**  
For the year ended June 30, 2012

	<b>Enterprise Funds</b>
	<b>Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,412,731
 <b>OPERATING EXPENSES</b>	
Administration	574,868
Maintenance	70,024
Waste treatment facility	124,164
Sludge disposal	83,469
Depreciation	506,323
Total Operating Expenses	1,358,848
Operating income (loss)	53,883
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	2,058
Interest expense	(141,060)
Total non-operating revenue (expenses)	(139,002)
Income (loss) before contributions and transfers	(85,119)
Capital contributions	16,928
Change in net assets	(68,191)
Total net assets - beginning	7,726,938
Total net assets - ending	\$ 7,658,747

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

City of Old Town, Maine  
**STATEMENT OF CASH FLOWS**  
**Proprietary Fund**  
For the year ended June 30, 2012

	<b>Enterprise Fund</b>
	<b>Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from user charges	\$ 1,443,798
Payments for administrative services	(251,509)
Payments to employees	(298,230)
Payments to suppliers for goods and services	(277,657)
Net cash provided by operating activities	616,402
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Collection of notes receivable	25,317
Acquisition of capital assets	(107,781)
Interest paid on debt	(143,743)
Repayment of bonds and capital leases	(286,571)
Capital contributions	16,928
Net cash used by capital activities	(495,850)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on cash and investments	2,058
Net increase in cash and cash equivalents	122,610
Cash and cash equivalents, beginning	1,241,204
Cash and cash equivalents, ending	\$ 1,363,814
Reconciliation of operating income (loss) to net cash used by operating activities	
Operating income (loss)	\$ 53,883
Adjustments to reconcile net income (loss) to net cash flows from operating activities:	
Depreciaton	506,323
Changes in assets and liabilities	
(Increase) decrease in receivable, net	31,067
Increase (decrease) in accounts payable	21,659
Increase (decrease) in interfund payables	5,660
Increase (decrease) in accrued wages	1,593
Increase (decrease) in other accrued expenses	3,444
Increase (decrease) in compensated absences	(7,227)
Net cash provided by operating activities	\$ 616,402

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

City of Old Town, Maine  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Fiduciary Fund**  
June 30, 2012

	<b>Fiduciary Funds</b>
	<b>Private Purpose Trust Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 140
Investments:	
Other investments	2,049
Total Investments	2,049
Total assets	2,189
<b>LIABILITIES</b>	
Due to other funds	2,189
Total liabilities	2,189
<b>NET ASSETS</b>	
Reserved for endowments	-
Unreserved	-
Total net assets	\$ -

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

City of Old Town, Maine  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
For the year ended June 30, 2012

	<b>Fiduciary Funds</b>
	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Investment earnings:	
Net increase (decrease) in fair value of investments	\$ (5,512)
Total net investment earnings	(5,512)
<b>DEDUCTIONS</b>	
Trust transfer to RSU #34	742,982
Total deductions	742,982
Change in net assets	(748,494)
Net assets - beginning	748,494
Net assets - ending	\$ -

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

City of Old Town, Maine  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**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, Old Town Development, LLC. Old Town 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 Old Town 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**

Old Town 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**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.

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. Fund Balance Restrictions**

Fund balances for governmental funds have been classified in accordance with section 1800, Classification and Terminology, of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The City reported the following fund balance restrictions:

*Nonspendable Fund Balance* – indicates items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless those proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted Fund Balances* – includes balances that are legally restricted for specific purposes due to constraints that are either externally imposed by creditors, grantors, contributors, or imposed by law through a constitutional provision or enabling legislation.

*Committed Fund Balances* – indicates assets that can be used only for specific purposes pursuant to constraints imposed by a formal action of a vote of the City Council, the City's highest level of decision-making authority. This formal action is the passage of the City budget, creating, modifying, or rescinding an appropriation.

*Assigned Fund Balances* – includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

*Unassigned Fund Balance* – is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

**H. 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**H. Revenues and Expenses - Continued**

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as restricted or unrestricted, which can further be classified as committed, assigned or unassigned. The City's policy is that restricted amounts are spend first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the City's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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.

**I. 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**J. 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.

**K. Inventories**

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

**L. 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.”

**M. Transactions Between Funds**

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

**N. 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Capital Assets - Continued**

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.

**O. 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 debt is the same in the fund statements as it is in the government-wide statements.

**P. 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 1, 2011 the taxes were committed to the tax collector for collection. One half of the taxes were due on September 14, 2011 and the second half was due on March 14, 2012. Interest is assessed from September 15, 2011 and March 15, 2012 at 7.00% per year on any amount unpaid as of September 15, 2011 and March 15, 2012 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 \$18.30 per \$1,000 of assessed valuation is \$1.23 which represents the local assessment for county taxes and \$11.06 which represents the local assessment for Education. These taxes are collected by the City and forwarded as required by the taxing agency.

