

**City of Old Town, Maine**  
**Financial Statements and Supplemental Data**  
**With Independent Auditors' Reports**  
**June 30, 2014**



# City of Old Town, Maine

## TABLE OF CONTENTS

June 30, 2014

	<u>PAGE</u>
Management's Discussion and Analysis	<i>i-xiv</i>
Independent Auditors' Report	1-3
Basic Financial Statements:	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	4
Statement of Activities	5
<i>Fund Financial Statements</i>	
Governmental Funds	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Proprietary Funds	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Fund Net Position	11
Statement of Cash Flows	12
<i>Notes to Financial Statements</i>	13-38
Required Supplementary Information:	
Schedule of Funding Progress - Retiree Healthcare Plan	39
General Fund	
Budget and Actual (with budget to GAAP difference)	40
Budget and Actual (with variances)	41
Other Supplementary Information:	
Sewer Fund	
Budget and Actual (with budget to GAAP difference)	42
Budget and Actual (with variances)	43

City of Old Town, Maine  
**TABLE OF CONTENTS - Continued**  
June 30, 2014

	<u>PAGE</u>
Other Supplementary Information - Continued	
Non-Major Governmental Funds	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	45
Various Capital Reserves	
Schedule of Revenues, Expenditures and Changes in Fund Balances	46-49
General Fund	
Taxes Receivable, Tax Liens and Tax Acquired Property	50

**City of Old Town, Maine**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2014**

The Management Discussion & Analysis (MD&A) is a report of the City of Old Town for the fiscal year ending June 30, 2014. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the City's financial position, and the result of operations of the various funds, departments and accounts of the City. All disclosures necessary to enable the reader to gain accurate understanding of the City's financial activities have been included.

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

**THE COMMUNITY**

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The City of Old Town is a unique island community that sits on the edge of the Great North Woods, on several islands in the Penobscot River. The City of Old Town has always held a close relationship to the Penobscot River – whether for log driving, powering sawmills, transportation, hydropower, or as a medium to float canoes. A thriving residential community of 7,840, the City of Old Town's acres of forest and beautiful waters attract outdoor enthusiasts from hunters and anglers, to hikers and canoeists, and bird watchers and photographers. More than 50 miles of rivers and streams, accessible year-round, are known nationwide for smallmouth bass. Wildlife population abounds with deer, bear, moose and coyote.

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

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

## **FINANCIAL INFORMATION**

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

## **FINANCIAL HIGHLIGHTS**

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

- The total balance of the City's cash and cash equivalents at June 30, 2014 was \$3,716,708.
- The City's long-term debt increased by \$879,016 from \$12,813,296 to \$13,692,312.
- Under the government-wide basis of reporting, the City's total net position increased by \$551,294 to \$29,337,588.
- The governmental fund balance as reported on the City's governmental fund financial statements decreased by \$1,080,462 to \$8,141,076.
- On a budget basis, the City's actual expenditures and transfers-out exceeded its revenues and transfers-in by \$1,577,210. The City budgeted revenues, transfers-in, and special items of \$14,119,169, and expenditures and transfers out of \$15,811,135. Budgeted expenditures include \$1,040,100 of amounts carried forward from prior years. The budget variance decreases the budget-basis fund balance which can be used to fund future expenditures and decrease the need for significant increases in local property taxes for the residents of Old Town.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

The statement of net 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**

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### **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**

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### **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 13-38 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 39-41 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules and budgetary comparison information for the sewer fund can be found on pages 42-49 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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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 \$29,337,588 as of June 30, 2014. However, of the \$29,337,588, only \$5,092,616 of governmental net position and (\$99,155) of sewer net position is unrestricted and uncommitted at June 30, 2014.

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, 82.98%, represents resources that are restricted. Unrestricted net position of \$4,993,461 or 17.02% 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 15,224,755	\$ 15,114,248	\$ 3,500,396	\$ 2,041,406	\$ 18,725,151	\$ 17,155,654
Capital assets	16,609,701	16,093,439	9,764,239	9,620,435	26,373,940	25,713,874
Total assets	<u>31,834,456</u>	<u>31,207,687</u>	<u>13,264,635</u>	<u>11,661,841</u>	<u>45,099,091</u>	<u>42,869,528</u>
Current Liabilities	2,110,325	1,395,217	2,591,853	453,003	4,702,178	1,848,220
Noncurrent Liabilities	7,773,804	8,670,980	3,269,386	3,554,422	11,043,190	12,225,402
Total liabilities	<u>9,884,129</u>	<u>10,066,197</u>	<u>5,861,239</u>	<u>4,007,425</u>	<u>15,745,368</u>	<u>14,073,622</u>
Deferred inflows of resources	<u>16,135</u>	<u>9,612</u>	<u>-</u>	<u>-</u>	<u>16,135</u>	<u>9,612</u>
Net position:						
Net investment in capital assets	13,111,591	12,252,347	6,268,023	5,837,647	19,379,614	18,089,994
Restricted	3,729,985	3,682,751	1,234,528	1,524,913	4,964,513	5,207,664
Unrestricted	<u>5,092,616</u>	<u>5,196,780</u>	<u>(99,155)</u>	<u>291,856</u>	<u>4,993,461</u>	<u>5,488,636</u>
Total net position	<u>\$ 21,934,192</u>	<u>\$ 21,131,878</u>	<u>\$ 7,403,396</u>	<u>\$ 7,654,416</u>	<u>\$ 29,337,588</u>	<u>\$ 28,786,294</u>

As of June 30, 2014, 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 two categories of its net position for the business-type activities, but had a negative balance in unrestricted net position.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

The following table presents a summary of the City's operations for the fiscal year ended June 30, 2014 with comparative totals for the fiscal year ended June 30, 2013.

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 2,287,988	\$ 2,197,705	\$ 1,314,341	\$ 1,364,389	\$ 3,602,329	\$ 3,562,094
Operating grants & contributions	1,068,151	750,483	26,346	5,310	1,094,497	755,793
Capital grants & contributions	427,001	-	-	16,928	427,001	16,928
<b>General revenues</b>						
Property taxes levied for general purposes	9,397,580	8,864,545	-	-	9,397,580	8,864,545
Excise taxes	1,239,105	1,175,603	-	-	1,239,105	1,175,603
Grants and contributions not restricted to specific programs	1,141,045	1,381,004	-	-	1,141,045	1,381,004
Licenses, permits and fees	169,811	235,036	-	-	169,811	235,036
Unrestricted investment income	319,655	186,227	1,419	1,830	321,074	188,057
<b>Total revenues</b>	<b>16,050,336</b>	<b>14,790,603</b>	<b>1,342,106</b>	<b>1,388,457</b>	<b>17,392,442</b>	<b>16,179,060</b>
<b>Expenses:</b>						
General government	2,409,613	1,967,707	-	-	2,409,613	1,967,707
Public safety	3,385,582	3,220,400	-	-	3,385,582	3,220,400
Public works	1,658,502	1,522,145	-	-	1,658,502	1,522,145
Health, welfare and sanitation	762,940	789,102	-	-	762,940	789,102
Culture and recreation	931,042	930,198	-	-	931,042	930,198
Airport	237,204	145,304	-	-	237,204	145,304
Education	5,387,483	5,297,785	-	-	5,387,483	5,297,785
County tax	592,334	571,707	-	-	592,334	571,707
Interest on long-term debt	150,327	174,042	123,528	114,527	273,855	288,569
Capital outlay	-	93,768	-	-	-	93,768
Sewer	-	-	1,472,263	1,278,261	1,472,263	1,278,261
<b>Total expenses</b>	<b>15,515,027</b>	<b>14,712,158</b>	<b>1,595,791</b>	<b>1,392,788</b>	<b>17,110,818</b>	<b>16,104,946</b>
Excess (deficiency) before special items	535,309	78,445	(253,685)	(4,331)	281,624	74,114
<b>Special Items</b>						
Gain/(loss) on disposition of assets	65,152	(12,746)	2,665	-	67,817	(12,746)
Contributions	201,853	12,950	-	-	201,853	12,950
<b>Change in net position</b>	<b>802,314</b>	<b>78,649</b>	<b>(251,020)</b>	<b>(4,331)</b>	<b>551,294</b>	<b>74,318</b>
Beginning net position	21,131,878	21,053,229	7,654,416	7,658,747	28,786,294	28,711,976
<b>Ending net position</b>	<b>\$ 21,934,192</b>	<b>\$ 21,131,878</b>	<b>\$ 7,403,396</b>	<b>\$ 7,654,416</b>	<b>\$ 29,337,588</b>	<b>\$ 28,786,294</b>

