

City of Old Town, Maine
Financial Statements and Supplemental Data
With Independent Auditors' Report
June 30, 2013



City of Old Town, Maine

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City of Old Town, Maine
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

The Management Discussion & Analysis (MD&A) is a report of the City of Old Town for the fiscal year ending June 30, 2013. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the City's financial position, and the result of operations of the various funds, departments and accounts of the City. All disclosures necessary to enable the reader to gain accurate understanding of the City's financial activities have been included.

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

THE COMMUNITY

The City of Old Town is a unique island community that sits on the edge of the Great North Woods, on several islands in the Penobscot River. The City of Old Town has always held a close relationship to the Penobscot River – whether for log driving, powering sawmills, transportation, hydropower, or as a medium to float canoes. A thriving residential community of 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

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

FINANCIAL HIGHLIGHTS

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

- The total balance of the City's cash and cash equivalents at June 30, 2013 was \$2,824,695.
- The City's long-term debt decreased by \$1,220,795 from \$14,034,091 to \$12,813,296.
- Under the government-wide basis of reporting, the City's total net position increased by \$74,318 to \$28,786,294.
- The governmental fund balance as reported on the City's governmental fund financial statements increased by \$225,036 to \$9,221,538.
- On a budget basis, the City's actual expenditures and transfers-out exceeded its revenues and transfers-in by \$269,060. The City budgeted revenues, transfers-in, and special items of \$14,086,874, and expenditures and transfers out of \$15,097,944. Budgeted expenditures include \$815,314 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

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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net positions. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected taxes and earned but unused compensated absences.

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 4-5 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.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Fund Financial Statements – Continued

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 6-9 of this report.

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 10-12 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 City currently has no fiduciary funds.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

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 13-37 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 38-40 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 41-48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$28,786,294 as of June 30, 2013. However, of the \$28,786,294, only \$5,196,780 of governmental net position and \$291,856 of sewer net position is unrestricted and uncommitted at June 30, 2013.

A portion of the City's net position 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 position, *80.93%*, represents resources that are restricted. Unrestricted net position of \$5,488,636 or *19.07%* may be used to meet the government's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

SUMMARY OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 15,114,248	\$ 15,671,451	\$ 2,041,406	\$ 1,929,984	\$ 17,155,654	\$ 17,601,435
Capital assets	16,093,439	16,551,204	9,620,435	9,941,581	25,713,874	26,492,785
Total assets	<u>31,207,687</u>	<u>32,222,655</u>	<u>11,661,841</u>	<u>11,871,565</u>	<u>42,869,528</u>	<u>44,094,220</u>
Current Liabilities	1,395,217	1,602,558	453,003	374,342	1,848,220	1,976,900
Noncurrent Liabilities	8,670,980	9,566,868	3,554,422	3,838,476	12,225,402	13,405,344
Total liabilities	<u>10,066,197</u>	<u>11,169,426</u>	<u>4,007,425</u>	<u>4,212,818</u>	<u>14,073,622</u>	<u>15,382,244</u>
Deferred inflows of resources	<u>9,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,612</u>	<u>-</u>
Net position:						
Net investment in capital assets	12,252,347	12,367,318	5,837,647	5,872,222	18,089,994	18,239,540
Restricted	3,682,751	3,305,064	1,524,913	1,555,552	5,207,664	4,860,616
Unrestricted	<u>5,196,780</u>	<u>5,380,847</u>	<u>291,856</u>	<u>230,973</u>	<u>5,488,636</u>	<u>5,611,820</u>
Total net position	<u>\$ 21,131,878</u>	<u>\$ 21,053,229</u>	<u>\$ 7,654,416</u>	<u>\$ 7,658,747</u>	<u>\$ 28,786,294</u>	<u>\$ 28,711,976</u>

As of June 30, 2013, the City is able to report positive balances in all three categories of net position 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 position for the business-type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

The following table presents a summary of the City's operations for the fiscal year ended June 30, 2013 with comparative totals for the fiscal year ended June 30, 2012.

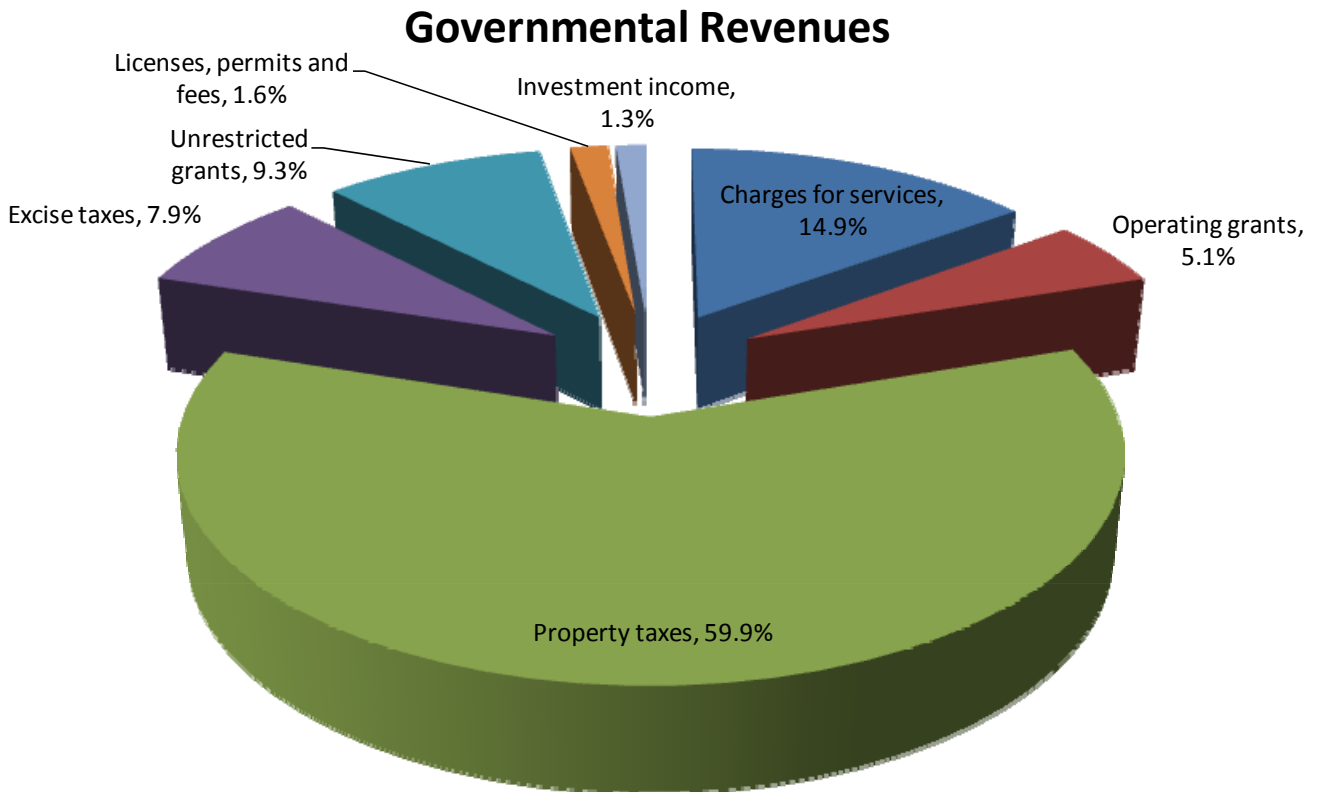
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	\$ 2,197,705	\$ 1,325,035	\$ 1,364,389	\$ 1,412,731	\$ 3,562,094	\$ 2,737,766
Operating grants & contributions	750,483	906,112	5,310	-	755,793	906,112
Capital grants & contributions	-	-	16,928	16,928	16,928	16,928
General revenues						
Property taxes levied for general purposes	8,864,545	8,774,548	-	-	8,864,545	8,774,548
Excise taxes	1,175,603	1,148,662	-	-	1,175,603	1,148,662
Grants and contributions not restricted to specific programs	1,381,004	1,317,298	-	-	1,381,004	1,317,298
Licenses, permits and fees	235,036	197,132	-	-	235,036	197,132
Unrestricted investment income	186,227	45,802	1,830	2,058	188,057	47,860
Host benefit fee income	-	1,034,440	-	-	-	1,034,440
Other	-	1,550	-	-	-	1,550
Total revenues	14,790,603	14,750,579	1,388,457	1,431,717	16,179,060	16,182,296
Expenses:						
General government	1,967,707	1,718,026	-	-	1,967,707	1,718,026
Public safety	3,220,400	3,340,753	-	-	3,220,400	3,340,753
Public works	1,522,145	1,639,442	-	-	1,522,145	1,639,442
Health, welfare and sanitation	789,102	804,250	-	-	789,102	804,250
Culture and recreation	930,198	881,483	-	-	930,198	881,483
Airport	145,304	129,975	-	-	145,304	129,975
Education	5,297,785	5,311,120	-	-	5,297,785	5,311,120
County tax	571,707	569,530	-	-	571,707	569,530
Interest on long-term debt	174,042	203,107	114,527	141,060	288,569	344,167
Capital outlay	93,768	55,272	-	-	93,768	55,272
Sewer	-	-	1,278,261	1,358,848	1,278,261	1,358,848
Total expenses	14,712,158	14,652,958	1,392,788	1,499,908	16,104,946	16,152,866
Excess (deficiency) before special items	78,445	97,621	(4,331)	(68,191)	74,114	29,430
Special Items						
Gain/(loss) on disposition of assets	(12,746)	11,250	-	-	(12,746)	11,250
Transfer (to)/from RSU #34	-	(63,581)	-	-	-	(63,581)
Contributions	12,950	199,500	-	-	12,950	199,500
Change in net position	78,649	244,790	(4,331)	(68,191)	74,318	176,599
Beginning net position	21,053,229	20,808,439	7,658,747	7,726,938	28,711,976	28,535,377
Ending net position	\$ 21,131,878	\$ 21,053,229	\$ 7,654,416	\$ 7,658,747	\$ 28,786,294	\$ 28,711,976