The 2012 tax levy is summarized as follows:

Assessed Value	
Real property	\$ 435,167,100
Personal property	45,048,800
	<u>480,215,900</u>
Tax rate (per \$1,000)	18.3
Commitment	<u>8,787,951</u>
Supplementals	1,617
Less collections and abatements	8,609,979
Receivable at June 30, 2012	<u><u>\$ 179,589</u></u>
Collection rate	97.97%

**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 40 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	\$	(13,502)
Billing revenue in expenditures - revenue		(31,455)
Billing revenue in expenditures - expenditures		31,455
Other financing source in revenue - revenue		(199,432)
Other financing source in revenue - OFS		199,432
End of year adjustment for compensated absences not recognized as expenditures		(18,415)
Net change in fund balances - GAAP basis	\$	<u>(31,917)</u>

The City also prepares its sewer fund annual budget on a basis which differs from GAAP. The budget and all transactions on page 42 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.

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	\$	(532,546)
Current year depreciation expense		(506,323)
Current year capital asset additions		107,781
Current year principal payments		286,571
Interest charges		2,683
Other post employment benefits		(4,591)
End of year adjustment for compensated absences not recognized as expenditures		8,374
Charges for services not recognized as revenue		569,860
Net change in net assets - GAAP basis	\$	<u>(68,191)</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, 2012, the City reported deposits of \$2,812,321 with bank balances of \$ 3,226,059 . Of the City’s total bank balance of \$ 3,226,059 , \$ 3,226,059 was collateralized by underlying securities held by the related bank, which were not in the City’s name.

Reported in governmental funds	\$ 1,448,367
Reported in proprietary funds	<u>1,363,814</u>
Total reported on the statement of net assets	2,812,181
Reported in private-purpose trust funds	<u>140</u>
Total Deposits	<u><u>\$ 2,812,321</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 \$6,943,306, invested in money market funds, U.S. Treasury notes, U.S. Agency notes, corporate bonds, stock mutual funds and common stock, are not exposed to custodial credit risk as the investments are in the City’s name.

*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, 2012, 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.

**3. DEPOSITS AND INVESTMENTS – Continued**

**B. Investments – Continued**

*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	\$ 1,884,748	\$ 3,330,211
U.S. Treasury Notes	-	64,663
Corporate Bonds	240,827	483,871
Total debt investments	<u>\$ 2,125,575</u>	<u>\$ 3,878,745</u>

Investments of have been reported as follows:

Reported in governmental funds	\$ 6,941,257
<i>Investments not included in government-wide statement</i>	
Reported in private-purpose trust funds	2,049
Total Investments	<u>\$ 6,943,306</u>

The City's investments by type are as follows:

U.S. Agency Notes	\$ 5,214,959
U.S. Treasury Notes	64,663
Corporate Bonds	724,698
Equities	938,986
	<u>\$ 6,943,306</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, 2012:

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
<b>Governmental Funds:</b>				
General Fund	\$ 504,691	\$ 580,916	\$ (99,000)	\$ 986,607
Capital Reserves	-	40,000	-	40,000
Total Governmental Funds	<u>504,691</u>	<u>620,916</u>	<u>\$ (99,000)</u>	<u>1,026,607</u>
Allowance for Uncollectibles	(63,000)	(36,000)		
Net Receivables	<u>\$ 441,691</u>	<u>\$ 584,916</u>		<u>\$ 1,026,607</u>
<b>Proprietary Funds:</b>				
Sewer Fund	\$ 406,757	\$ 176,073	<u>\$ (11,000)</u>	\$ 571,830
Allowance for Uncollectibles	(6,752)	(4,248)		
Net Receivables	<u>\$ 400,005</u>	<u>\$ 171,825</u>		<u>\$ 571,830</u>

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 is summarized below.

	Balance 06/30/11	Additions	Retirements	Balance 06/30/12
<b>Governmental Activities:</b>				
<i>Non-Depreciable Assets:</i>				
Land	\$ 1,073,520	\$ 199,500	\$ -	\$ 1,273,020
Construction in Progress	2,673,590	331,434	(586,138)	2,418,886
Total Non-Depreciable Assets	<u>3,747,110</u>	<u>530,934</u>	<u>(586,138)</u>	<u>3,691,906</u>
<i>Depreciable Assets:</i>				
Buildings & Improvements	7,859,533	150,912	-	8,010,445
Equipment & Furniture	3,073,004	87,337	(12,596)	3,147,745
Vehicles	2,628,169	94,623	(375,546)	2,347,246
Land Improvements	493,759	-	-	493,759
Infrastructure	5,062,826	695,727	-	5,758,553
Total Depreciable Assets	<u>19,117,291</u>	<u>1,028,599</u>	<u>(388,142)</u>	<u>19,757,748</u>
<i>Less accumulated depreciation for:</i>				
Buildings & Improvements	(1,781,088)	(179,774)	-	(1,960,862)
Equipment & Furniture	(1,958,698)	(212,249)	11,760	(2,159,187)
Vehicles	(1,545,218)	(211,194)	375,275	(1,381,137)
Land Improvements	(102,452)	(19,435)	-	(121,887)
Infrastructure	(1,086,017)	(189,360)	-	(1,275,377)
Total accumulated depreciation	<u>(6,473,473)</u>	<u>(812,012)</u>	<u>387,035</u>	<u>(6,898,450)</u>
Total capital assets being depreciated, net	<u>12,643,818</u>	<u>216,587</u>	<u>(1,107)</u>	<u>12,859,298</u>
Governmental activities capital assets, net	<u>\$ 16,390,928</u>	<u>\$ 747,521</u>	<u>\$ (587,245)</u>	<u>\$ 16,551,204</u>