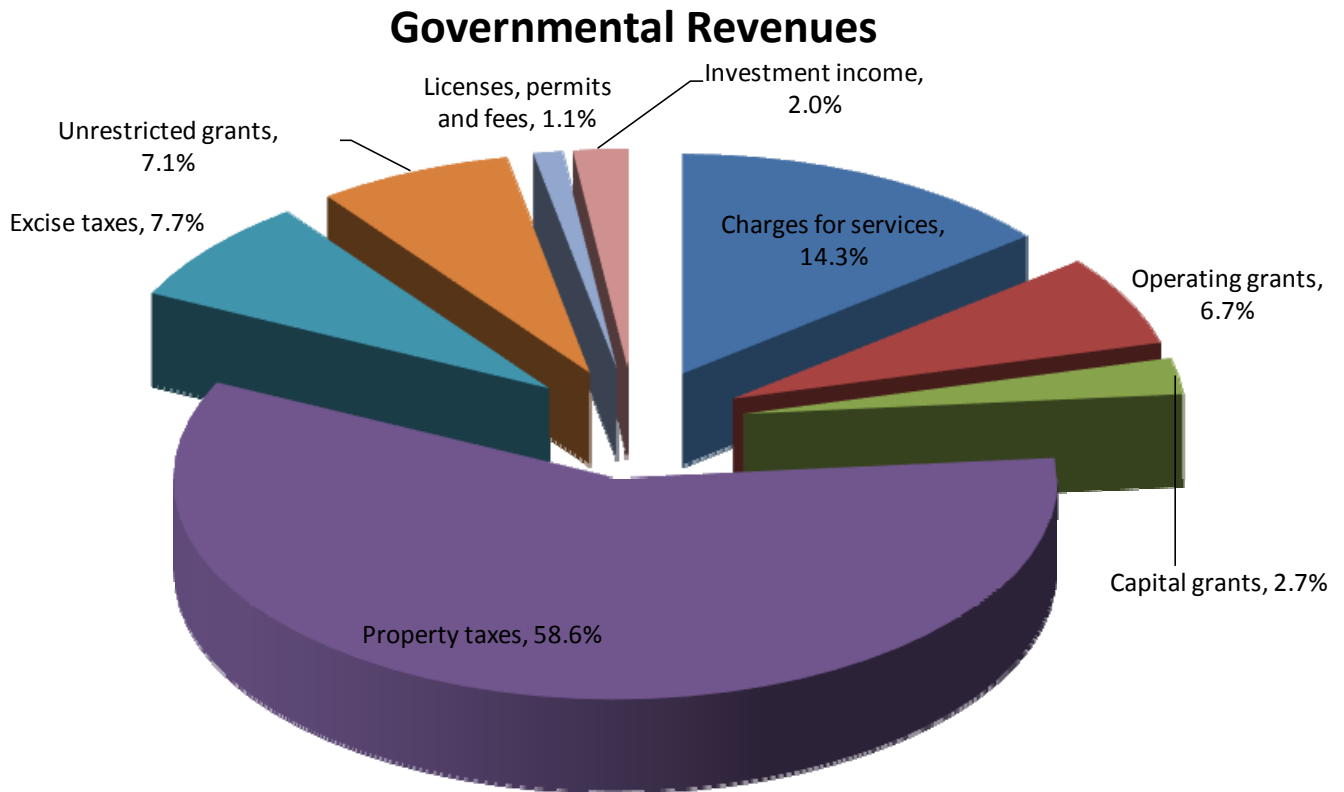
**GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued**

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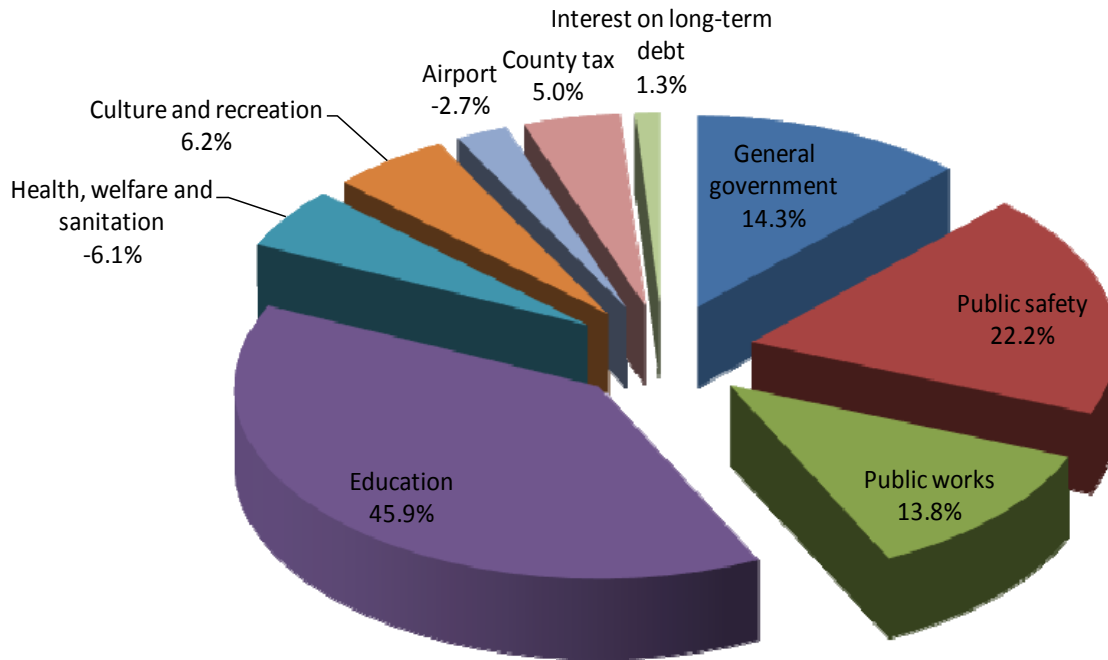
**Analysis of the City's Operations**

Overall the City had an increase in net position of \$551,294.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2014.



## Governmental Activities



### *Governmental Activities*

Governmental activities increased its net position by \$802,314. Net investment in capital assets increased by \$859,244, or 7.01%, due to a net change in additions, retirements, and depreciation. Unrestricted net position decreased by \$104,164, or 2.00%.

Total revenues for governmental activities increased from the prior year by \$1,259,733. Of this amount, charges for services increased \$90,283, or 4.11% over prior year. Operating grants and contributions increased \$317,668, or 42.33% from the prior fiscal year; capital grants and contributions increased \$427,001, or 100.00%, from the prior fiscal year. Property taxes increased \$533,035, or 6.01%.

Expenses of governmental activities include depreciation expense of \$736,438, a decrease of -1.59% over the prior fiscal year. Depreciation expense has been allocated and is included in the various function/program expenses of the City.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

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

	Governmental Activities			
	Total Cost		Net Cost	
	2014	2013	2014	2013
General government	\$ 2,409,613	\$ 1,967,707	\$ 1,673,872	\$ 1,695,480
Public Safety	3,385,582	3,220,400	2,609,034	2,375,694
Public Works	1,658,502	1,522,145	1,620,870	1,424,858
Education	5,387,483	5,297,785	5,387,483	5,297,785
	<u>\$ 12,841,180</u>	<u>\$ 12,008,037</u>	<u>\$ 11,291,259</u>	<u>\$ 10,793,817</u>

### *Business-type Activities*

Net position from business-type activities decreased by \$251,020, 3.28%, from \$7,654,416 to \$7,403,396. This decrease was primarily due to the sewer fee structure being insufficient to support the cost of operations.

Charges for services decreased \$50,048, or 3.67%, from the prior year, while expenses increased \$203,003. Depreciation expense decreased from \$479,721 to \$471,617, or \$8,104, from the prior year.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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### *Governmental Funds*

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$8,141,076, \$1,080,462 lower than the previous year. Approximately \$1,148,382 of this amount, or 14.11%, constitutes unassigned fund balance, a decrease of \$1,363,881 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**

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Total governmental fund expenditures for the year were \$16,344,806, representing an increase of \$1,767,034, or 12.1% from the previous fiscal year. The City paid \$885,789 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 (\$99,155) which represents a \$391,011 decrease from the previous year.

### *General Fund Budgetary Highlights*

In the general fund, the City originally budgeted for a decrease in the fund balance on a budget basis of \$1,450,992. Budgeted expenditures included \$1 million of carry forwards. Actual revenues were more than budgeted; in addition actual expenses were more than budgeted and transfers were more than budgeted, therefore, the actual fund balance decrease for fiscal year 2014 was \$1,577,210 on a budget basis.