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

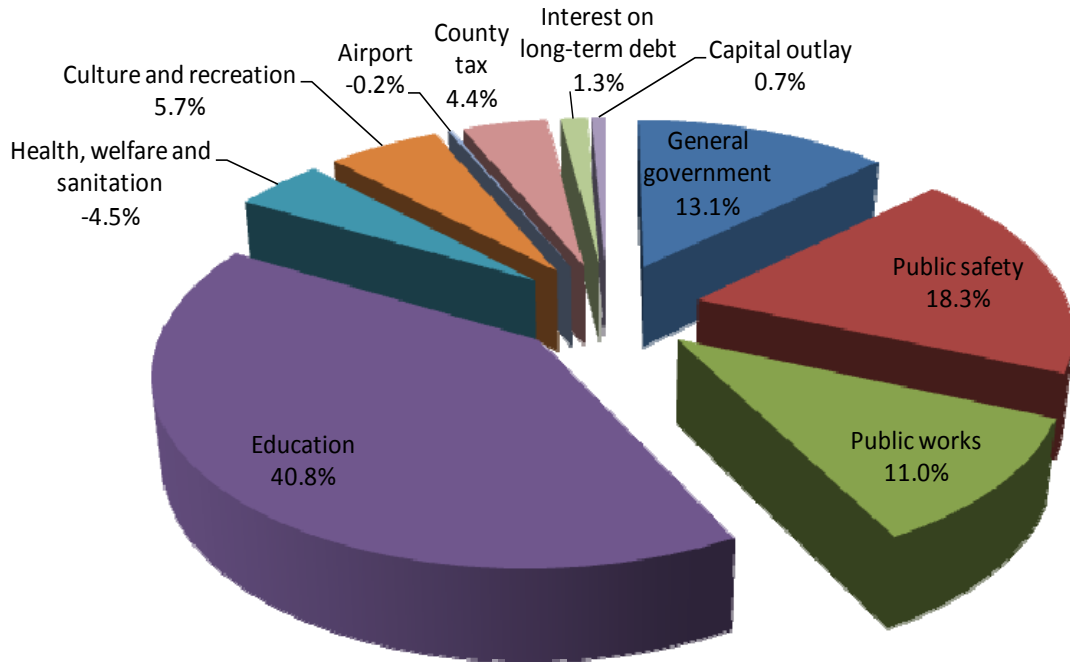
Analysis of the City's Operations

Overall the City had an increase in net position of \$74,318.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2013.



Governmental Activities



Governmental Activities

Governmental activities increased its net position by \$78,649. Net investment in capital assets decreased by \$114,971, or 0.93%, due to a net change in additions, retirements, and depreciation. Unrestricted net position decreased by \$184,067, or 3.42%.

Total revenues for governmental activities increased from the prior year by \$40,024. Of this amount, charges for services increased \$872,670, or 65.86% over prior year. Operating grants and contributions decreased \$155,629, or 17.18% from the prior fiscal year; capital grants and contributions had no change from the prior fiscal year. Property taxes increased \$89,997, or 1.03%.

Expenses of governmental activities include depreciation expense of \$748,309, an increase of 11.26% over the prior fiscal year. Depreciation expense has been allocated and is included in the various function/program expenses of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

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

	Governmental Activities			
	Total Cost		Net Cost	
	2013	2012	2013	2012
General government	\$ 1,967,707	\$ 1,718,026	\$ 1,695,480	\$ 1,535,010
Public Safety	3,220,400	3,340,753	2,375,694	2,523,908
Public Works	1,522,145	1,639,442	1,424,858	1,545,478
Education	5,297,785	5,311,120	5,297,785	5,311,120
	<u>\$ 12,008,037</u>	<u>\$ 12,009,341</u>	<u>\$ 10,793,817</u>	<u>\$ 10,915,516</u>

Business-type Activities

Net position from business-type activities decreased by \$4,331, 0.06%, from \$7,658,747 to \$7,654,416. This decrease was primarily due to the sewer fee structure being insufficient to support the cost of operations.

Charges for services decreased \$48,342, or 3.42%, from the prior year, while expenses decreased \$107,120. Depreciation expense decreased from \$506,323 to \$479,721, or \$26,602, from the prior year.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balance of \$9,221,538, \$225,036 higher than the previous year. Approximately \$2,512,263 of this amount, or 27.24%, constitutes unassigned fund balance, a decrease of \$250,341 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.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued

Total governmental fund expenditures for the year were \$14,577,772, representing a decrease of \$379,300, or 2.5% from the previous fiscal year. The City paid \$387,727 in capital outlays which includes the acquisition of police vehicles, a truck, airport improvements as well as several other projects.

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 position of the sewer fund was \$291,856 which represents a \$60,883 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 \$1,248,563. Actual revenues were more than budgeted; in addition actual expenses were less than budgeted and transfers were more than budgeted, therefore, the actual fund balance decrease for fiscal year 2013 was \$269,060 on a budget basis.

Revenues from property taxes totaled \$8,865,681. Charges for services accounted for \$2,098,720 and intergovernmental revenue accounted for \$1,793,921 of total revenue of \$14,468,745 on a budget basis. Revenues from property taxes increased by \$130,416, revenues from charges for services increased by \$871,117 and revenues from intergovernmental sources decreased by \$124,014 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 \$184,857 or 1.2%. 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

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$25,713,874, 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 include police vehicles, a truck, continuation of the airport runway improvement projects and sewer improvements. The following summarizes capital assets at year end:

	Capital Assets at Year-End (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land & improvements	\$ 1,792,579	\$ 1,766,779	\$ 179,427	\$ 179,427	\$ 1,972,006	\$ 1,946,206
Construction in Progress	2,553,171	2,418,885	247,657	93,288	2,800,828	2,512,173
Infrastructure	5,758,552	5,758,552	3,443,387	3,443,387	9,201,939	9,201,939
Buildings & Improvements	8,072,356	8,010,445	5,682,700	5,682,700	13,755,056	13,693,145
Equipment	3,153,846	3,147,746	6,707,004	6,702,798	9,860,850	9,850,544
Vehicles	2,120,309	2,347,246	341,593	341,593	2,461,902	2,688,839
Total capital assets	23,450,813	23,449,653	16,601,768	16,443,193	40,052,581	39,892,846
Accumulated depreciation	(7,357,374)	(6,898,449)	(6,981,333)	(6,501,612)	(14,338,707)	(13,400,061)
Capital assets, net	<u>\$ 16,093,439</u>	<u>\$ 16,551,204</u>	<u>\$ 9,620,435</u>	<u>\$ 9,941,581</u>	<u>\$ 25,713,874</u>	<u>\$ 26,492,785</u>

Additional information on the City's capital assets can be found in Note 5 on pages 25-26 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Debt Administration

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

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Bonds Payable	\$ 9,014,210	\$ 9,943,385	\$ 3,782,788	\$ 4,069,359	\$ 12,796,998	\$ 14,012,744
Capital Lease Obligations	16,298	21,347	-	-	16,298	21,347
Totals	<u>\$ 9,030,508</u>	<u>\$ 9,964,732</u>	<u>\$ 3,782,788</u>	<u>\$ 4,069,359</u>	<u>\$ 12,813,296</u>	<u>\$ 14,034,091</u>

A summary of the City's debt activity for the year ended June 30, 2013 is detailed in Note 6 on pages 27-29 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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 14 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 \$18.69 in FY13 and increased to \$19.62 in FY14. During the past 15 years the total increase to the City budget has averaged at or below the cost of living.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - Continued

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

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

REQUEST FOR INFORMATION

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

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Old Town, Maine

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

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 on pages *i - xiv*, 38 and 39 - 40 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.