**5. CAPITAL ASSETS (Continued)**

	Balance 06/30/11	Additions	Retirements	Balance 06/30/12
<b>Business-type Activities:</b>				
<i>Non-Depreciable Assets:</i>				
Land	\$ 179,427	\$ -	\$ -	\$ 179,427
Infrastructure in Process	15,500	77,788	-	93,288
Total Non-Depreciable Assets	<u>194,927</u>	<u>77,788</u>	<u>-</u>	<u>272,715</u>
<i>Depreciable Assets:</i>				
Infrastructure	3,443,387	-	-	3,443,387
Buildings and Improvements	5,682,700	-	-	5,682,700
Equipment and Furniture	6,672,805	29,993	-	6,702,798
Vehicles	406,454	-	(64,861)	341,593
Total Depreciable Assets	<u>16,205,346</u>	<u>29,993</u>	<u>(64,861)</u>	<u>16,170,478</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(626,952)	(54,776)	-	(681,728)
Buildings & Improvements	(2,182,839)	(138,827)	-	(2,321,666)
Equipment & Furniture	(2,893,821)	(273,411)	-	(3,167,232)
Vehicles	(356,538)	(39,309)	64,861	(330,986)
Total accumulated depreciation	<u>(6,060,150)</u>	<u>(506,323)</u>	<u>64,861</u>	<u>(6,501,612)</u>
Total capital assets being depreciated, net	<u>10,145,196</u>	<u>(476,330)</u>	<u>-</u>	<u>9,668,866</u>
Business-type activities capital assets, net	<u>\$ 10,340,123</u>	<u>\$ (398,542)</u>	<u>\$ -</u>	<u>\$ 9,941,581</u>

Depreciation expense for the year ended June 30, 2012 was charged as direct expense to programs as follows:

<i>Governmental Activities</i>	
General government	\$ 72,101
Public safety	168,041
Public works	385,339
Culture and recreation	63,615
Airport	58,054
Total depreciation expense - Governmental activities	<u>\$ 747,150</u>

City of Old Town, Maine  
Notes to Financial Statements – Continued  
June 30, 2012

**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, 2012

	Original Amount	Principal Balance 06/30/11	Proceeds	Payments	Principal Balance 06/30/12	Due in 1 year
<b>Governmental Debt</b>						
<b>General Obligation Bonds Payable</b>						
<i>Maine Municipal Bond Bank</i>						
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	\$ 700,000	\$ -	\$ (100,000)	\$ 600,000	\$ 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	1,500,000	-	(125,000)	1,375,000	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	6,789,720	-	(565,810)	6,223,910	565,810
2008 school renovation revolving loan fund due 2018, with annual principal payments with no interest	2,000,000	542,560	-	(67,820)	474,740	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	1,340,280	-	(70,545)	1,269,735	70,545
Total General Obligation Bonds		<u>\$ 10,872,560</u>	<u>\$ -</u>	<u>\$ (929,175)</u>	<u>\$ 9,943,385</u>	<u>\$ 929,175</u>
<b>Business-type Debt</b>						
<b>Proprietary Fund Bonds Payable</b>						
<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	1,499,999	-	(71,428)	1,428,571	71,429
2007 treatment facility construction and improvement bond, due 2022 with annual principal and semi-annual interest. Interest at 4.125%.	914,000	783,428	-	(32,642)	750,786	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	1,650,000	-	(149,999)	1,500,001	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	422,500	-	(32,499)	390,001	32,500
Total Proprietary Fund Bonds		<u>4,355,927</u>	<u>-</u>	<u>(286,568)</u>	<u>4,069,359</u>	<u>286,572</u>
Total general obligation and proprietary fund bonds payable		<u>\$ 15,228,487</u>	<u>\$ -</u>	<u>\$ (1,215,743)</u>	14,012,744	<u>\$ 1,215,747</u>
Less current portion					(1,215,747)	
					<u>\$ 12,796,997</u>	

**6. LONG-TERM DEBT – Continued**

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
2013	\$ 929,175	\$ 432,418	\$ 286,571	\$ 131,173	\$ 1,215,746	\$ 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	929,175	274,404	286,572	100,854	1,215,747	375,258
2018-2022	4,042,390	774,949	1,432,857	359,337	5,475,247	1,134,286
2023-2027	1,043,510	91,003	585,357	185,571	1,628,867	276,574
2028-2032	211,610	11,955	520,357	74,976	731,967	86,931
2033-2037	-	-	97,929	6,059	97,929	6,059
Totals	<u>\$ 9,943,385</u>	<u>\$ 2,654,242</u>	<u>\$ 4,069,359</u>	<u>\$ 1,200,136</u>	<u>\$ 14,012,744</u>	<u>\$ 3,854,378</u>

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 \$5,780,846. 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, 2012:

	Balance 06/30/11	Additions	Reductions	Balance 06/30/12	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease	\$ -	\$ 27,110	\$ 5,763	\$ 21,347	\$ 5,050
Compensated absences	512,425	71,125	137,493	446,057	84,751
Other post employment benefits	133,056	51,391	9,392	175,055	-
Total Governmental Activities	<u>\$ 645,481</u>	<u>\$ 149,626</u>	<u>\$ 152,648</u>	<u>\$ 642,459</u>	<u>\$ 89,801</u>
<b>Business-Type Activities</b>					
Compensated absences	\$ 50,828	\$ 1,350	\$ 9,724	\$ 42,454	\$ 8,122
Other post employment benefits	16,766	5,617	1,026	21,357	-
Total Business-Type Activities	<u>\$ 67,594</u>	<u>\$ 6,967</u>	<u>\$ 10,750</u>	<u>\$ 63,811</u>	<u>\$ 8,122</u>

**6. LONG-TERM DEBT – Continued**

**Obligations Under Capital Leases**

The City leases various assets under noncancelable leasing arrangements. Leases that are comparable to purchases are classified as capital leases. In the government-wide and proprietary fund statements, assets and liabilities resulting from capital leases are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed.

Most leases have cancellation clauses in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised.

At June 30, 2012 capital assets include \$27,110 of capitalized equipment in the governmental activities, net of related accumulated depreciation of \$3,614.

A summary of the noncancelable capital lease commitments to maturity follows:

<u>Year Ended June 30</u>	<u>Capital Leases</u>
2013	\$ 5,840
2014	5,840
2015	5,840
2016	5,840
Total Minimum Payments	23,360
Less: Amount Representing Interest Present Value of Future Minimum Payments	2,010
	<u>\$ 21,350</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.

**7. TAX INCREMENT FINANCING – Continued**

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

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

The percentage of TIF revenues to be returned to the Developer as part of a Credit Enhancement Agreement (CEA) is 80% for years 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, 2012 are as follows:

	Due from Other Funds	Due to Other Funds	Transfers In	Tranfers Out
General fund	\$ 38,941	\$ 3,395,777	\$ 1,586,168	\$ 382,237
Capital reserves fund	3,395,777	22,407	680,576	1,896,179
Other governmental funds	-	8,685	11,672	-
Fiduciary funds	-	2,189	-	-
Proprietary funds	-	5,660	-	-
	<u>\$ 3,434,718</u>	<u>\$ 3,434,718</u>	<u>\$ 2,278,416</u>	<u>\$ 2,278,416</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 2012, the City of Old Town, in accordance with the authorized budget, recorded several non-routine, nonrecurring transfers.

The Juniper Ridge Landfill Reserve transferred \$750,000 to the undesignated fund balance of the General Fund.

The City Hall Debt Reserve transferred \$200,000 to the General Fund City Hall Reserve, and the School Facilities Debt Reserve transferred \$200,000 to the General Fund City Facility Reserve.

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

At June 30, 2012, the enterprise fund’s restricted fund balance for other purposes was comprised of the following:

Capital outlay - equipment and facility	<u>\$ 163,409</u>
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**10. FUND BALANCES**

The City’s fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council; (3) assigned purposes, which includes residual amounts within the funds that are neither restricted nor committed.

Restricted fund balances for the year ended June 30, 2012 are as follows:

General Fund:	
Airport Master Plan	\$ 57,035
Airport Improvement	2,444
BIDE	6,319
2012 Buckle Up	1,846
Total General Fund	<u>67,644</u>
Permanent Funds:	
Cemetery	642,973
Public Library	603,017
Total Permanent Funds	<u>1,245,990</u>
Total Restricted Fund Balance	<u>\$ 1,313,634</u>

**10. FUND BALANCES – Continued**

Committed fund balances for the year ended June 30, 2012 are as follows:

General Fund:	
Employee Benefits	\$ 4,045
City Manager	6,454
Economic Development	119,921
Information Technology	19,542
Airport	60,683
Juniper Ridge Landfill	171,770
Swimming Pool	32,821
Municipal Building	8,599
Capital Projects	391,479
Total General Fund Committed Balance	<u>815,314</u>
Capital Reserves:	
TIF Financing Plan	5,068
Old Town Development LLC	231,000
Tech equipment	205,437
Heavy equipment	1,172,815
Community center reserve	28,500
Highway block grant	89,588
Municipal/public safety building	494
Economic development	27,262
Airport hangar	351,462
Industrial park	9,074
J Ridge landfill	815,452
City facilities	150,011
Debt service	167,395
Donations - library	29,790
Special recreation programs	5,069
Community festival	16,343
Concerts in the park	1,612
Skateboard park	37,776
Public safety programs	21,587
Book restoration	202
Save the pool	3,834
Library friends	3,599
Total Capital Reserves Committed Balance	<u>3,373,370</u>
Total fund balance - committed	<u>\$ 4,188,684</u>

At June 30, 2012, the governmental fund assigned fund balances were comprised of the residual balance in governmental funds other than the general fund.



**11. 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, 2012 for employees covered by this plan was \$3,150,146.

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:					
	6/30/12		6/30/11		6/30/10	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Employer	\$ 90,743	2.88%	\$ 75,380	2.23%	\$ 47,654	1.89%
Employee	\$ 213,335	6.77%	\$ 219,560	6.51%	\$ 164,982	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 \$71,844 and employees elected to defer \$155,923 for a contribution of \$227,767, for municipal employees.