Revenues from property taxes totaled \$8,344,583. Charges for services accounted for \$2,201,811 and intergovernmental revenue accounted for \$2,309,483 of total revenue of \$14,676,060 on a budget basis. Revenues from property taxes decreased by \$521,098, revenues from charges for services increased by \$103,091 and revenues from intergovernmental sources increased by \$515,562 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 \$240,974 or 1.5%. Increases were increases in operational expenditures 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. Health and welfare and capital outlay expenditures were less than budgeted. Health and welfare 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. Airport expenditures exceeded the budget due to the expenditures of grant awards that were not budgeted.

## 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, 2014, amounts to \$25,856,481, 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	
	2014	2013	2014	2013	2014	2013
Land & improvements	\$ 1,275,120	\$ 1,275,120	\$ 179,427	\$ 179,427	\$ 1,454,547	\$ 1,454,547
Construction in Progress	2,989,770	2,553,171	125,175	247,657	3,114,945	2,800,828
Infrastructure	6,322,713	5,758,552	4,146,480	3,443,387	10,469,193	9,201,939
Buildings & Improvements	8,072,356	8,072,356	5,682,699	5,682,700	13,755,055	13,755,056
Equipment	3,199,246	3,153,846	6,712,215	6,707,004	9,911,461	9,860,850
Vehicles	2,261,607	2,120,309	339,084	341,593	2,600,691	2,461,902
Total capital assets	<u>24,120,812</u>	<u>22,933,354</u>	<u>17,185,080</u>	<u>16,601,768</u>	<u>41,305,892</u>	<u>39,535,122</u>
Acumulated depreciation	<u>(8,028,570)</u>	<u>(7,357,374)</u>	<u>(7,420,841)</u>	<u>(6,981,333)</u>	<u>(15,449,411)</u>	<u>(14,338,707)</u>
Capital assets, net	<u>\$ 16,092,242</u>	<u>\$ 15,575,980</u>	<u>\$ 9,764,239</u>	<u>\$ 9,620,435</u>	<u>\$ 25,856,481</u>	<u>\$ 25,196,415</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

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### Debt Administration

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

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Bonds Payable	\$ 8,085,035	\$ 9,014,210	\$ 5,596,216	\$ 3,782,788	\$ 13,681,251	\$ 12,796,998
Capital Lease Obligations	11,061	16,298	-	-	11,061	16,298
Totals	<u>\$ 8,096,096</u>	<u>\$ 9,030,508</u>	<u>\$ 5,596,216</u>	<u>\$ 3,782,788</u>	<u>\$ 13,692,312</u>	<u>\$ 12,813,296</u>

A summary of the City's debt activity for the year ended June 30, 2014 is detailed in Note 6 on pages 27-29 of this report.

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

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The City of Old Town has been preparing for its future by working on five distinct and significant development projects which will position the City to respond to anticipated future development needs. These projects will place the City of Old Town in an excellent position for new, diversified growth and economic opportunities; Airport, Airport Business Park, Old Town Enterprise Park, Stillwater Avenue and Eco-cultural Tourism. Most of these projects have had significant capital support in past years and should not need the same level of investment to support or institute their use in the future. Old Town has a population of 7,840 according to the 2010 Maine Census. The regional labor force of almost 90,000 is well known for its quality skills and abilities. The labor skill set readily adapts to the needs and demands of new retail, service and industrial firms of the region.

The FY 15 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 \$19.62 in FY14 and increased to \$20.21 in FY15. 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**

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

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

## **REQUEST FOR INFORMATION**

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

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Old Town, Maine

### **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, 2014, 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 includes 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Old Town as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Old Town's basic financial statements. The other supplementary information described in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The other supplementary information and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and

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other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 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 City of Old Town's internal control over financial reporting and compliance.

*Roy & Associates, CPAs, P.A*

January 12, 2015  
Bangor, Maine

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

# City of Old Town, Maine

## STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,221,122	\$ 2,495,586	\$ 3,716,708
Investments	7,118,410	265,680	7,384,090
Taxes receivable, net	1,397,582	-	1,397,582
Other receivables, net	274,387	471,399	745,786
Due from other governments	178,367	31,656	210,023
Inventories	44,601	-	44,601
Prepays	24,346	103,846	128,192
Long-term notes and receivables, net	367,954	132,229	500,183
Due from RSU #34 for debt service payments	4,597,986	-	4,597,986
Capital Assets			
Nondepreciable	4,264,890	304,602	4,569,492
Depreciable, net	12,344,811	9,459,637	21,804,448
Total assets	31,834,456	13,264,635	45,099,091
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,000,364	157,410	1,157,774
Due to other governments	37,049	-	37,049
Deferred revenues	8,398	-	8,398
Long-term liabilities			
Due within one year			
Bonds and notes payable	929,175	2,386,572	3,315,747
Accrued interest	65,683	40,281	105,964
Capital leases	5,430	-	5,430
Compensated absences	64,226	7,590	71,816
Due in more than one year			
Bonds and notes payable	7,155,860	3,209,644	10,365,504
Capital leases	5,631	-	5,631
Compensated absences	361,306	30,358	391,664
Accrued post retirement benefits	251,007	29,384	280,391
Total liabilities	9,884,129	5,861,239	15,745,368
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid property taxes	16,135	-	16,135
Total deferred inflows of resources	16,135	-	16,135
<b>NET POSITION</b>			
Net investment in capital assets	13,111,591	6,268,023	19,379,614
Restricted for:			
Capital projects	3,537,851	846,696	4,384,547
Other purposes	192,134	387,832	579,966
Unrestricted	5,092,616	(99,155)	4,993,461
Total net position	\$ 21,934,192	\$ 7,403,396	\$ 29,337,588

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, 2014

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities:							
General government	\$ 2,409,613	\$ 4,612	\$ 731,129	\$ -	\$ (1,673,872)	\$ -	\$ (1,673,872)
Public safety	3,385,582	649,946	126,602	-	(2,609,034)	-	(2,609,034)
Public works	1,658,502	-	37,632	-	(1,620,870)	-	(1,620,870)
Health, welfare and sanitation	762,940	1,312,608	160,556	-	710,224	-	710,224
Culture and recreation	931,042	204,966	1,778	-	(724,298)	-	(724,298)
Airport	237,204	115,856	10,454	427,001	316,107	-	316,107
Education	5,387,483	-	-	-	(5,387,483)	-	(5,387,483)
County tax	592,334	-	-	-	(592,334)	-	(592,334)
Interest on long-term debt	150,327	-	-	-	(150,327)	-	(150,327)
Total governmental activities	<u>15,515,027</u>	<u>2,287,988</u>	<u>1,068,151</u>	<u>427,001</u>	<u>(11,731,887)</u>	<u>-</u>	<u>(11,731,887)</u>
Business-type activities:							
Sewer fund	1,595,791	1,314,341	26,346	-	-	(255,104)	(255,104)
Total business-type activities	<u>1,595,791</u>	<u>1,314,341</u>	<u>26,346</u>	<u>-</u>	<u>-</u>	<u>(255,104)</u>	<u>(255,104)</u>
Total primary government	<u>\$ 17,110,818</u>	<u>\$ 3,602,329</u>	<u>\$ 1,094,497</u>	<u>\$ 427,001</u>	<u>(11,731,887)</u>	<u>(255,104)</u>	<u>(11,986,991)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					9,397,580	-	9,397,580
Public service taxes					1,239,105	-	1,239,105
Grants and contributions not restricted to specific programs					1,141,045	-	1,141,045
Licenses, permits and fees					169,811	-	169,811
Unrestricted investment earnings (loss)					319,655	1,419	321,074
Special items - gain (loss) on disposition of asset					65,152	2,665	67,817
- contributions					201,853	-	201,853
Total general revenues and special items					<u>12,534,201</u>	<u>4,084</u>	<u>12,538,285</u>
Change in net assets					802,314	(251,020)	551,294
Net position - beginning					<u>21,131,878</u>	<u>7,654,416</u>	<u>28,786,294</u>
Net position - ending					<u>\$ 21,934,192</u>	<u>\$ 7,403,396</u>	<u>\$ 29,337,588</u>

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

# City of Old Town, Maine

## BALANCE SHEET

### Governmental Funds

June 30, 2014

	General Fund	Various Capital Reserves	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,033,283	\$ -	\$ 187,839	\$ 1,221,122
Investments	5,465,408	-	1,653,002	7,118,410
Taxes receivable, net	1,397,582	-	-	1,397,582
Due from other funds	29,606	3,902,896	-	3,932,502
Receivable from other governments	178,367	-	-	178,367
Other receivables, net	642,341	-	-	642,341
Inventories	44,601	-	-	44,601
Total assets	8,791,188	3,902,896	1,840,841	14,534,925
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	871,888	-	-	871,888
Due to other funds	3,902,896	22,407	7,199	3,932,502
Payable to other governments	37,049	-	-	37,049
Unearned revenue	8,398	-	-	8,398
Other accrued expenses	167,061	-	-	167,061
Other payables	25,641	-	-	25,641
Total liabilities	5,012,933	22,407	7,199	5,042,539
 Deferred inflows of resources:				
Prepaid property taxes	16,135	-	-	16,135
Unavailable revenues	1,335,175	-	-	1,335,175
Total deferred inflows of resources	1,351,310	-	-	1,351,310
 Fund balances:				
Nonspendable:				
Inventories	44,601	-	-	44,601
Loans receivable	387,954	20,000	-	407,954
Restricted	147,533	-	1,779,295	1,926,828
Committed	698,475	3,860,489	-	4,558,964
Assigned	-	-	54,347	54,347
Unassigned	1,148,382	-	-	1,148,382
Total fund balances	2,426,945	3,880,489	1,833,642	8,141,076
Total liabilities, deferred inflows of resources and fund balances	\$ 8,791,188	\$ 3,902,896	\$ 1,840,841	\$ 14,534,925