Other Information

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 proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, and tax receivable schedule, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, and tax receivable schedule are the responsibility of management and were 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

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generally accepted in the United States of America. In our opinion, the proprietary fund budgetary comparison schedules, combining and individual nonmajor fund financial statements, and tax receivable schedule are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2013 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* in considering the City of Old Town's internal control over financial reporting and compliance.

Roy & Associates, CPAs, P.A.

November 29, 2013
Bangor, Maine

City of Old Town, Maine

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,823,403	\$ 1,001,292	\$ 2,824,695
Investments	6,900,460	397,138	7,297,598
Taxes receivable, net	310,435	-	310,435
Other receivables, net	330,825	397,148	727,973
Internal balances	5,265	(5,265)	-
Due from other governments	42,277	5,310	47,587
Inventories	30,224	-	30,224
Prepays	22,790	100,268	123,058
Long-term notes and receivables, net	459,153	145,515	604,668
Due from RSU #34 for debt service payments	5,189,416	-	5,189,416
Capital Assets			
Nondepreciable	4,345,750	427,084	4,772,834
Depreciable, net	11,747,689	9,193,351	20,941,040
Total assets	31,207,687	11,661,841	42,869,528
LIABILITIES			
Accounts payable and accrued expenses	315,358	114,752	430,110
Due to other governments	27,215	-	27,215
Long-term liabilities			
Due within one year			
Bonds and notes payable	929,175	286,572	1,215,747
Accrued interest	72,091	43,428	115,519
Capital leases	5,237	-	5,237
Compensated absences	46,141	8,251	54,392
Due in more than one year			
Bonds and notes payable	8,085,035	3,496,216	11,581,251
Capital leases	11,061	-	11,061
Compensated absences	361,306	33,005	394,311
Accrued post retirement benefits	213,578	25,201	238,779
Total liabilities	10,066,197	4,007,425	14,073,622
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	9,612	-	9,612
Total deferred inflows of resources	9,612	-	9,612
NET POSITION			
Net investment in capital assets	12,252,347	5,837,647	18,089,994
Restricted for:			
Capital projects	3,610,377	1,312,832	4,923,209
Other purposes	72,374	212,081	284,455
Unrestricted	5,196,780	291,856	5,488,636
Total net position	\$ 21,131,878	\$ 7,654,416	\$ 28,786,294

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, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental Activities:							
General government	\$ 1,967,707	\$ 5,761	\$ 266,466	\$ -	\$ (1,695,480)	\$ -	\$ (1,695,480)
Public safety	3,220,400	752,069	92,637	-	(2,375,694)	-	(2,375,694)
Public works	1,522,145	-	97,287	-	(1,424,858)	-	(1,424,858)
Health, welfare and sanitation	789,102	1,127,347	251,999	-	590,244	-	590,244
Culture and recreation	930,198	185,560	1,536	-	(743,102)	-	(743,102)
Airport	145,304	126,968	40,558	-	22,222	-	22,222
Education	5,297,785	-	-	-	(5,297,785)	-	(5,297,785)
County tax	571,707	-	-	-	(571,707)	-	(571,707)
Interest on long-term debt	174,042	-	-	-	(174,042)	-	(174,042)
Capital outlay	93,768	-	-	-	(93,768)	-	(93,768)
Total governmental activities	<u>14,712,158</u>	<u>2,197,705</u>	<u>750,483</u>	<u>-</u>	<u>(11,763,970)</u>	<u>-</u>	<u>(11,763,970)</u>
Business-type activities:							
Sewer fund	1,392,788	1,364,389	5,310	16,928	-	(6,161)	(6,161)
Total business-type activities	<u>1,392,788</u>	<u>1,364,389</u>	<u>5,310</u>	<u>16,928</u>	<u>-</u>	<u>(6,161)</u>	<u>(6,161)</u>
Total primary government	<u>\$ 16,104,946</u>	<u>\$ 3,562,094</u>	<u>\$ 755,793</u>	<u>\$ 16,928</u>	<u>(11,763,970)</u>	<u>(6,161)</u>	<u>(11,770,131)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					8,864,545	-	8,864,545
Public service taxes					1,175,603	-	1,175,603
Grants and contributions not restricted to specific programs					1,381,004	-	1,381,004
Licenses, permits and fees					235,036	-	235,036
Unrestricted investment earnings (loss)					186,227	1,830	188,057
Special items - gain (loss) on disposition of asset					(12,746)	-	(12,746)
- contributions					12,950	-	12,950
Total general revenues and special items					<u>11,842,619</u>	<u>1,830</u>	<u>11,844,449</u>
Change in net assets					78,649	(4,331)	74,318
Net position - beginning					<u>21,053,229</u>	<u>7,658,747</u>	<u>28,711,976</u>
Net position - ending					<u>\$ 21,131,878</u>	<u>\$ 7,654,416</u>	<u>\$ 28,786,294</u>

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

City of Old Town, Maine
BALANCE SHEET
Governmental Funds
June 30, 2013

	General Fund	Various Capital Reserves	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,748,778	\$ -	\$ 74,625	\$ 1,823,403
Investments	5,566,855	-	1,333,605	6,900,460
Taxes receivable, net	310,435	-	-	310,435
Due from other funds	31,131	3,796,933	-	3,828,064
Receivable from other governments	42,277	-	-	42,277
Other receivables, net	769,978	20,000	-	789,978
Inventories	30,224	-	-	30,224
Total assets	<u>8,499,678</u>	<u>3,816,933</u>	<u>1,408,230</u>	<u>13,724,841</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	252,930	-	-	252,930
Due to other funds	3,796,933	22,407	3,459	3,822,799
Payable to other governments	27,215	-	-	27,215
Other accrued expenses	114,124	-	-	114,124
Other payables	(5,555)	-	-	(5,555)
Total liabilities	<u>4,185,647</u>	<u>22,407</u>	<u>3,459</u>	<u>4,211,513</u>
Deferred inflows of resources:				
Prepaid property taxes	9,612	-	-	9,612
Unavailable revenues	282,178	-	-	282,178
Total deferred inflows of resources	<u>291,790</u>	<u>-</u>	<u>-</u>	<u>291,790</u>
Fund balances:				
Nonspendable:				
Inventories	30,224	-	-	30,224
Loans receivable	470,272	20,000	-	490,272
Restricted	42,150	-	1,341,777	1,383,927
Committed	967,332	3,774,526	-	4,741,858
Assigned	-	-	62,994	62,994
Unassigned	2,512,263	-	-	2,512,263
Total fund balances	<u>4,022,241</u>	<u>3,794,526</u>	<u>1,404,771</u>	<u>9,221,538</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,499,678</u>	<u>\$ 3,816,933</u>	<u>\$ 1,408,230</u>	<u>\$ 13,724,841</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 POSITION**
 June 30, 2013

Total fund balance, governmental funds		\$ 9,221,538
<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.		22,790
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.		16,093,439
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.		5,189,416
Deferred property tax revenue included in fund financial statements not included in governmental activities of the Statement of Net Assets.		282,178
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.		(9,677,483)
Net Assets of Governmental Activities in the Statement of Net Position		\$ 21,131,878