**12. 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](http://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>(2,742)</u>
Annual OPEB cost	54,266
Contributions paid in 2012	<u>(7,676)</u>
Increase (decrease) in net OPEB obligation	46,590
Net OPEB obligation, beginning of year	149,822
Net OPEB obligation, end of year	<u><u>\$ 196,412</u></u>

**12. 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>
06/30/12	\$ 54,266	13.93%	\$ 196,412
06/30/11	54,265	13.93%	149,822
06/30/10	70,224	26.80%	103,233

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, 2012 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	\$ 3,675,671
UAAL as percentage of covered payroll	15.96%

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.

**12. 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%

**13. 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.

**14. CONTINGENCIES**

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.

**15. 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.

**16. ACCOUNTING CHANGES AND RESTATEMENTS**

The beginning fund balance of the General Fund, a major governmental fund, was increased by \$533,653 and other governmental funds decreased \$533,653 due to a non-major governmental fund being dissolved per City Council vote; going forward the activity will be recorded in the General Fund.

**17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 30, 2012, 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, 2012

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]
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%
2012	1/1/2011	-	586,694	586,694	0.00%	3,675,671	15.96%

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, 2012

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>REVENUES</b>					
Property Taxes	\$ 9,001,918	\$ 8,787,951	\$ 8,735,265	\$ -	\$ 8,735,265
Excise and miscellaneous taxes	1,142,014	1,142,014	1,148,662	-	1,148,662
Fees and fines	25,000	25,000	15,279	-	15,279
Licenses and permits	195,411	195,411	181,853	-	181,853
Intergovernmental	1,218,352	1,218,352	1,917,935	-	1,917,935
Charges for services	1,117,380	1,117,380	1,227,603	-	1,227,603
Investment earnings	54,000	54,000	58,160	-	58,160
Miscellaneous	385,884	385,884	347,521	(215,562)	131,959
Total revenues	<u>13,139,959</u>	<u>12,925,992</u>	<u>13,632,278</u>	<u>(215,562)</u>	<u>13,416,716</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,067,762	2,067,762	1,519,398	(9,009)	1,510,389
Public Safety	3,021,816	3,021,816	3,186,154	(11,664)	3,174,490
Public Works	1,311,043	1,311,043	1,224,648	5,181	1,229,829
Health, welfare and sanitation	794,730	794,730	803,195	-	803,195
Culture and recreation	647,129	776,818	731,902	2,453	734,355
Airport	134,561	134,561	69,922	-	69,922
Education	5,311,120	5,311,120	5,311,120	-	5,311,120
County Tax	587,664	587,664	569,530	-	569,530
Debt Service:					
Principal	337,750	337,750	337,745	-	337,745
Interest	171,996	171,996	209,585	-	209,585
Capital Outlay	1,033,947	1,151,658	708,762	-	708,762
Total Expenditures	<u>15,419,518</u>	<u>15,666,918</u>	<u>14,671,961</u>	<u>(13,039)</u>	<u>14,658,922</u>
Excess (deficiency) of revenues over expenditures	<u>(2,279,559)</u>	<u>(2,740,926)</u>	<u>(1,039,683)</u>	<u>(202,523)</u>	<u>(1,242,206)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Other source	15,000	15,000	15,325	(15,325)	-
Transfers in	1,150,000	1,150,000	1,386,736	199,432	1,586,168
Transfers out	-	-	(382,237)	-	(382,237)
Total other financing sources and uses	<u>1,165,000</u>	<u>1,165,000</u>	<u>1,019,824</u>	<u>184,107</u>	<u>1,203,931</u>
<b>SPECIAL ITEMS</b>					
Proceeds from sale of capital assets	10,000	10,000	6,357	-	6,357
Total Special Items	<u>10,000</u>	<u>10,000</u>	<u>6,357</u>	<u>-</u>	<u>6,357</u>
Net change in fund balances	(1,104,559)	(1,565,926)	(13,502)	(18,416)	(31,918)
Fund balances - beginning	3,750,955	3,750,955	3,750,955	-	3,750,955
Fund balances - ending	<u>\$ 2,646,396</u>	<u>\$ 2,185,029</u>	<u>\$ 3,737,453</u>	<u>\$ (18,416)</u>	<u>\$ 3,719,037</u>