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, 2014

Total fund balance, governmental funds	\$ 8,141,076
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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 Position.	24,346
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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 Position.	16,092,242
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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 Position.	4,597,986
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Deferred property tax revenue included in fund financial statements not included in governmental activities of the Statement of Net Position.	1,335,175
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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 Position.	(8,774,092)
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Net Assets of Governmental Activities in the Statement of Net Position	\$ 21,416,733
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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, 2014

	<u>General Fund</u>	<u>Various Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 8,344,583	\$ -	\$ -	\$ 8,344,583
Excise and miscellaneous taxes	1,239,105	-	-	1,239,105
Fees and fines	11,750	-	-	11,750
Licenses and permits	158,061	-	-	158,061
Intergovernmental	2,234,483	111,891	-	2,346,374
Charges for services	2,201,811	86,177	-	2,287,988
Investment earnings	49,562	169	269,924	319,655
Miscellaneous	180,558	109,265	201,853	491,676
Total revenues	<u>14,419,913</u>	<u>307,502</u>	<u>471,777</u>	<u>15,199,192</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,134,745	203,503	-	2,338,248
Public safety	3,190,834	4,815	-	3,195,649
Public works	1,270,476	-	-	1,270,476
Health, welfare and sanitation	761,954	-	-	761,954
Culture and recreation	793,738	41,615	25,911	861,264
Airport	557,731	-	-	557,731
Education	5,387,483	-	-	5,387,483
County tax	592,334	-	-	592,334
Debt Service:				
Principal	337,746	-	-	337,746
Interest	156,132	-	-	156,132
Capital Outlay	868,794	-	16,995	885,789
Total expenditures	<u>16,051,967</u>	<u>249,933</u>	<u>42,906</u>	<u>16,344,806</u>
Excess (deficiency) of revenues over expenditures	<u>(1,632,054)</u>	<u>57,569</u>	<u>428,871</u>	<u>(1,145,614)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	633,769	521,457	-	1,155,226
Transfers out	<u>(644,663)</u>	<u>(510,563)</u>	-	<u>(1,155,226)</u>
Total other financing sources and uses	<u>(10,894)</u>	<u>10,894</u>	-	-
<b>SPECIAL ITEM</b>				
Proceeds from disposition of capital assets	47,652	17,500	-	65,152
Total Special Items	<u>47,652</u>	<u>17,500</u>	-	<u>65,152</u>
Net change in fund balances	(1,595,296)	85,963	428,871	(1,080,462)
Fund balances - beginning	4,022,241	3,794,526	1,404,771	9,221,538
Fund balances - ending	<u>\$ 2,426,945</u>	<u>\$ 3,880,489</u>	<u>\$ 1,833,642</u>	<u>\$ 8,141,076</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, 2014

Net change in fund balances - total governmental funds:	\$ (1,080,462)
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, \$736,438, exceeded capital outlays, \$1,252,700, in the current period.	516,262
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.	1,556
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.	1,052,997
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.	342,982
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	6,408
Accrued post employment benefits	(37,429)
Change in net position of governmental activities	\$ 802,314

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

City of Old Town, Maine  
**STATEMENT OF NET POSITION**  
**Proprietary Funds**  
June 30, 2014

	<b>Enterprise Funds</b>
	<b>Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,495,586
Investments	265,680
Accounts receivable, net	471,399
Receivables from other governments	31,656
Other receivables	132,229
Prepaid Expenses	103,846
Total current assets	3,500,396
Non-current assets:	
Capital Assets	
Construction in progress	125,175
Nondepreciable	179,427
Depreciable, net	9,459,637
Total non-current assets	9,764,239
Total assets	13,264,635
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	150,201
Salaries payable	7,209
Accrued interest payable	40,281
Compensated absences	7,590
Bonds, notes and loans payable	2,386,572
Total current liabilities	2,591,853
Non-current liabilities:	
Compensated absences	59,742
Bonds, notes and loans payable	3,209,644
Total non-current liabilities	3,269,386
Total liabilities	5,861,239
<b>NET POSITION</b>	
Net investment in capital assets	6,268,023
Restricted for capital projects	846,696
Restricted for other purposes	387,832
Unrestricted	(99,155)
Total net position	\$ 7,403,396

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, 2014

	<u>Enterprise Funds</u>
	<u>Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,314,341
Total operating revenues	<u>1,314,341</u>
<b>OPERATING EXPENSES</b>	
Administration	535,410
Maintenance	77,810
Waste treatment facility	150,937
Sludge disposal	41,590
Depreciation	471,617
Total Operating Expenses	<u>1,277,364</u>
Operating income (loss)	<u>36,977</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	1,419
Interest expense	(123,528)
Miscellaneous expenses	(194,899)
Total non-operating revenue (expenses)	<u>(317,008)</u>
Income (loss) before contributions and transfers	(280,031)
Capital contributions	26,346
Special item - gain (loss) on sale of land	2,665
Change in net position	<u>(251,020)</u>
Total net position - beginning	7,654,416
Total net position - ending	<u>\$ 7,403,396</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, 2014

	<b>Enterprise Fund</b>
	<b>Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from user charges	\$ 1,213,744
Payments for administrative services	(238,101)
Payments to employees	(262,619)
Payments to suppliers for goods and services	(270,337)
Net cash provided by operating activities	442,687
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from bond anticipation note	2,100,000
Net cash used by noncapital financing activities	2,100,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Collection of notes receivable	13,286
Acquisition of capital assets	(615,421)
Proceeds from sale of capital assets	2,665
Interest paid on debt	(126,675)
Repayment of bonds and capital leases	(286,572)
Distribution from reserves	(194,899)
Capital contributions	26,346
Net cash used by capital activities	(1,181,270)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of investments	131,458
Interest on cash and investments	1,419
Net cash used by investing activities	132,877
Net increase in cash and cash equivalents	1,494,294
Cash and cash equivalents, beginning	1,001,292
Cash and cash equivalents, ending	\$ 2,495,586
Reconciliation of operating income (loss) to	
net cash used by operating activities	
Operating income (loss)	\$ 36,977
Adjustments to reconcile operating income (loss)	
to net cash flows from operating activities:	
Depreciaton	471,617
Changes in assets and liabilities	
(Increase) decrease in receivable, net	(100,597)
(Increase) decrease in prepaid expenses	(3,578)
Increase (decrease) in accounts payable	40,990
Increase (decrease) in interfund payables	(5,265)
Increase (decrease) in accrued wages	1,668
Increase (decrease) in other accrued expenses	4,183
Increase (decrease) in compensated absences	(3,308)
Net cash provided by operating activities	\$ 442,687

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

City of Old Town, Maine  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**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 6, 2013 the taxes were committed to the tax collector for collection. One half of the taxes were due on September 19, 2013 and the second half was due on March 20, 2014. Interest is assessed from September 20, 2013 and March 21, 2014 at 7.00% per year on any amount unpaid as of September 20, 2013 and March 21, 2014 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 \$19.62 per \$1,000 of assessed valuation is \$1.23 which represents the local assessment for county taxes and \$11.21 which represents the local assessment for Education. These taxes are collected by the City and forwarded as required by the taxing agency.

The 2014 tax levy is summarized as follows:

Assessed Value	
Real property	\$ 435,922,775
Personal property	44,712,592
	<u>480,635,367</u>
Tax rate (per \$1,000)	19.62
Commitment	<u>9,430,066</u>
Supplementals	2,939
Less collections and abatements	<u>8,162,012</u>
Receivable at June 30, 2014	<u><u>\$ 1,270,993</u></u>
Collection rate	86.55%

**2. BUDGET BASIS OF ACCOUNTING**

The City prepares its general fund annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions on page 40 are presented in accordance with the City’s method (budget basis) in the Budget and Actual (with budget to GAAP differences) – General Fund to provide a meaningful comparison of actual results with the budget. The major difference between budget and GAAP basis in the general fund is compensated absences are recognized for GAAP basis only.