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, 2013

	<u>General Fund</u>	<u>Various Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 8,865,681	\$ -	\$ -	\$ 8,865,681
Excise and miscellaneous taxes	1,175,603	-	-	1,175,603
Fees and fines	16,552	-	-	16,552
Licenses and permits	218,484	-	-	218,484
Intergovernmental	1,793,921	108,631	-	1,902,552
Charges for services	2,098,720	98,985	-	2,197,705
Investment earnings	63,509	110	122,608	186,227
Miscellaneous	158,251	70,684	-	228,935
Total revenues	<u>14,390,721</u>	<u>278,410</u>	<u>122,608</u>	<u>14,791,739</u>
EXPENDITURES				
Current:				
General government	1,694,199	198,943	-	1,893,142
Public safety	3,035,017	4,993	-	3,040,010
Public works	1,126,663	-	-	1,126,663
Health, welfare and sanitation	788,131	-	-	788,131
Culture and recreation	777,036	46,533	28,279	851,848
Airport	103,175	-	-	103,175
Education	5,297,785	-	-	5,297,785
County tax	571,707	-	-	571,707
Debt Service:				
Principal	337,746	-	-	337,746
Interest	179,838	-	-	179,838
Capital Outlay	367,727	-	20,000	387,727
Total expenditures	<u>14,279,024</u>	<u>250,469</u>	<u>48,279</u>	<u>14,577,772</u>
Excess (deficiency) of revenues over expenditures	<u>111,697</u>	<u>27,941</u>	<u>74,329</u>	<u>213,967</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	338,888	595,870	-	934,758
Transfers out	(693,453)	(241,305)	-	(934,758)
Total other financing sources and uses	<u>(354,565)</u>	<u>354,565</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM				
Proceeds from disposition of capital assets	12,419	(1,350)	-	11,069
Total Special Items	<u>12,419</u>	<u>(1,350)</u>	<u>-</u>	<u>11,069</u>
Net change in fund balances	(230,449)	381,156	74,329	225,036
Fund balances - beginning	<u>4,252,690</u>	<u>3,413,370</u>	<u>1,330,442</u>	<u>8,996,502</u>
Fund balances - ending	<u>\$ 4,022,241</u>	<u>\$ 3,794,526</u>	<u>\$ 1,404,771</u>	<u>\$ 9,221,538</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, 2013

Net change in fund balances - total governmental funds:	\$ 225,036
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
This is the amount by which depreciation, \$748,309, exceeded capital outlays, \$314,359, in the current period.	(433,950)
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.	(23,815)
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.	1,656
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.	(1,136)
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.	343,585
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest not reflected on governmental funds	5,796
Accrued post employment benefits	(38,523)
Change in net position of governmental activities	\$ 78,649

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

City of Old Town, Maine
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2013

	Enterprise Funds
	Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,001,292
Investments	397,138
Accounts receivable, net	397,148
Receivables from other governments	5,310
Other receivables	145,515
Prepaid Expenses	100,268
Total current assets	2,046,671
Non-current assets:	
Capital Assets	
Construction in progress	247,657
Nondepreciable	179,427
Depreciable, net	9,193,351
Total non-current assets	9,620,435
Total assets	11,667,106
LIABILITIES	
Current Liabilities:	
Accounts payable	109,211
Salaries payable	5,541
Accrued interest payable	43,428
Due to other funds	5,265
Compensated absences	8,251
Bonds, notes and loans payable	286,572
Total current liabilities	458,268
Non-current liabilities:	
Compensated absences	58,206
Bonds, notes and loans payable	3,496,216
Total non-current liabilities	3,554,422
Total liabilities	4,012,690
NET POSITION	
Net investment in capital assets	5,837,647
Restricted for capital projects	1,312,832
Restricted for other purposes	212,081
Unrestricted	291,856
Total net position	\$ 7,654,416

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 POSITION
Proprietary Funds
For the year ended June 30, 2013

	<u>Enterprise Funds</u>
	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,364,389
Total operating revenues	<u>1,364,389</u>
OPERATING EXPENSES	
Administration	554,231
Maintenance	54,174
Waste treatment facility	123,729
Sludge disposal	66,406
Depreciation	479,721
Total Operating Expenses	<u>1,278,261</u>
Operating income (loss)	<u>86,128</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	1,830
Interest expense	(114,527)
Total non-operating revenue (expenses)	<u>(112,697)</u>
Income (loss) before contributions and transfers	(26,569)
Capital contributions	22,238
Change in net position	<u>(4,331)</u>
Total net position - beginning	7,658,747
Total net position - ending	<u>\$ 7,654,416</u>

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, 2013

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 1,361,936
Payments for administrative services	(300,464)
Payments to employees	(270,958)
Payments to suppliers for goods and services	(244,309)
Net cash provided by operating activities	546,205
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Collection of notes receivable	26,310
Acquisition of capital assets	(158,575)
Interest paid on debt	(116,821)
Repayment of bonds and capital leases	(286,571)
Capital contributions	22,238
Net cash used by capital activities	(513,419)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(397,138)
Interest on cash and investments	1,830
Net cash used by investing activities	(395,308)
Net increase in cash and cash equivalents	(362,522)
Cash and cash equivalents, beginning	1,363,814
Cash and cash equivalents, ending	\$ 1,001,292
Reconciliation of operating income (loss) to net cash used by operating activities	
Operating income (loss)	\$ 86,128
Adjustments to reconcile net income (loss) to net cash flows from operating activities:	
Depreciaton	479,721
Changes in assets and liabilities	
(Increase) decrease in receivable, net	(2,453)
(Increase) decrease in prepaid expenses	(100,268)
Increase (decrease) in accounts payable	83,552
Increase (decrease) in interfund payables	(395)
Increase (decrease) in accrued wages	(2,726)
Increase (decrease) in other accrued expenses	2,517
Increase (decrease) in compensated absences	129
Net cash provided by operating activities	\$ 546,205

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

City of Old Town, Maine
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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. 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity within the governmental and business-type activities columns, if applicable, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds and/or component units that are fiduciary in nature are not included in government-wide financial statements.

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

Fund Financial Statements

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

C. Governmental Funds

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Governmental Funds - Continued

The City has presented the following governmental funds:

General Fund

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Capital Reserves Fund

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

D. Proprietary Funds

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

The City has presented the following major proprietary fund:

Enterprise Fund

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fiduciary funds are not included in the government-wide statements. The City currently has no fiduciary funds.

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 accepted 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 Position

Net position represent the difference between assets and liabilities. Net investment in capital assets 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, 2012 the taxes were committed to the tax collector for collection. One half of the taxes were due on September 19, 2012 and the second half was due on March 20, 2013. Interest is assessed from September 20, 2012 and March 21, 2013 at 7.00% per year on any amount unpaid as of September 20, 2012 and March 21, 2013 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 \$18.69 per \$1,000 of assessed valuation is \$1.19 which represents the local assessment for county taxes and \$11.07 which represents the local assessment for Education. These taxes are collected by the City and forwarded as required by the taxing agency.

The 2013 tax levy is summarized as follows:

Assessed Value	
Real property	\$ 435,114,100
Personal property	43,655,300
	<u>478,769,400</u>
Tax rate (per \$1,000)	18.69
Commitment	<u>8,948,200</u>
Supplementals	5,366
Less collections and abatements	8,775,204
Receivable at June 30, 2013	<u><u>\$ 178,362</u></u>
Collection rate	98.07%

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 39 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	\$ (269,060)
Billing revenue in expenditures - revenue	(30,402)
Billing revenue in expenditures - expenditures	30,402
Other financing source in revenue - revenue	(61,633)
Other financing source in revenue - OFS	61,633
End of year adjustment for compensated absences not recognized as expenditures	38,611
Net change in fund balances - GAAP basis	<u><u>\$ (230,449)</u></u>

The City also prepares its sewer fund annual budget on a basis which differs from GAAP. The budget and all transactions on page 41 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 position - budget basis	\$ (424,741)
Current year depreciation expense	(479,721)
Current year capital asset additions	68,734
Current year principal payments	286,571
Interest charges	2,294
Other post employment benefits	(3,844)
End of year adjustment for compensated absences not recognized as expenditures	1,198
Charges for services not recognized as revenue	545,178
Net change in net position - GAAP basis	<u><u>\$ (4,331)</u></u>

3. DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2013, the City reported deposits of \$2,824,695 with bank balances of \$2,824,554. Of the City’s total bank balance of \$2,824,554, \$2,824,554 was collateralized by underlying securities held by the related bank, which were not in the City’s name.