**City of Old Town, Maine**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**General Fund**  
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 9,001,918	\$ 8,787,951	\$ 8,735,265	\$ (52,686)
Excise and miscellaneous taxes	1,142,014	1,142,014	1,148,662	6,648
Fees and fines	25,000	25,000	15,279	(9,721)
Licenses and permits	195,411	195,411	181,853	(13,558)
Intergovernmental	1,218,352	1,218,352	1,917,935	699,583
Charges for services	1,117,380	1,117,380	1,227,603	110,223
Investment earnings	54,000	54,000	58,160	4,160
Miscellaneous	385,884	385,884	347,521	(38,363)
Total revenues	13,139,959	12,925,992	13,632,278	706,286
<b>EXPENDITURES</b>				
Current:				
General government	2,067,762	2,067,762	1,519,398	548,364
Public safety	3,021,816	3,021,816	3,186,154	(164,338)
Public Works	1,311,043	1,311,043	1,224,648	86,395
Health, welfare and sanitation	794,730	794,730	803,195	(8,465)
Culture and recreation	647,129	776,818	731,902	44,916
Airport	134,561	134,561	69,922	64,639
Education	5,311,120	5,311,120	5,311,120	-
County tax	587,664	587,664	569,530	18,134
Debt Service:				
Principal	337,750	337,750	337,745	5
Interest	171,996	171,996	209,585	(37,589)
Capital Outlay	1,033,947	1,151,658	708,762	442,896
Total Expenditures	15,419,518	15,666,918	14,671,961	994,957
Excess (deficiency) of revenues over expenditures	(2,279,559)	(2,740,926)	(1,039,683)	1,701,243
<b>OTHER FINANCING SOURCES (USES)</b>				
Other source	15,000	15,000	15,325	325
Transfers in	1,150,000	1,150,000	1,386,736	236,736
Transfers out	-	-	(382,237)	(382,237)
Total other financing sources and uses	1,165,000	1,165,000	1,019,824	(145,176)
<b>SPECIAL ITEMS</b>				
Proceeds from sale of capital assets	10,000	10,000	6,357	(3,643)
Total Special Items	10,000	10,000	6,357	(3,643)
Net change in fund balances	(1,104,559)	(1,565,926)	(13,502)	\$ 1,552,424
<b>Fund balances - beginning</b>	3,750,955	3,750,955	3,750,955	
<b>Fund balances - ending</b>	\$ 2,646,396	\$ 2,185,029	\$ 3,737,453	



**City of Old Town, Maine**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**Sewer Fund**  
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>REVENUES</b>					
Charges for services	\$ 854,000	\$ 854,000	\$ 803,837	\$ 569,860	\$ 1,373,697
Other	32,000	32,000	39,034	-	39,034
Total revenues	<u>886,000</u>	<u>886,000</u>	<u>842,871</u>	<u>569,860</u>	<u>1,412,731</u>
<b>EXPENDITURES</b>					
Current:					
Administration	591,741	591,741	578,651	(3,783)	574,868
Maintenance	339,063	378,889	177,805	(107,781)	70,024
Waste treatment facility	164,800	164,800	124,164	-	124,164
Sludge disposal	83,700	83,700	83,469	-	83,469
Depreciation	-	-	-	506,323	506,323
Total Expenditures	<u>1,179,304</u>	<u>1,219,130</u>	<u>964,089</u>	<u>394,759</u>	<u>1,358,848</u>
Excess (deficiency) of revenues over expenditures	<u>(293,304)</u>	<u>(333,130)</u>	<u>(121,218)</u>	<u>175,101</u>	<u>53,883</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Debt Service:					
Principal	(286,572)	(286,572)	(286,571)	286,571	-
Interest	(145,263)	(145,263)	(143,743)	2,683	(141,060)
Investment earnings	3,000	3,000	2,058	-	2,058
Capital Contributions	-	-	16,928	-	16,928
Total other financing sources and uses	<u>(428,835)</u>	<u>(428,835)</u>	<u>(411,328)</u>	<u>289,254</u>	<u>(122,074)</u>
Net change in fund balances	(722,139)	(761,965)	(532,546)	464,355	(68,191)
<b>Net assets - beginning</b>	7,726,938	7,726,938	7,726,938	-	7,726,938
<b>Net assets - ending</b>	<u>\$ 7,004,799</u>	<u>\$ 6,964,973</u>	<u>\$ 7,194,392</u>	<u>\$ 464,355</u>	<u>\$ 7,658,747</u>

City of Old Town, Maine  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**Sewer Fund**  
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 854,000	\$ 854,000	\$ 803,837	\$ (50,163)
Other	32,000	32,000	39,034	7,034
Total revenues	<u>886,000</u>	<u>886,000</u>	<u>842,871</u>	<u>(43,129)</u>
<b>EXPENDITURES</b>				
Current:				
Administration	591,741	591,741	578,651	13,090
Maintenance	339,063	378,889	177,805	201,084
Waste treatment facility	164,800	164,800	124,164	40,636
Sludge disposal	83,700	83,700	83,469	231
Total Expenditures	<u>1,179,304</u>	<u>1,219,130</u>	<u>964,089</u>	<u>255,041</u>
Excess (deficiency) of revenues over expenditures	<u>(293,304)</u>	<u>(333,130)</u>	<u>(121,218)</u>	<u>211,912</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Service:				
Principal	(286,572)	(286,572)	(286,571)	(1)
Interest	(145,263)	(145,263)	(143,743)	(1,520)
Investment earnings	3,000	3,000	2,058	(942)
Capital Contributions	-	-	16,928	16,928
Total other financing sources and uses	<u>(428,835)</u>	<u>(428,835)</u>	<u>(411,328)</u>	<u>14,465</u>
Net change in fund balances	(722,139)	(761,965)	(532,546)	<u>\$ 229,419</u>
<b>Net assets - beginning</b>	7,726,938	7,726,938	7,726,938	
<b>Net assets - ending</b>	<u>\$ 7,004,799</u>	<u>\$ 6,964,973</u>	<u>\$ 7,194,392</u>	