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

Net change in fund balances - budget basis	\$ (1,577,210)
Billing revenue in expenditures - revenue	(31,147)
Billing revenue in expenditures - expenditures	31,147
Other financing source in revenue - revenue	(225,000)
Other financing source in revenue - OFS	225,000
End of year adjustment for compensated absences not recognized as expenditures	(18,086)
Net change in fund balances - GAAP basis	<u>\$ (1,595,296)</u>

The City also prepares its sewer fund annual budget on a basis which differs from GAAP. The budget and all transactions on page 42 are presented in accordance with the City’s method (budget basis) in the Budget and Actual (with budget to GAAP differences) – Sewer Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the sewer fund are depreciation and other post employment benefits which are recognized for GAAP basis only and capital asset additions and principal payments which are recognized for budget basis only.

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

Net change in net position - budget basis	\$ (776,710)
Current year depreciation expense	(471,617)
Current year capital asset additions	169,624
Current year principal payments	286,572
Other post employment benefits	(4,183)
End of year adjustment for compensated absences not recognized as expenditures	3,307
Charges for services not recognized as revenue	541,319
Net change in net position - GAAP basis	<u>\$ (251,688)</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, 2014, the City reported deposits of \$3,716,708 with bank balances of \$3,819,245. Of the City’s total bank balance of \$3,819,245, \$3,819,245 was collateralized by underlying securities held by the related bank, which were not in the City’s name.

Reported in governmental funds	\$ 1,221,122
Reported in proprietary funds	<u>2,495,586</u>
Total Deposits	<u><u>\$ 3,716,708</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 \$7,384,090, 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, 2014, 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, 2014 are:

	<u>AA+</u>	<u>Not Rated</u>	<u>Total</u>
U.S. Agency Notes	\$ 3,694,021	\$ 142,959	\$ 3,836,980
U.S. Treasury Notes	-	62,996	62,996
	<u><u>\$ 3,694,021</u></u>	<u><u>\$ 205,955</u></u>	<u><u>\$ 3,899,976</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	\$ 1,615,788	\$ 2,230,079
U.S. Treasury Notes	-	62,996
Corporate Bonds	736,165	247,449
Repurchase Agreements	1,044,566	-
Total debt investments	<u>\$ 3,396,519</u>	<u>\$ 2,540,524</u>

Investments of have been reported as follows:

Reported in governmental funds	<u>\$ 7,384,090</u>
Total Investments	<u><u>\$ 7,384,090</u></u>

The City's investments by type are as follows:

U.S. Agency Notes	\$ 3,845,867
U.S. Treasury Notes	62,996
Corporate Bonds	983,614
Repurchase Agreements	1,044,566
Mutual Funds	221,833
Equities	1,225,214
	<u>\$ 7,384,090</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, 2014:

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
<b>Governmental Funds:</b>				
General Fund	\$ 331,387	\$ 387,954	\$ (77,000)	\$ 642,341
Capital Reserves	-	-	-	-
Total Governmental Funds	<u>331,387</u>	<u>387,954</u>	<u>\$ (77,000)</u>	<u>642,341</u>
Allowance for Uncollectibles	<u>(57,000)</u>	<u>(20,000)</u>		
Net Receivables	<u>\$ 274,387</u>	<u>\$ 367,954</u>		<u>\$ 642,341</u>
<b>Proprietary Funds:</b>				
Sewer Fund	\$ 512,399	\$ 139,229	<u>\$ (48,000)</u>	\$ 603,628
Allowance for Uncollectibles	<u>(41,000)</u>	<u>(7,000)</u>		
Net Receivables	<u>\$ 471,399</u>	<u>\$ 132,229</u>		<u>\$ 603,628</u>

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 is summarized below.

	Balance 06/30/13	Additions	Retirements	Balance 06/30/14
<b>Governmental Activities:</b>				
<i>Non-Depreciable Assets:</i>				
Land	\$ 1,275,120	\$ -	\$ -	\$ 1,275,120
Construction in Progress	2,553,172	843,670	(407,072)	2,989,770
Total Non-Depreciable Assets	<u>3,828,292</u>	<u>843,670</u>	<u>(407,072)</u>	<u>4,264,890</u>
<i>Depreciable Assets:</i>				
Buildings & Improvements	8,072,356	-	-	8,072,356
Equipment & Furniture	3,153,845	45,400	-	3,199,245
Vehicles	2,120,309	206,540	(65,242)	2,261,607
Land Improvements	517,459	-	-	517,459
Infrastructure	5,758,553	564,162	-	6,322,715
Total Depreciable Assets	<u>19,622,522</u>	<u>816,102</u>	<u>(65,242)</u>	<u>20,373,382</u>
<i>Less accumulated depreciation for:</i>				
Buildings & Improvements	(2,145,287)	(186,583)	-	(2,331,870)
Equipment & Furniture	(2,357,511)	(162,170)	-	(2,519,681)
Vehicles	(1,231,046)	(157,164)	65,242	(1,322,968)
Land Improvements	(141,704)	(20,805)	-	(162,509)
Infrastructure	(1,481,827)	(209,716)	-	(1,691,543)
Total accumulated depreciation	<u>(7,357,375)</u>	<u>(736,438)</u>	<u>65,242</u>	<u>(8,028,571)</u>
Total capital assets being depreciated, net	<u>12,265,147</u>	<u>79,664</u>	<u>-</u>	<u>12,344,811</u>
Governmental activities capital assets, net	<u>\$ 16,093,439</u>	<u>\$ 923,334</u>	<u>\$ (407,072)</u>	<u>\$ 16,609,701</u>

**5. CAPITAL ASSETS (Continued)**

	Balance 06/30/13	Additions	Retirements	Balance 06/30/14
<b>Business-type Activities:</b>				
<i>Non-Depreciable Assets:</i>				
Land	\$ 179,427	\$ -	\$ -	\$ 179,427
Construction in Process	247,657	580,611	(703,093)	125,175
Total Non-Depreciable Assets	<u>427,084</u>	<u>580,611</u>	<u>(703,093)</u>	<u>304,602</u>
<i>Depreciable Assets:</i>				
Infrastructure	3,443,387	703,093	-	4,146,480
Buildings and Improvements	5,682,700	-	-	5,682,700
Equipment and Furniture	6,707,004	5,210	-	6,712,214
Vehicles	341,593	29,600	(32,109)	339,084
Total Depreciable Assets	<u>16,174,684</u>	<u>737,903</u>	<u>(32,109)</u>	<u>16,880,478</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(736,504)	(54,776)	-	(791,280)
Buildings & Improvements	(2,460,493)	(138,827)	-	(2,599,320)
Equipment & Furniture	(3,442,744)	(274,067)	-	(3,716,811)
Vehicles	(341,592)	(3,947)	32,109	(313,430)
Total accumulated depreciation	<u>(6,981,333)</u>	<u>(471,617)</u>	<u>32,109</u>	<u>(7,420,841)</u>
Total capital assets being depreciated, net	<u>9,193,351</u>	<u>266,286</u>	<u>-</u>	<u>9,459,637</u>
Business-type activities capital assets, net	<u>\$ 9,620,435</u>	<u>\$ 846,897</u>	<u>\$ (703,093)</u>	<u>\$ 9,764,239</u>

Depreciation expense for the year ended June 30, 2014 was charged as direct expense to programs as follows:

<i>Governmental Activities</i>	
General government	\$ 67,159
Public safety	177,714
Public works	379,867
Culture and recreation	48,319
Airport	63,379
Total depreciation expense - Governmental activities	<u>\$ 736,438</u>

Total interest costs of \$273,855 were incurred during the year ending June 30, 2014. All interest was expensed.