Reported in governmental funds	\$ 1,823,403
Reported in proprietary funds	<u>1,001,292</u>
Total Deposits	<u><u>\$ 2,824,695</u></u>

B. Investments

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

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments. The City does not have an investment policy for custodial credit risk. The City’s investments of \$7,297,598, 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, 2013, 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.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. The City's total investments by credit quality rating as of June 30, 2013 are:

	<u>AA+</u>	<u>Not Rated</u>	<u>Total</u>
U.S. Agency Notes	\$ 4,682,850	\$ 203,559	\$ 4,886,409
U.S. Treasury Notes	-	63,677	63,677
	<u><u>\$ 4,682,850</u></u>	<u><u>\$ 267,236</u></u>	<u><u>\$ 4,950,086</u></u>

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	\$ 2,148,125	\$ 2,738,284
U.S. Treasury Notes	-	63,677
Corporate Bonds	240,314	241,846
Repurchase Agreements	798,979	-
Total debt investments	<u>\$ 3,187,418</u>	<u>\$ 3,043,807</u>

Investments of have been reported as follows:

Reported in governmental funds	<u>\$ 7,297,598</u>
Total Investments	<u>\$ 7,297,598</u>

The City's investments by type are as follows:

U.S. Agency Notes	\$ 4,886,409
U.S. Treasury Notes	63,677
Corporate Bonds	482,160
Repurchase Agreements	798,979
Mutual Funds	88,587
Equities	977,786
	<u>\$ 7,297,598</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, 2013:

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:				
General Fund	\$ 388,825	\$ 469,153	\$ (88,000)	\$ 769,978
Capital Reserves	-	20,000	-	20,000
Total Governmental Funds	<u>388,825</u>	<u>489,153</u>	<u>\$ (88,000)</u>	<u>789,978</u>
Allowance for Uncollectibles	(58,000)	(30,000)		
Net Receivables	<u>\$ 330,825</u>	<u>\$ 459,153</u>		<u>\$ 789,978</u>
Proprietary Funds:				
Sewer Fund	\$ 428,148	\$ 153,515	\$ (39,000)	\$ 542,663
Allowance for Uncollectibles	(31,000)	(8,000)		
Net Receivables	<u>\$ 397,148</u>	<u>\$ 145,515</u>		<u>\$ 542,663</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is summarized below.

	Balance 06/30/12	Additions	Retirements	Balance 06/30/13
Governmental Activities:				
<i>Non-Depreciable Assets:</i>				
Land	\$ 1,273,020	\$ 2,100	\$ -	\$ 1,275,120
Construction in Progress	2,418,886	134,286	-	2,553,172
Total Non-Depreciable Assets	<u>3,691,906</u>	<u>136,386</u>	<u>-</u>	<u>3,828,292</u>
<i>Depreciable Assets:</i>				
Buildings & Improvements	8,010,445	61,911	-	8,072,356
Equipment & Furniture	3,147,745	6,100	-	3,153,845
Vehicles	2,347,246	86,262	(313,199)	2,120,309
Land Improvements	493,759	23,700	-	517,459
Infrastructure	5,758,553	-	-	5,758,553
Total Depreciable Assets	<u>19,757,748</u>	<u>177,973</u>	<u>(313,199)</u>	<u>19,622,522</u>
<i>Less accumulated depreciation for:</i>				
Buildings & Improvements	(1,960,862)	(184,425)	-	(2,145,287)
Equipment & Furniture	(2,159,187)	(198,324)	-	(2,357,511)
Vehicles	(1,381,137)	(139,293)	289,384	(1,231,046)
Land Improvements	(121,887)	(19,817)	-	(141,704)
Infrastructure	(1,275,377)	(206,450)	-	(1,481,827)
Total accumulated depreciation	<u>(6,898,450)</u>	<u>(748,309)</u>	<u>289,384</u>	<u>(7,357,375)</u>
Total capital assets being depreciated, net	<u>12,859,298</u>	<u>(570,336)</u>	<u>(23,815)</u>	<u>12,265,147</u>
Governmental activities capital assets, net	<u>\$ 16,551,204</u>	<u>\$ (433,950)</u>	<u>\$ (23,815)</u>	<u>\$ 16,093,439</u>

5. CAPITAL ASSETS (Continued)

	Balance 06/30/12	Additions	Retirements	Balance 06/30/13
Business-type Activities:				
<i>Non-Depreciable Assets:</i>				
Land	\$ 179,427	\$ -	\$ -	\$ 179,427
Infrastructure in Process	93,288	154,369	-	247,657
Total Non-Depreciable Assets	<u>272,715</u>	<u>154,369</u>	<u>-</u>	<u>427,084</u>
<i>Depreciable Assets:</i>				
Infrastructure	3,443,387	-	-	3,443,387
Buildings and Improvements	5,682,700	-	-	5,682,700
Equipment and Furniture	6,702,798	4,206	-	6,707,004
Vehicles	341,593	-	-	341,593
Total Depreciable Assets	<u>16,170,478</u>	<u>4,206</u>	<u>-</u>	<u>16,174,684</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(681,728)	(54,776)	-	(736,504)
Buildings & Improvements	(2,321,666)	(138,827)	-	(2,460,493)
Equipment & Furniture	(3,167,232)	(275,512)	-	(3,442,744)
Vehicles	(330,986)	(10,606)	-	(341,592)
Total accumulated depreciation	<u>(6,501,612)</u>	<u>(479,721)</u>	<u>-</u>	<u>(6,981,333)</u>
Total capital assets being depreciated, net	<u>9,668,866</u>	<u>(475,515)</u>	<u>-</u>	<u>9,193,351</u>
Business-type activities capital assets, net	<u>\$ 9,941,581</u>	<u>\$ (321,146)</u>	<u>\$ -</u>	<u>\$ 9,620,435</u>

Depreciation expense for the year ended June 30, 2013 was charged as direct expense to programs as follows:

<i>Governmental Activities</i>	
General government	\$ 70,771
Public safety	167,349
Public works	387,460
Culture and recreation	60,200
Airport	62,529
Total depreciation expense - Governmental activities	<u>\$ 748,309</u>

Total interest costs of \$288,569 were incurred during the year ending June 30, 2013. All interest was expensed.

City of Old Town, Maine
Notes to Financial Statements – Continued
June 30, 2013

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, 2013

	Original Amount	Principal Balance 06/30/12	Proceeds	Payments	Principal Balance 06/30/13	Due in 1 year
Governmental Debt						
General Obligation Bonds Payable						
<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	\$ 600,000	\$ -	\$ (100,000)	\$ 500,000	\$ 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	1,375,000	-	(125,000)	1,250,000	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	6,223,910	-	(565,810)	5,658,100	565,810
2008 school renovation revolving loan fund due 2018, with annual principal payments with no interest	2,000,000	474,740	-	(67,820)	406,920	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	1,269,735	-	(70,545)	1,199,190	70,545
Total General Obligation Bonds		<u>\$ 9,943,385</u>	<u>\$ -</u>	<u>\$ (929,175)</u>	<u>\$ 9,014,210</u>	<u>\$ 929,175</u>
Business-type Debt						
Proprietary Fund Bonds Payable						
<i>Rural Development</i>						
2003 treatment facility construction and improvements bond, due 2031 with annual principal and semi-annual interest. Interest at 4.250%.	2,000,000	1,428,571	-	(71,428)	1,357,143	71,429
2007 treatment facility construction and improvement bond, due 2022 with annual principal and semi-annual interest. Interest at 4.125%.	914,000	750,786	-	(32,643)	718,143	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	1,500,001	-	(150,000)	1,350,001	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	390,001	-	(32,500)	357,501	32,500
Total Proprietary Fund Bonds		<u>4,069,359</u>	<u>-</u>	<u>(286,571)</u>	<u>3,782,788</u>	<u>286,572</u>
Total general obligation and proprietary fund bonds payable		<u>\$ 14,012,744</u>	<u>\$ -</u>	<u>\$ (1,215,746)</u>	12,796,998	<u>\$ 1,215,747</u>
Less current portion					<u>(1,215,747)</u>	
					<u>\$ 11,581,251</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
2014	\$ 929,175	\$ 407,152	\$ 286,571	\$ 122,701	\$ 1,215,746	\$ 529,853
2015	929,175	370,762	286,571	114,229	1,215,746	484,991
2016	929,170	332,266	286,571	105,236	1,215,741	437,502
2017	929,170	290,044	286,571	100,854	1,215,741	390,898
2018	929,170	248,673	286,571	88,812	1,215,741	337,485
2019-2023	3,874,570	578,908	1,282,857	316,976	5,157,427	895,884
2024-2028	352,700	59,653	552,857	162,880	905,557	222,533
2029-2033	141,080	5,314	448,928	54,582	590,008	59,896
2034-2038	-	-	65,291	2,693	65,291	2,693
Totals	\$ 9,014,210	\$ 2,292,772	\$ 3,782,788	\$ 1,068,963	\$ 12,796,998	\$ 3,361,735

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 \$5,189,416. This obligation has been recorded as a long-term receivable from RSU #34 on the entity wide statement of net position.