City of Old Town, Maine  
**COMBINING BALANCE SHEET**  
**Other Governmental Funds**  
June 30, 2012

	<b>Cemetery</b>	<b>Public Library</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 43,660	\$ 42,116	\$ 85,776
Investments	637,959	615,392	1,253,351
Total assets	<u>681,619</u>	<u>657,508</u>	<u>1,339,127</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	-	8,685	8,685
Total liabilities	<u>-</u>	<u>8,685</u>	<u>8,685</u>
Fund balances:			
Restricted	642,973	603,017	1,245,990
Assigned	38,646	45,806	84,452
Total fund balances	<u>681,619</u>	<u>648,823</u>	<u>1,330,442</u>
Total liabilities and fund balances	<u>\$ 681,619</u>	<u>\$ 657,508</u>	<u>\$ 1,339,127</u>

City of Old Town, Maine  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
For the year ended June 30, 2012

	UDAG Loan Fund	Cemetery	Public Library	High School Library	High School Athletics	Total-Other Governmental Funds
<b>REVENUES</b>						
Investment earnings	\$ -	\$ (153)	\$ (11,815)	\$ (84)	\$ (395)	\$ (12,447)
Total revenues	<u>-</u>	<u>(153)</u>	<u>(11,815)</u>	<u>(84)</u>	<u>(395)</u>	<u>(12,447)</u>
<b>EXPENDITURES</b>						
Current:						
Culture and recreation	-	-	15,051	-	-	15,051
Capital outlay	-	20,000	-	-	-	20,000
Total Expenditures	<u>-</u>	<u>20,000</u>	<u>15,051</u>	<u>-</u>	<u>-</u>	<u>35,051</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(20,153)</u>	<u>(26,866)</u>	<u>(84)</u>	<u>(395)</u>	<u>(47,498)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	11,672	-	-	11,672
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>11,672</u>	<u>-</u>	<u>-</u>	<u>11,672</u>
<b>SPECIAL ITEM</b>						
Transfer Trusts to RSU #34	-	-	-	(1,575)	(62,006)	(63,581)
Net change in fund balances	<u>-</u>	<u>(20,153)</u>	<u>(15,194)</u>	<u>(1,659)</u>	<u>(62,401)</u>	<u>(99,407)</u>
Fund balances - beginning	533,653	701,772	664,017	1,659	62,401	1,963,502
Residual equity transfer	<u>(533,653)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(533,653)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 681,619</u>	<u>\$ 648,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,330,442</u>

**City of Old Town, Maine**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Capital Reserves**  
For the year ended June 30, 2012

	TIF Financing Plan	Old Town Development LLC	Tech Equip Reserve	Heavy Equip Reserve	Community Center Reserve	Highway Block Grant	Muni/Public Safety Bldg	Economic Development	Airport Hanger Reserve
<b>Revenues</b>									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,798	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	89,632
Interest and dividends	-	-	-	-	-	-	-	27	-
Host benefit fee income	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	16,334	-
Total revenues	-	-	-	-	-	113,798	-	16,361	89,632
<b>Expenses</b>									
General government	165,452	-	-	47	-	-	623	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	26,243	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	7,999
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenses	165,452	-	-	47	-	26,243	623	-	7,999
Excess (deficiency) of revenues over expenses	(165,452)	-	-	(47)	-	87,555	(623)	16,361	81,633
<b>Other Financing Sources (Uses)</b>									
Proceeds from sale of property	-	-	-	6,000	-	-	-	-	-
Transfer in	170,520	-	-	200,045	-	-	-	-	-
Transfer out	-	(79,790)	(3,336)	-	-	(75,000)	-	-	(33,400)
Total other financing sources (uses)	170,520	(79,790)	(3,336)	206,045	-	(75,000)	-	-	(33,400)
Net change in fund balance	5,068	(79,790)	(3,336)	205,998	-	12,555	(623)	16,361	48,233
Fund balance - Beginning	-	310,790	208,773	966,817	28,500	77,033	1,117	10,901	303,229
Fund balance - Ending	\$ 5,068	\$ 231,000	\$ 205,437	\$ 1,172,815	\$ 28,500	\$ 89,588	\$ 494	\$ 27,262	\$ 351,462

Continued

**City of Old Town, Maine**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Capital Reserves**  
For the year ended June 30, 2012

	Industrial Park Reserve	J Ridge Landfill	City Hall Reserve	City Facilities Reserve	Debt Service Airport	Library Grants	Girlstalk Grant	Madelin Lane/ Coombs Park
<b>Revenues</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	7,800	-	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-	-	-
Host benefit fee income	-	1,034,440	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	7,725	74	-
Total revenues	<u>7,800</u>	<u>1,034,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,725</u>	<u>74</u>	<u>-</u>
<b>Expenses</b>								
General government	-	-	1	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	6,923	50	-
Airports	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>6,923</u>	<u>50</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	<u>7,800</u>	<u>1,034,440</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>802</u>	<u>24</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>								
Proceeds from sale of property	-	-	-	-	-	-	-	-
Transfer in	-	-	100,000	210,011	-	-	-	-
Transfer out	-	(1,194,642)	(310,011)	(200,000)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,194,642)</u>	<u>(210,011)</u>	<u>10,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	7,800	(160,202)	(210,012)	10,011	-	802	24	-
Fund balance - Beginning	<u>1,274</u>	<u>975,654</u>	<u>210,012</u>	<u>180,000</u>	<u>167,395</u>	<u>22,101</u>	<u>197</u>	<u>407</u>
Fund balance - Ending	<u>\$ 9,074</u>	<u>\$ 815,452</u>	<u>\$ -</u>	<u>\$ 190,011</u>	<u>\$ 167,395</u>	<u>\$ 22,903</u>	<u>\$ 221</u>	<u>\$ 407</u>