City of Old Town, Maine  
Notes to Financial Statements – Continued  
June 30, 2014

**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, 2014:

	Original Amount	Principal Balance 06/30/13	Proceeds	Payments	Principal Balance 06/30/14	Due in 1 year
<b>Governmental Debt</b>						
<b>General Obligation Bonds Payable</b>						
<i>Maine Municipal Bond Bank</i>						
2007 school renovation bond, due 2017, with annual principal payments and semiannual interest payments. Interest ranges from 1.000% to 6.000%.	\$ 1,000,000	\$ 500,000	\$ -	\$ (100,000)	\$ 400,000	\$ 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	1,250,000	-	(125,000)	1,125,000	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	5,658,100	-	(565,810)	5,092,290	565,810
2008 school renovation revolving loan fund due 2018, with annual principal payments with no interest	2,000,000	406,920	-	(67,820)	339,100	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	1,199,190	-	(70,545)	1,128,645	70,545
Total General Obligation Bonds		<u>\$ 9,014,210</u>	<u>\$ -</u>	<u>\$ (929,175)</u>	<u>\$ 8,085,035</u>	<u>\$ 929,175</u>
<b>Business-type Debt</b>						
<b>Proprietary Fund Bonds Payable</b>						
<i>Rural Development</i>						
2003 treatment facility construction and improvements bond, due 2031 with annual principal and semi-annual interest. Interest at 4.250%.	2,000,000	1,357,143	-	(71,429)	1,285,714	71,429
2007 treatment facility construction and improvement bond, due 2022 with annual principal and semi-annual interest. Interest at 4.125%.	914,000	718,143	-	(32,643)	685,500	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	1,350,001	-	(150,000)	1,200,001	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	357,501	-	(32,500)	325,001	32,500
Total Proprietary Fund Bonds		<u>3,782,788</u>	<u>-</u>	<u>(286,572)</u>	<u>3,496,216</u>	<u>286,572</u>
Total general obligation and proprietary fund bonds payable		<u>\$ 12,796,998</u>	<u>\$ -</u>	<u>\$ (1,215,747)</u>	11,581,251	<u>\$ 1,215,747</u>
Less current portion					<u>(1,215,747)</u>	
					<u>\$ 10,365,504</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
2015	\$ 929,175	\$ 357,607	\$ 286,571	\$ 114,229	\$ 1,215,746	\$ 471,836
2016	929,170	317,626	286,571	105,236	1,215,741	422,862
2017	929,170	275,404	286,571	100,854	1,215,741	376,258
2018	929,170	234,033	286,571	88,812	1,215,741	322,845
2019	829,170	185,216	286,571	80,340	1,115,741	265,556
2020-2024	3,115,940	402,775	1,132,857	278,185	4,248,797	680,960
2025-2029	352,700	46,378	520,357	140,709	873,057	187,087
2030-2034	70,540	1,334	377,499	37,225	448,039	38,559
2035-2039	-	-	32,648	673	32,648	673
Totals	\$ 8,085,035	\$ 1,820,373	\$ 3,496,216	\$ 946,263	\$ 11,581,251	\$ 2,766,636

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 \$4,597,986. 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, 2014:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease	\$ 16,298	\$ -	\$ 5,237	\$ 11,061	\$ 5,430
Compensated absences	407,447	52,355	34,270	425,532	64,226
Other post employment benefits	213,578	51,648	14,219	251,007	-
Total Governmental Activities	\$ 637,323	\$ 104,003	\$ 53,726	\$ 687,600	\$ 69,656
<b>Business-Type Activities</b>					
Compensated absences	\$ 41,256	\$ 3,690	\$ 6,998	\$ 37,948	\$ 7,590
Other post employment benefits	25,201	5,772	1,589	29,384	-
Total Business-Type Activities	\$ 66,457	\$ 9,462	\$ 8,587	\$ 67,332	\$ 7,590

**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, 2014 capital assets include \$27,110 of capitalized equipment in the governmental activities, net of related accumulated depreciation of \$14,458.

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

<u>Year Ended June 30</u>	<u>Capital Leases</u>
2015	\$ 5,840
2016	<u>5,840</u>
Total Minimum Payments	11,680
Less: Amount	
Representing Interest	<u>619</u>
Present Value of Future	
Minimum Payments	<u><u>\$ 11,061</u></u>

**Short-Term Obligations**

The City of Old Town issued a Bond Anticipation Note (BAN) for \$2.1 million on July 19, 2013. The BAN has an interest rate of 0.93% and is due on December 31, 2014. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2014 there were \$2.1 million of outstanding BANs. Authorized BAN proceeds not spent at June 30, 2014 are \$1.7 million.

**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:

**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, 2014 are as follows:

	Due from Other Funds	Due to Other Funds	Transfers In	Tranfers Out
General fund	\$ 29,606	\$ 3,902,896	\$ 633,769	\$ 644,663
Capital reserves fund	3,902,896	22,407	521,457	510,563
Other governmental funds	-	7,199	-	-
	<u>\$ 3,932,502</u>	<u>\$ 3,932,502</u>	<u>\$ 1,155,226</u>	<u>\$ 1,155,226</u>

**8. INTERFUND TRANSACTIONS – Continued**

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 2014, the City of Old Town, in accordance with the authorized budget, recorded several non-routine, nonrecurring transfers.

The General Fund transferred \$123,799 to the Heavy Equipment Replacement Reserve and \$29,600 to the City Facilities and Infrastructure Reserve.

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

At June 30, 2014, the enterprise fund’s restricted fund balance for other purposes was comprised of the following:

Capital outlay - equipment and facility	<u>\$ 387,832</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, 2014 are as follows:

General Fund:	
BIDE (MDEA Drug Program)	\$ 5,309
2014 Drive Sober Program	4,363
Penobscot JAG Program	1,839
2014 Buckle Up Program	1,595
Airport Improvement Program	121,667
Airport Master Plan	9,286
Brownfield Cleanup Program	3,474
Total General Fund	<u>147,533</u>
Permanent Funds:	
Cemetery	792,009
Public Library	742,707
Library Trust	244,579
Total Permanent Funds	<u>1,779,295</u>
Total Restricted Fund Balance	<u>\$ 1,926,828</u>

Committed fund balances for the year ended June 30, 2014 are as follows:

General Fund:	
Employee Benefits	\$ 5,750
City Manager	8,344
Economic Development	104,384
Information Technology	34,058
Airport	13,757
Juniper Ridge Landfill	207,098
Capital Projects	325,084
Total General Fund Committed Balance	<u>698,475</u>

**10. FUND BALANCES – Continued**

Capital Reserves:	
Old Town Development LLC	335,641
Tech equipment	225,090
Heavy equipment	1,621,387
Community center reserve	28,500
Highway block grant	160,110
Economic development	114,583
Airport hangar	508,424
J Ridge landfill	385,452
City facilities	222,511
Debt service	167,395
Donations - library	12,048
Community festival	12,723
Concerts in the park	2,044
Skateboard park	37,892
Public safety programs	19,396
Book restoration	296
Save the pool	3,834
Library friends	3,163
Total Capital Reserves Committed Balance	<u>3,860,489</u>
Total fund balance - committed	<u><u>\$ 4,558,964</u></u>

At June 30, 2014, 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, 2014 for employees covered by this plan was \$3,361,255.

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:					
	6/30/14		6/30/13		6/30/12	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Employer	\$ 136,379	4.46%	\$ 110,266	3.52%	\$ 90,743	2.88%
Employee	\$ 219,705	7.19%	\$ 207,013	6.60%	\$ 213,335	6.77%

**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 \$61,715 and employees elected to defer \$164,014 for a contribution of \$225,729, for municipal employees.

**12. OTHER POST EMPLOYMENT BENEFITS**

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

Description of the Plan –

The City sponsors a single-employer post-retirement benefit plan providing health insurance to retiring employees through MMEHT. MMEHT issues a publicly available financial report that may be obtained through their website [www.cigna.com](http://www.cigna.com). The City does not provide any payment toward employee retirement benefits for health, dental or life insurances. However, if an employee meets the requirements, they may, at their own cost, remain on the employer’s health insurance plan.

Funding Policy and Annual OPEB Cost –

GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

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

Normal cost	\$ 19,580
Amortization of unfunded accrued liability	27,359
Interest	930
Annual required contribution (ARC)	<u>47,869</u>
Interest on net OPEB obligation	9,551
Amortizing adjustment to ARC	<u>(13,808)</u>
Annual OPEB cost	43,612
Contributions paid in 2014	<u>(2,000)</u>
Increase (decrease) in net OPEB obligation	41,612
Net OPEB obligation, beginning of year	238,779
Net OPEB obligation, end of year	<u><u>\$ 280,391</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>
06/30/14	\$ 43,612	4.18%	\$ 280,391
06/30/13	44,367	4.18%	238,779
06/30/12	54,266	13.93%	196,412

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, 2014 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	\$ 3,361,255
UAAL as percentage of covered payroll	14.64%

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. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 12, 2015, the date on which the financial statements were available to be issued.