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, 2013:

	Balance 06/30/12	Additions	Reductions	Balance 06/30/13	Due Within One Year
Governmental Activities:					
Capital lease	\$ 21,347	\$ -	\$ 5,049	\$ 16,298	\$ 5,237
Compensated absences	446,057	44,856	83,466	407,447	46,141
Other post employment benefits	175,055	50,669	12,146	213,578	-
Total Governmental Activities	\$ 642,459	\$ 95,525	\$ 100,661	\$ 637,323	\$ 51,378
Business-Type Activities					
Compensated absences	\$ 42,454	\$ 2,039	\$ 3,237	\$ 41,256	\$ 8,251
Other post employment benefits	21,357	5,056	1,212	25,201	-
Total Business-Type Activities	\$ 63,811	\$ 7,095	\$ 4,449	\$ 66,457	\$ 8,251

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, 2013 capital assets include \$27,110 of capitalized equipment in the governmental activities, net of related accumulated depreciation of \$5,422.

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

<u>Year Ended June 30</u>	<u>Capital Leases</u>
2014	\$ 5,840
2015	5,840
2016	5,840
Total Minimum Payments	<u>17,520</u>
Less: Amount Representing Interest Present Value of Future Minimum Payments	<u>1,220</u>
	<u>\$ 16,300</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, 2013 are as follows:

	Due from Other Funds	Due to Other Funds	Transfers In	Tranfers Out
General fund	\$ 31,131	\$ 3,796,933	\$ 338,888	\$ 693,453
Capital reserves fund	3,796,933	22,407	595,870	241,305
Other governmental funds	-	3,459	-	-
Proprietary funds	-	5,265	-	-
	<u>\$ 3,828,064</u>	<u>\$ 3,828,064</u>	<u>\$ 934,758</u>	<u>\$ 934,758</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 2013, the City of Old Town, in accordance with the authorized budget, recorded several non-routine, nonrecurring transfers.

The General Fund transferred proceeds of \$29,885 from the sale of a fire truck to the Heavy Equipment Replacement Reserve.

The General Fund also transferred \$277,638 to the Heavy Equipment Replacement Reserve and \$55,200 to the City Facilities and Infrastructure Reserve.

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

At June 30, 2013, the enterprise fund’s restricted fund balance for other purposes was comprised of the following:

Capital outlay - equipment and facility	<u><u>\$ 212,081</u></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, 2013 are as follows:

General Fund:	
Airport Improvement	\$ 40,558
2013 Seat Belt Campaign	1,592
Total General Fund	<u>42,150</u>
Permanent Funds:	
Cemetery	692,422
Public Library	649,355
Total Permanent Funds	<u>1,341,777</u>
Total Restricted Fund Balance	<u><u>\$ 1,383,927</u></u>

10. FUND BALANCES – Continued

Committed fund balances for the year ended June 30, 2013 are as follows:

General Fund:	
Employee Benefits	\$ 5,000
City Manager	9,844
Economic Development	118,356
Information Technology	74,940
Airport	39,982
Juniper Ridge Landfill	171,812
Municipal Building	17,576
Capital Projects	529,822
Total General Fund Committed Balance	<u>967,332</u>
Capital Reserves:	
Old Town Development LLC	176,241
Tech equipment	210,535
Heavy equipment	1,479,088
Community center reserve	28,500
Highway block grant	123,219
Municipal/public safety building	494
Economic development	52,957
Airport hangar	422,247
J Ridge landfill	815,452
City facilities	190,711
Debt service	167,395
Donations - library	16,328
Special recreation programs	5,069
Community festival	15,531
Concerts in the park	5,343
Skateboard park	37,835
Public safety programs	19,418
Book restoration	255
Save the pool	3,834
Library friends	4,074
Total Capital Reserves Committed Balance	<u>3,774,526</u>
Total fund balance - committed	<u>\$ 4,741,858</u>

At June 30, 2013, 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, 2013 for employees covered by this plan was \$3,455,535.

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:					
	6/30/13		6/30/12		6/30/11	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Employer	\$ 110,266	3.52%	\$ 90,743	2.88%	\$ 75,380	2.23%
Employee	\$ 207,013	6.60%	\$ 213,335	6.77%	\$ 219,560	6.51%

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 \$75,118 and employees elected to defer \$150,311 for a contribution of \$225,429, 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. 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	\$ 19,580
Amortization of unfunded accrued liability	27,359
Interest	930
Annual required contribution (ARC)	<u>47,869</u>
Interest on net OPEB obligation	7,856
Amortizing adjustment to ARC	<u>(11,358)</u>
Annual OPEB cost	44,367
Contributions paid in 2013	<u>(2,000)</u>
Increase (decrease) in net OPEB obligation	42,367
Net OPEB obligation, beginning of year	196,412
Net OPEB obligation, end of year	<u><u>\$ 238,779</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>
06/30/13	\$ 44,367	4.18%	\$ 238,779
06/30/12	54,266	13.93%	196,412
06/30/11	54,265	26.80%	149,822

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, 2013 was as follows:

Annual required contribution	\$ 47,869
Actual contribution	2,000
Percent contributed	4.18%
Actuarial accrued liability	\$ 492,023
Plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 492,023</u>
Covered payroll	\$ 3,455,535
UAAL as percentage of covered payroll	14.24%

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	1/1/2013
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Remaining amortization period	30 years

Actuarial assumptions:

Investment rate of return	4.0%
Projected salary increases	3.0%
Healthcare inflation rate	4.25 - 8.5%

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

During fiscal year 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement also amends the criteria for reporting component units as if they were part of the primary government (blending) in certain circumstances.

GASB 62 incorporates accounting and financial reporting guidance issued on or before November 30, 1989 that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedure into GASB's authoritative literature.

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 29, 2013, the date on which the financial statements were available to be issued. On July 19, 2013 the City obtained a bond anticipation note (BAN) in the amount of \$2.1 million. The BAN is due on December 31, 2014 with an annual interest rate of 0.93%.

City of Old Town, Maine
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTHCARE PLAN
For the year ended June 30, 2013

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%
2013	1/1/2013	-	492,023	492,023	0.00%	3,455,535	14.24%

Major changes in actuarial assumptions include the following:

Valuation Date	Investment Rate of Return	Projected Salary Increases	Health Care Cost Trend
1/1/2013	4.0%	3.0%	4.25 - 8.5%
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, 2013