Continued

**City of Old Town, Maine**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Capital Reserves**  
For the year ended June 30, 2012

	Memorial Books	Special Recreation Programs	Community Festival	Oak St. Field	Concerts in the Park	Skateboard Park	DARE	Every 15 Minutes
<b>Revenues</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	63	-	-
Host benefit fee income	-	-	-	-	-	-	-	-
Miscellaneous	7,294	-	19,016	-	2,979	-	6,082	-
Total revenues	<u>7,294</u>	<u>-</u>	<u>19,016</u>	<u>-</u>	<u>2,979</u>	<u>63</u>	<u>6,082</u>	<u>-</u>
<b>Expenses</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	9,043	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	2,357	-	26,392	128	7,110	-	-	-
Airport	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenses	<u>2,357</u>	<u>-</u>	<u>26,392</u>	<u>128</u>	<u>7,110</u>	<u>-</u>	<u>9,043</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	<u>4,937</u>	<u>-</u>	<u>(7,376)</u>	<u>(128)</u>	<u>(4,131)</u>	<u>63</u>	<u>(2,961)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>								
Proceeds from sale of property	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	4,937	-	(7,376)	(128)	(4,131)	63	(2,961)	-
Fund balance - Beginning	1,322	5,069	23,719	128	5,743	37,713	7,892	1,080
Fund balance - Ending	<u>\$ 6,259</u>	<u>\$ 5,069</u>	<u>\$ 16,343</u>	<u>\$ -</u>	<u>\$ 1,612</u>	<u>\$ 37,776</u>	<u>\$ 4,931</u>	<u>\$ 1,080</u>

Continued

**City of Old Town, Maine**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Capital Reserves**  
For the year ended June 30, 2012

	Gayle Seymour Fire Dept	EMS Adolescent Pub Rel Fund	Fire Public Rel	EMS Regionalization	Book Restoration	Save the Pool	Activities/ Library Friends	Totals
<b>Revenues</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,798
Charges for services	-	-	-	-	-	-	-	97,432
Interest and dividends	-	-	-	-	-	-	-	90
Host benefit fee income	-	-	-	-	-	-	-	1,034,440
Miscellaneous	-	660	-	-	31	-	1,073	61,268
Total revenues	<u>-</u>	<u>660</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>1,073</u>	<u>1,307,028</u>
<b>Expenses</b>								
General government	-	-	-	-	-	-	-	166,123
Public safety	-	6,737	-	-	-	-	-	15,780
Public works	-	-	-	-	-	-	-	26,243
Culture and recreation	-	-	-	-	1,798	-	2,196	46,954
Airport	-	-	-	-	-	-	-	7,999
Capital outlay	-	-	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>6,737</u>	<u>-</u>	<u>-</u>	<u>1,798</u>	<u>-</u>	<u>2,196</u>	<u>263,099</u>
Excess (deficiency) of revenues over expenses	<u>-</u>	<u>(6,077)</u>	<u>-</u>	<u>-</u>	<u>(1,767)</u>	<u>-</u>	<u>(1,123)</u>	<u>1,043,929</u>
<b>Other Financing Sources (Uses)</b>								
Proceeds from sale of property	-	-	-	-	-	-	-	6,000
Transfer in	-	-	-	-	-	-	-	680,576
Transfer out	-	-	-	-	-	-	-	(1,896,179)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,209,603)</u>
Net change in fund balance	-	(6,077)	-	-	(1,767)	-	(1,123)	(165,674)
Fund balance - Beginning	245	19,582	1,497	329	1,969	3,834	4,722	3,579,044
Fund balance - Ending	<u>\$ 245</u>	<u>\$ 13,505</u>	<u>\$ 1,497</u>	<u>\$ 329</u>	<u>\$ 202</u>	<u>\$ 3,834</u>	<u>\$ 3,599</u>	<u>\$ 3,413,370</u>



City of Old Town, Maine  
**TAXES RECEIVABLE, TAX LIENS AND TAX ACQUIRED PROPERTY**  
**General Fund**  
June 30, 2012

Taxes receivable	
2012	\$ 6,871
2011	4,011
2010	1,910
2009	264
2008	271
2007	359
2006	85
2003	1,493
Total taxes receivable	<u>15,264</u>
Tax Liens	
2011	65,321
2012	172,718
Total tax liens	<u>238,039</u>
Tax acquired property	<u>34,174</u>
Total taxes receivable, tax liens and tax acquired property	<u><u>\$ 287,477</u></u>