City of Old Town, Maine  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTHCARE PLAN**  
For the year ended June 30, 2014

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%
2014	1/1/2013	-	492,023	492,023	0.00%	3,361,255	14.64%

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, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>REVENUES</b>					
Property Taxes	\$ 9,392,460	\$ 9,392,460	\$ 8,344,583	\$ -	\$ 8,344,583
Excise and miscellaneous taxes	1,131,070	1,131,070	1,239,105	-	1,239,105
Fees and fines	16,700	16,700	11,750	-	11,750
Licenses and permits	179,030	179,030	158,061	-	158,061
Intergovernmental	718,969	718,969	2,309,483	(75,000)	2,234,483
Charges for services	2,241,240	2,241,240	2,201,811	-	2,201,811
Investment earnings	47,000	47,000	49,562	-	49,562
Miscellaneous	262,700	262,700	361,705	(181,147)	180,558
Total revenues	<u>13,989,169</u>	<u>13,989,169</u>	<u>14,676,060</u>	<u>(256,147)</u>	<u>14,419,913</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,911,562	2,059,562	2,162,345	(27,600)	2,134,745
Public Safety	2,915,268	2,923,974	3,166,420	24,414	3,190,834
Public Works	1,088,548	1,088,548	1,148,434	122,042	1,270,476
Health, welfare and sanitation	822,645	822,645	761,954	-	761,954
Culture and recreation	815,048	815,048	789,765	3,973	793,738
Airport	185,387	185,387	547,116	10,615	557,731
Education	5,387,483	5,387,483	5,387,483	-	5,387,483
County Tax	592,334	592,334	592,334	-	592,334
Debt Service:					
Principal	337,746	337,746	337,746	-	337,746
Interest	156,190	156,190	156,132	-	156,132
Capital Outlay	1,156,822	1,241,090	1,015,299	(146,505)	868,794
Total Expenditures	<u>15,369,033</u>	<u>15,610,007</u>	<u>16,065,028</u>	<u>(13,061)</u>	<u>16,051,967</u>
Excess (deficiency) of revenues over expenditures	<u>(1,379,864)</u>	<u>(1,620,838)</u>	<u>(1,388,968)</u>	<u>(243,086)</u>	<u>(1,632,054)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	130,000	130,000	408,769	225,000	633,769
Transfers out	(201,128)	(201,128)	(644,663)	-	(644,663)
Total other financing sources and uses	<u>(71,128)</u>	<u>(71,128)</u>	<u>(235,894)</u>	<u>225,000</u>	<u>(10,894)</u>
<b>SPECIAL ITEMS</b>					
Proceeds from sale of capital assets	-	-	47,652	-	47,652
Total Special Items	<u>-</u>	<u>-</u>	<u>47,652</u>	<u>-</u>	<u>47,652</u>
Net change in fund balances	(1,450,992)	(1,691,966)	(1,577,210)	(18,086)	(1,595,296)
Fund balances - beginning	4,022,241	4,022,241	4,022,241	-	4,022,241
Fund balances - ending	<u>\$ 2,571,249</u>	<u>\$ 2,330,275</u>	<u>\$ 2,445,031</u>	<u>\$ (18,086)</u>	<u>\$ 2,426,945</u>

**City of Old Town, Maine**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**General Fund**  
For the year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property Taxes	\$ 9,392,460	\$ 9,392,460	\$ 8,344,583	\$ (1,047,877)
Excise and miscellaneous taxes	1,131,070	1,131,070	1,239,105	108,035
Fees and fines	16,700	16,700	11,750	(4,950)
Licenses and permits	179,030	179,030	158,061	(20,969)
Intergovernmental	718,969	718,969	2,309,483	1,590,514
Charges for services	2,241,240	2,241,240	2,201,811	(39,429)
Investment earnings	47,000	47,000	49,562	2,562
Miscellaneous	262,700	262,700	361,705	99,005
Total revenues	<u>13,989,169</u>	<u>13,989,169</u>	<u>14,676,060</u>	<u>686,891</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,911,562	2,059,562	2,162,345	(102,783)
Public safety	2,915,268	2,923,974	3,166,420	(242,446)
Public Works	1,088,548	1,088,548	1,148,434	(59,886)
Health, welfare and sanitation	822,645	822,645	761,954	60,691
Culture and recreation	815,048	815,048	789,765	25,283
Airport	185,387	185,387	547,116	(361,729)
Education	5,387,483	5,387,483	5,387,483	-
County tax	592,334	592,334	592,334	-
Debt Service:				
Principal	337,746	337,746	337,746	-
Interest	156,190	156,190	156,132	58
Capital Outlay	1,156,822	1,241,090	1,015,299	225,791
Total Expenditures	<u>15,369,033</u>	<u>15,610,007</u>	<u>16,065,028</u>	<u>(455,021)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,379,864)</u>	<u>(1,620,838)</u>	<u>(1,388,968)</u>	<u>231,870</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	130,000	130,000	408,769	278,769
Transfers out	(201,128)	(201,128)	(644,663)	(443,535)
Total other financing sources and uses	<u>(71,128)</u>	<u>(71,128)</u>	<u>(235,894)</u>	<u>(164,766)</u>
<b>SPECIAL ITEMS</b>				
Proceeds from sale of capital assets	-	-	47,652	47,652
Total Special Items	<u>-</u>	<u>-</u>	<u>47,652</u>	<u>47,652</u>
Net change in fund balances	<u>(1,450,992)</u>	<u>(1,691,966)</u>	<u>(1,577,210)</u>	<u>\$ 114,756</u>
<b>Fund balances - beginning</b>	4,022,241	4,022,241	4,022,241	
<b>Fund balances - ending</b>	<u>\$ 2,571,249</u>	<u>\$ 2,330,275</u>	<u>\$ 2,445,031</u>	

**City of Old Town, Maine**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**Sewer Fund**  
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>REVENUES</b>					
Charges for services	\$ 840,000	\$ 840,000	\$ 743,138	\$ 541,319	\$ 1,284,457
Other	40,100	40,100	29,884	-	29,884
Total revenues	<u>880,100</u>	<u>880,100</u>	<u>773,022</u>	<u>541,319</u>	<u>1,314,341</u>
<b>EXPENDITURES</b>					
Current:					
Administration	560,190	560,190	534,534	876	535,410
Maintenance	629,031	641,031	242,224	(164,414)	77,810
Waste treatment facility	152,200	152,200	156,147	(5,210)	150,937
Sludge disposal	54,000	54,000	41,590	-	41,590
Depreciation	-	-	-	471,617	471,617
Total Expenditures	<u>1,395,421</u>	<u>1,407,421</u>	<u>974,495</u>	<u>302,869</u>	<u>1,277,364</u>
Excess (deficiency) of revenues over expenditures	<u>(515,321)</u>	<u>(527,321)</u>	<u>(201,473)</u>	<u>238,450</u>	<u>36,977</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Debt Service:					
Principal	(2,386,572)	(2,386,572)	(286,572)	286,572	-
Interest	(169,248)	(169,248)	(123,528)	-	(123,528)
Investment earnings	2,500	2,500	1,419	-	1,419
Miscellaneous expenses	-	-	(194,899)	-	(194,899)
Capital contributions	-	-	26,346	-	26,346
Total other financing sources and uses	<u>(2,553,320)</u>	<u>(2,553,320)</u>	<u>(577,234)</u>	<u>286,572</u>	<u>(290,662)</u>
<b>SPECIAL ITEM</b>					
Proceeds from sale of capital assets	-	-	2,665	-	2,665
Change in net position	(3,068,641)	(3,080,641)	(776,042)	525,022	(251,020)
<b>Net position - beginning</b>	7,654,416	7,654,416	7,654,416	-	7,654,416
<b>Net position - ending</b>	<u>\$ 4,585,775</u>	<u>\$ 4,573,775</u>	<u>\$ 6,878,374</u>	<u>\$ 525,022</u>	<u>\$ 7,403,396</u>

City of Old Town, Maine  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**Sewer Fund**  
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 840,000	\$ 840,000	\$ 743,138	\$ (96,862)
Other	40,100	40,100	29,884	(10,216)
Total revenues	<u>880,100</u>	<u>880,100</u>	<u>773,022</u>	<u>(107,078)</u>
<b>EXPENDITURES</b>				
Current:				
Administration	560,190	560,190	534,534	25,656
Maintenance	629,031	641,031	242,224	398,807
Waste treatment facility	152,200	152,200	156,147	(3,947)
Sludge disposal	54,000	54,000	41,590	12,410
Total Expenditures	<u>1,395,421</u>	<u>1,407,421</u>	<u>974,495</u>	<u>432,926</u>
Excess (deficiency) of revenues over expenditures	<u>(515,321)</u>	<u>(527,321)</u>	<u>(201,473)</u>	<u>325,848</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Service:				
Principal	(2,386,572)	(2,386,572)	(286,572)	2,100,000
Interest	(169,248)	(169,248)	(123,528)	45,720
Investment earnings	2,500	2,500	1,419	(1,081)
Miscellaneous expenses	-	-	(194,899)	(194,899)
Capital contributions	-	-	26,346	26,346
Total other financing sources and uses	<u>(2,553,320)</u>	<u>(2,553,320)</u>	<u>(577,234)</u>	<u>1,976,086</u>
<b>SPECIAL ITEM</b>				
Proceeds from sale capital assets	-	-	2,665	2,665
Change in net position	(3,068,641)	(3,080,641)	(776,042)	<u>\$ 2,304,599</u>
<b>Net position - beginning</b>	7,654,416	7,654,416	7,654,416	
<b>Net position - ending</b>	<u>\$ 4,585,775</u>	<u>\$ 4,573,775</u>	<u>\$ 6,878,374</u>	