	Budgeted Amounts		Actual	Budget to	Actual
	Original	Final	Amounts, Budgetary Basis	GAAP Differences	Amounts, GAAP Basis
REVENUES					
Property Taxes	\$ 8,975,735	\$ 8,975,735	\$ 8,865,681	\$ -	\$ 8,865,681
Excise and miscellaneous taxes	1,130,400	1,130,400	1,175,603	-	1,175,603
Fees and fines	18,500	18,500	16,552	-	16,552
Licenses and permits	213,825	213,825	218,484	-	218,484
Intergovernmental	1,218,326	1,218,326	1,793,921	-	1,793,921
Charges for services	2,283,755	2,283,755	2,098,720	-	2,098,720
Investment earnings	46,000	46,000	63,509	-	63,509
Miscellaneous	200,333	200,333	236,275	(78,024)	158,251
Total revenues	<u>14,086,874</u>	<u>14,086,874</u>	<u>14,468,745</u>	<u>(78,024)</u>	<u>14,390,721</u>
EXPENDITURES					
Current:					
General government	2,009,298	2,112,978	1,717,559	(23,360)	1,694,199
Public Safety	2,826,123	2,826,123	3,073,944	(38,927)	3,035,017
Public Works	1,123,164	1,123,164	1,131,440	(4,777)	1,126,663
Health, welfare and sanitation	715,212	715,212	788,131	-	788,131
Culture and recreation	781,018	781,018	778,985	(1,949)	777,036
Airport	169,779	190,179	103,175	-	103,175
Education	5,297,785	5,297,785	5,297,785	-	5,297,785
County Tax	571,708	571,708	571,707	-	571,707
Debt Service:					
Principal	337,746	337,746	337,746	-	337,746
Interest	161,450	161,450	179,838	-	179,838
Capital Outlay	1,130,979	1,191,756	367,727	-	367,727
Total Expenditures	<u>15,124,262</u>	<u>15,309,119</u>	<u>14,348,037</u>	<u>(69,013)</u>	<u>14,279,024</u>
Excess (deficiency) of revenues over expenditures	<u>(1,037,388)</u>	<u>(1,222,245)</u>	<u>120,708</u>	<u>(9,011)</u>	<u>111,697</u>
OTHER FINANCING SOURCES (USES)					
Other source	-	-	14,011	(14,011)	-
Transfers in	-	-	277,255	61,633	338,888
Transfers out	(211,175)	(211,175)	(693,453)	-	(693,453)
Total other financing sources and uses	<u>(211,175)</u>	<u>(211,175)</u>	<u>(402,187)</u>	<u>47,622</u>	<u>(354,565)</u>
SPECIAL ITEMS					
Proceeds from sale of capital assets	-	-	12,419	-	12,419
Total Special Items	<u>-</u>	<u>-</u>	<u>12,419</u>	<u>-</u>	<u>12,419</u>
Net change in fund balances	(1,248,563)	(1,433,420)	(269,060)	38,611	(230,449)
Fund balances - beginning	4,252,690	4,252,690	4,252,690	-	4,252,690
Fund balances - ending	<u>\$ 3,004,127</u>	<u>\$ 2,819,270</u>	<u>\$ 3,983,630</u>	<u>\$ 38,611</u>	<u>\$ 4,022,241</u>

City of Old Town, Maine
BUDGET AND ACTUAL (WITH VARIANCES)
General Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 8,975,735	\$ 8,975,735	\$ 8,865,681	\$ (110,054)
Excise and miscellaneous taxes	1,130,400	1,130,400	1,175,603	45,203
Fees and fines	18,500	18,500	16,552	(1,948)
Licenses and permits	213,825	213,825	218,484	4,659
Intergovernmental	1,218,326	1,218,326	1,793,921	575,595
Charges for services	2,283,755	2,283,755	2,098,720	(185,035)
Investment earnings	46,000	46,000	63,509	17,509
Miscellaneous	200,333	200,333	236,275	35,942
Total revenues	<u>14,086,874</u>	<u>14,086,874</u>	<u>14,468,745</u>	<u>381,871</u>
EXPENDITURES				
Current:				
General government	2,009,298	2,112,978	1,717,559	395,419
Public safety	2,826,123	2,826,123	3,073,944	(247,821)
Public Works	1,123,164	1,123,164	1,131,440	(8,276)
Health, welfare and sanitation	715,212	715,212	788,131	(72,919)
Culture and recreation	781,018	781,018	778,985	2,033
Airport	169,779	190,179	103,175	87,004
Education	5,297,785	5,297,785	5,297,785	-
County tax	571,708	571,708	571,707	1
Debt Service:				
Principal	337,746	337,746	337,746	-
Interest	161,450	161,450	179,838	(18,388)
Capital Outlay	1,130,979	1,191,756	367,727	824,029
Total Expenditures	<u>15,124,262</u>	<u>15,309,119</u>	<u>14,348,037</u>	<u>961,082</u>
Excess (deficiency) of revenues over expenditures	<u>(1,037,388)</u>	<u>(1,222,245)</u>	<u>120,708</u>	<u>1,342,953</u>
OTHER FINANCING SOURCES (USES)				
Other source	-	-	14,011	14,011
Transfers in	-	-	277,255	277,255
Transfers out	(211,175)	(211,175)	(693,453)	(482,278)
Total other financing sources and uses	<u>(211,175)</u>	<u>(211,175)</u>	<u>(402,187)</u>	<u>(191,012)</u>
SPECIAL ITEMS				
Proceeds from sale of capital assets	-	-	12,419	12,419
Total Special Items	<u>-</u>	<u>-</u>	<u>12,419</u>	<u>12,419</u>
Net change in fund balances	<u>(1,248,563)</u>	<u>(1,433,420)</u>	<u>(269,060)</u>	<u>\$ 1,164,360</u>
Fund balances - beginning	4,252,690	4,252,690	4,252,690	
Fund balances - ending	<u>\$ 3,004,127</u>	<u>\$ 2,819,270</u>	<u>\$ 3,983,630</u>	

City of Old Town, Maine
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
Sewer Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Charges for services	\$ 840,000	\$ 840,000	\$ 797,405	\$ 545,178	\$ 1,342,583
Other	40,100	40,100	21,806	-	21,806
Total revenues	<u>880,100</u>	<u>880,100</u>	<u>819,211</u>	<u>545,178</u>	<u>1,364,389</u>
EXPENDITURES					
Current:					
Administration	563,621	563,621	551,585	2,646	554,231
Maintenance	427,109	427,109	118,702	(64,528)	54,174
Waste treatment facility	158,200	158,200	127,935	(4,206)	123,729
Sludge disposal	74,700	80,487	66,406	-	66,406
Depreciation	-	-	-	479,721	479,721
Total Expenditures	<u>1,223,630</u>	<u>1,229,417</u>	<u>864,628</u>	<u>413,633</u>	<u>1,278,261</u>
Excess (deficiency) of revenues over expenditures	<u>(343,530)</u>	<u>(349,317)</u>	<u>(45,417)</u>	<u>131,545</u>	<u>86,128</u>
NON-OPERATING REVENUES (EXPENSES)					
Debt Service:					
Principal	(286,571)	(286,571)	(286,571)	286,571	-
Interest	(133,941)	(133,941)	(116,821)	2,294	(114,527)
Investment earnings	2,500	2,500	1,830	-	1,830
Capital contributions	-	-	22,238	-	22,238
Total other financing sources and uses	<u>(418,012)</u>	<u>(418,012)</u>	<u>(379,324)</u>	<u>288,865</u>	<u>(90,459)</u>
Change in net position	(761,542)	(767,329)	(424,741)	420,410	(4,331)
Net position - beginning	<u>7,658,747</u>	<u>7,658,747</u>	<u>7,658,747</u>	<u>-</u>	<u>7,658,747</u>
Net position - ending	<u>\$ 6,897,205</u>	<u>\$ 6,891,418</u>	<u>\$ 7,234,006</u>	<u>\$ 420,410</u>	<u>\$ 7,654,416</u>

City of Old Town, Maine
BUDGET AND ACTUAL (WITH VARIANCES)
Sewer Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 840,000	\$ 840,000	\$ 797,405	\$ (42,595)
Other	40,100	40,100	21,806	(18,294)
Total revenues	<u>880,100</u>	<u>880,100</u>	<u>819,211</u>	<u>(60,889)</u>
EXPENDITURES				
Current:				
Administration	563,621	563,621	551,585	12,036
Maintenance	427,109	427,109	118,702	308,407
Waste treatment facility	158,200	158,200	127,935	30,265
Sludge disposal	74,700	80,487	66,406	14,081
Total Expenditures	<u>1,223,630</u>	<u>1,229,417</u>	<u>864,628</u>	<u>364,789</u>
Excess (deficiency) of revenues over expenditures	<u>(343,530)</u>	<u>(349,317)</u>	<u>(45,417)</u>	<u>303,900</u>
OTHER FINANCING SOURCES (USES)				
Debt Service:				
Principal	(286,571)	(286,571)	(286,571)	-
Interest	(133,941)	(133,941)	(116,821)	(17,120)
Investment earnings	2,500	2,500	1,830	(670)
Capital contributions	-	-	22,238	22,238
Total other financing sources and uses	<u>(418,012)</u>	<u>(418,012)</u>	<u>(379,324)</u>	<u>4,448</u>
Change in net position	(761,542)	(767,329)	(424,741)	<u>\$ 342,588</u>
Net position - beginning	7,658,747	7,658,747	7,658,747	
Net position - ending	<u>\$ 6,897,205</u>	<u>\$ 6,891,418</u>	<u>\$ 7,234,006</u>	