City of Old Town, Maine  
**COMBINING BALANCE SHEET**  
**Other Governmental Funds**  
June 30, 2014

	<u>Cemetery</u>	<u>Public Library</u>	<u>Library Trust</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 94,188	\$ 86,943	\$ 6,708	\$ 187,839
Investments	734,111	681,020	237,871	1,653,002
Total assets	<u>828,299</u>	<u>767,963</u>	<u>244,579</u>	<u>1,840,841</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	-	7,199	-	7,199
Total liabilities	<u>-</u>	<u>7,199</u>	<u>-</u>	<u>7,199</u>
Fund balances:				
Restricted	792,009	742,707	244,579	1,779,295
Assigned	36,290	18,057	-	54,347
Total fund balances	<u>828,299</u>	<u>760,764</u>	<u>244,579</u>	<u>1,833,642</u>
Total liabilities and fund balances	<u>\$ 828,299</u>	<u>\$ 767,963</u>	<u>\$ 244,579</u>	<u>\$ 1,840,841</u>

City of Old Town, Maine  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
For the year ended June 30, 2014

	<u>Cemetery</u>	<u>Public Library</u>	<u>Library Trust</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>				
Investment earnings	\$ 118,620	\$ 107,502	\$ 43,802	\$ 269,924
New funds and contributions	-	-	201,853	201,853
Total revenues	<u>118,620</u>	<u>107,502</u>	<u>245,655</u>	<u>471,777</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	-	24,835	1,076	25,911
Capital outlay	16,995	-	-	16,995
Total Expenditures	<u>16,995</u>	<u>24,835</u>	<u>1,076</u>	<u>42,906</u>
Net change in fund balances	101,625	82,667	244,579	428,871
Fund balances - beginning	726,674	678,097	-	1,404,771
Fund balances - ending	<u>\$ 828,299</u>	<u>\$ 760,764</u>	<u>\$ 244,579</u>	<u>\$ 1,833,642</u>

City of Old Town, Maine  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Capital Reserves**  
For the year ended June 30, 2014

	TIF Financing Plan	Old Town Development LLC	Tech Equip Reserve	Heavy Equip Reserve	Community Center Reserve	Highway Block Grant	Muni/Public Safety Bldg	Economic Development	Airport Hanger Reserve
<b>Revenues</b>									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,891	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	86,177
Interest and dividends	-	-	-	-	-	-	-	112	-
Miscellaneous	-	9,400	-	1,000	-	-	-	61,514	-
Total revenues	-	9,400	-	1,000	-	111,891	-	61,626	86,177
<b>Expenses</b>									
General government	203,503	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenses	203,503	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses	(203,503)	9,400	-	1,000	-	111,891	-	61,626	86,177
<b>Other Financing Sources (Uses)</b>									
Proceeds from sale of property	-	-	-	17,500	-	-	-	-	-
Transfer in	203,503	150,000	14,555	123,799	-	-	-	-	-
Transfer out	-	-	-	-	-	(75,000)	(494)	-	-
Total other financing sources (uses)	203,503	150,000	14,555	141,299	-	(75,000)	(494)	-	-
Net change in fund balance	-	159,400	14,555	142,299	-	36,891	(494)	61,626	86,177
Fund balance - Beginning	-	176,241	210,535	1,479,088	28,500	123,219	494	52,957	422,247
Fund balance - Ending	\$ -	\$ 335,641	\$ 225,090	\$ 1,621,387	\$ 28,500	\$ 160,110	\$ -	\$ 114,583	\$ 508,424

Continued

City of Old Town, Maine  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Capital Reserves**  
For the year ended June 30, 2014

	J Ridge Landfill	City Facilities Reserve	Debt Service Airport	Library Grants	Girlstalk Grant	Madelin Lane/ Coombs Park	Memorial Books
<b>Revenues</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-	-
Miscellaneous	-	2,200	-	4,796	-	-	2,935
Total revenues	<u>-</u>	<u>2,200</u>	<u>-</u>	<u>4,796</u>	<u>-</u>	<u>-</u>	<u>2,935</u>
<b>Expenses</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	9,110	57	-	2,844
Airports	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,110</u>	<u>57</u>	<u>-</u>	<u>2,844</u>
Excess (deficiency) of revenues over expenses	<u>-</u>	<u>2,200</u>	<u>-</u>	<u>(4,314)</u>	<u>(57)</u>	<u>-</u>	<u>91</u>
<b>Other Financing Sources (Uses)</b>							
Proceeds from sale of property	-	-	-	-	-	-	-
Transfer in	-	29,600	-	-	-	-	-
Transfer out	(430,000)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(430,000)</u>	<u>29,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(430,000)	31,800	-	(4,314)	(57)	-	91
Fund balance - Beginning	<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>
Fund balance - Ending	<u>\$ 385,452</u>	<u>\$ 242,511</u>	<u>\$ 167,395</u>	<u>\$ 9,831</u>	<u>\$ 176</u>	<u>\$ 407</u>	<u>\$ 1,634</u>

Continued



City of Old Town, Maine  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Capital Reserves**  
For the year ended June 30, 2014

	Special Recreation Programs	Community Festival	Concerts in the Park	Skateboard Park	DARE	Every 15 Minutes	Gayle Seymour Fire Dept	EMS Adolescent Pub Rel Fund
<b>Revenues</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Interest and dividends	-	-	-	57	-	-	-	-
Miscellaneous	-	21,175	115	-	4,768	-	-	25
Total revenues	<u>-</u>	<u>21,175</u>	<u>115</u>	<u>57</u>	<u>4,768</u>	<u>-</u>	<u>-</u>	<u>25</u>
<b>Expenses</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	4,815	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	23,983	3,414	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>23,983</u>	<u>3,414</u>	<u>-</u>	<u>4,815</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	<u>-</u>	<u>(2,808)</u>	<u>(3,299)</u>	<u>57</u>	<u>(47)</u>	<u>-</u>	<u>-</u>	<u>25</u>
<b>Other Financing Sources (Uses)</b>								
Proceeds from sale of property	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-	-	-
Transfer out	(5,069)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(5,069)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(5,069)	(2,808)	(3,299)	57	(47)	-	-	25
Fund balance - Beginning	5,069	15,531	5,343	37,835	6,842	1,080	245	9,425
Fund balance - Ending	<u>\$ -</u>	<u>\$ 12,723</u>	<u>\$ 2,044</u>	<u>\$ 37,892</u>	<u>\$ 6,795</u>	<u>\$ 1,080</u>	<u>\$ 245</u>	<u>\$ 9,450</u>

Continued

City of Old Town, Maine  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Capital Reserves**  
For the year ended June 30, 2014

	Fire Public Rel	EMS Regionalization	Book Restoration	Save the Pool	Activities/ Library Friends	Totals
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,891
Charges for services	-	-	-	-	-	86,177
Interest and dividends	-	-	-	-	-	169
Miscellaneous	-	-	41	-	1,296	109,265
Total revenues	<u>-</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>1,296</u>	<u>307,502</u>
<b>Expenses</b>						
General government	-	-	-	-	-	203,503
Public safety	-	-	-	-	-	4,815
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	2,207	41,615
Airport	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,207</u>	<u>249,933</u>
Excess (deficiency) of revenues over expenses	<u>-</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>(911)</u>	<u>57,569</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of property	-	-	-	-	-	17,500
Transfer in	-	-	-	-	-	521,457
Transfer out	-	-	-	-	-	(510,563)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,394</u>
Net change in fund balance	-	-	41	-	(911)	85,963
Fund balance - Beginning	<u>1,497</u>	<u>329</u>	<u>255</u>	<u>3,834</u>	<u>4,074</u>	<u>3,794,526</u>
Fund balance - Ending	<u>\$ 1,497</u>	<u>\$ 329</u>	<u>\$ 296</u>	<u>\$ 3,834</u>	<u>\$ 3,163</u>	<u>\$ 3,880,489</u>

City of Old Town, Maine  
**TAXES RECEIVABLE, TAX LIENS AND TAX ACQUIRED PROPERTY**  
**General Fund**  
June 30, 2014

Taxes receivable	
2014	\$ 556,219
2013	6,070
2012	4,252
2011	3,899
2010	584
2009	205
2008	173
2007	266
2006	85
Total taxes receivable	<u>571,753</u>
Tax Liens	
2013	69,451
2014	714,774
Total tax liens	<u>784,225</u>
Tax acquired property	<u>41,604</u>
Total taxes receivable, tax liens and tax acquired property	<u><u>\$ 1,397,582</u></u>