City of Old Town, Maine
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2013

	Cemetery	Public Library	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 38,508	\$ 36,117	\$ 74,625
Investments	688,166	645,439	1,333,605
Total assets	<u>726,674</u>	<u>681,556</u>	<u>1,408,230</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	-	3,459	3,459
Total liabilities	<u>-</u>	<u>3,459</u>	<u>3,459</u>
Fund balances:			
Restricted	692,422	649,355	1,341,777
Assigned	34,252	28,742	62,994
Total fund balances	<u>726,674</u>	<u>678,097</u>	<u>1,404,771</u>
Total liabilities and fund balances	<u>\$ 726,674</u>	<u>\$ 681,556</u>	<u>\$ 1,408,230</u>

City of Old Town, Maine
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2013

	<u>Cemetery</u>	<u>Public Library</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Investment earnings	\$ 65,055	\$ 57,553	\$ 122,608
Total revenues	<u>65,055</u>	<u>57,553</u>	<u>122,608</u>
EXPENDITURES			
Current:			
Culture and recreation	-	28,279	28,279
Capital outlay	20,000	-	20,000
Total Expenditures	<u>20,000</u>	<u>28,279</u>	<u>48,279</u>
Net change in fund balances	<u>45,055</u>	<u>29,274</u>	<u>74,329</u>
Fund balances - beginning	<u>681,619</u>	<u>648,823</u>	<u>1,330,442</u>
Fund balances - ending	<u><u>\$ 726,674</u></u>	<u><u>\$ 678,097</u></u>	<u><u>\$ 1,404,771</u></u>

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2013

	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
Revenues									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,631	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	91,185
Interest and dividends	-	-	-	-	-	-	-	51	-
Miscellaneous	-	-	-	100	-	-	-	25,644	-
Total revenues	-	-	-	100	-	108,631	-	25,695	91,185
Expenses									
General government	198,943	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenses	198,943	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses	(198,943)	-	-	100	-	108,631	-	25,695	91,185
Other Financing Sources (Uses)									
Proceeds from sale of property	-	-	-	(1,350)	-	-	-	-	-
Transfer in	211,175	16,874	5,098	307,523	-	-	-	-	-
Transfer out	(17,300)	(71,633)	-	-	-	(75,000)	-	-	(20,400)
Total other financing sources (uses)	193,875	(54,759)	5,098	306,173	-	(75,000)	-	-	(20,400)
Net change in fund balance	(5,068)	(54,759)	5,098	306,273	-	33,631	-	25,695	70,785
Fund balance - Beginning	5,068	231,000	205,437	1,172,815	28,500	89,588	494	27,262	351,462
Fund balance - Ending	\$ -	\$ 176,241	\$ 210,535	\$ 1,479,088	\$ 28,500	\$ 123,219	\$ 494	\$ 52,957	\$ 422,247

Continued

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2013

	Industrial Park Reserve	J Ridge Landfill	City Facilities Reserve	Debt Service Airport	Library Grants	Girlstalk Grant	Madelin Lane/ Coombs Park	Memorial Books
Revenues								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	7,800	-	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-	-	-
Miscellaneous	-	-	5,500	-	5,723	12	-	4,650
Total revenues	<u>7,800</u>	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>5,723</u>	<u>12</u>	<u>-</u>	<u>4,650</u>
Expenses								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	14,383	-	-	9,366
Airports	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,383</u>	<u>-</u>	<u>-</u>	<u>9,366</u>
Excess (deficiency) of revenues over expenses	<u>7,800</u>	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>(8,660)</u>	<u>12</u>	<u>-</u>	<u>(4,716)</u>
Other Financing Sources (Uses)								
Proceeds from sale of property	-	-	-	-	-	-	-	-
Transfer in	-	-	55,200	-	-	-	-	-
Transfer out	(16,874)	-	(40,000)	-	(98)	-	-	-
Total other financing sources (uses)	<u>(16,874)</u>	<u>-</u>	<u>15,200</u>	<u>-</u>	<u>(98)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(9,074)	-	20,700	-	(8,758)	12	-	(4,716)
Fund balance - Beginning	<u>9,074</u>	<u>815,452</u>	<u>190,011</u>	<u>167,395</u>	<u>22,903</u>	<u>221</u>	<u>407</u>	<u>6,259</u>
Fund balance - Ending	<u>\$ -</u>	<u>\$ 815,452</u>	<u>\$ 210,711</u>	<u>\$ 167,395</u>	<u>\$ 14,145</u>	<u>\$ 233</u>	<u>\$ 407</u>	<u>\$ 1,543</u>

Continued

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2013

	Special Recreation Programs	Community Festival	Concerts in the Park	Skateboard Park	DARE	Every 15 Minutes	Gayle Seymour Fire Dept	EMS Adolescent Pub Rel Fund
Revenues								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Interest and dividends	-	-	-	59	-	-	-	-
Miscellaneous	-	20,040	4,688	-	2,824	-	-	-
Total revenues	<u>-</u>	<u>20,040</u>	<u>4,688</u>	<u>59</u>	<u>2,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	913	-	-	4,080
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	20,852	957	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>20,852</u>	<u>957</u>	<u>-</u>	<u>913</u>	<u>-</u>	<u>-</u>	<u>4,080</u>
Excess (deficiency) of revenues over expenses	<u>-</u>	<u>(812)</u>	<u>3,731</u>	<u>59</u>	<u>1,911</u>	<u>-</u>	<u>-</u>	<u>(4,080)</u>
Other Financing Sources (Uses)								
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	-	(812)	3,731	59	1,911	-	-	(4,080)
Fund balance - Beginning	5,069	16,343	1,612	37,776	4,931	1,080	245	13,505
Fund balance - Ending	<u>\$ 5,069</u>	<u>\$ 15,531</u>	<u>\$ 5,343</u>	<u>\$ 37,835</u>	<u>\$ 6,842</u>	<u>\$ 1,080</u>	<u>\$ 245</u>	<u>\$ 9,425</u>

Continued

City of Old Town, Maine
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Capital Reserves
For the year ended June 30, 2013

	Fire Public Rel	EMS Regionalization	Book Restoration	Save the Pool	Activities/ Library Friends	Totals
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,631
Charges for services	-	-	-	-	-	98,985
Interest and dividends	-	-	-	-	-	110
Miscellaneous	-	-	53	-	1,450	70,684
Total revenues	<u>-</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>1,450</u>	<u>278,410</u>
Expenses						
General government	-	-	-	-	-	198,943
Public safety	-	-	-	-	-	4,993
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	975	46,533
Airport	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>975</u>	<u>250,469</u>
Excess (deficiency) of revenues over expenses	<u>-</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>475</u>	<u>27,941</u>
Other Financing Sources (Uses)						
Proceeds from sale of property	-	-	-	-	-	(1,350)
Transfer in	-	-	-	-	-	595,870
Transfer out	-	-	-	-	-	(241,305)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,215</u>
Net change in fund balance	-	-	53	-	475	381,156
Fund balance - Beginning	<u>1,497</u>	<u>329</u>	<u>202</u>	<u>3,834</u>	<u>3,599</u>	<u>3,413,370</u>
Fund balance - Ending	<u>\$ 1,497</u>	<u>\$ 329</u>	<u>\$ 255</u>	<u>\$ 3,834</u>	<u>\$ 4,074</u>	<u>\$ 3,794,526</u>

City of Old Town, Maine
TAXES RECEIVABLE, TAX LIENS AND TAX ACQUIRED PROPERTY
General Fund
June 30, 2013

Taxes receivable	
2013	\$ 9,470
2012	4,722
2011	3,767
2010	1,910
2009	264
2008	271
2007	359
2006	85
2003	1,493
Total taxes receivable	<u>22,341</u>
Tax Liens	
2012	73,413
2013	168,892
Total tax liens	<u>242,305</u>
Tax acquired property	<u>45,789</u>
Total taxes receivable, tax liens and tax acquired property	<u><u>\$ 310,435</u></u>