

TOWN OF OLD ORCHARD BEACH, MAINE

Annual Financial Report

For the year ended June 30, 2008

**Prepared by:
Jill M. Eastman
Finance Director/Treasurer**

TOWN OF OLD ORCHARD BEACH, MAINE
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For the year ended June 30, 2008

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Independent Auditor's Report

Town Council

Town of Old Orchard Beach, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Old Orchard Beach, Maine as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Old Orchard Beach, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Old Orchard Beach, Maine, as of June 30, 2008, and respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 6, 2008, on our consideration of the Town of Old Orchard Beach, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Old Orchard Beach, Maine's basic financial statements. The combining and individual fund schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The information in Tables 1 through 7 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



October 6, 2008
South Portland, Maine

TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Our discussion and analysis of the Town of Old Orchard Beach's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Town's financial statements and accompanying footnotes, which begin on page 15.

FINANCIAL HIGHLIGHTS

- Despite the nationwide financial downturn that has adversely affected the State of Maine and many Municipalities in our area, the Town's financial results were strong and the outlook continues to be positive beyond the end of the Fiscal Year;
- General Fund Revenues and Transfers In exceeded estimates by \$369,657;
- General Fund Expenditures and Transfers Out were more than budgeted by \$428,887;
- Changes to other items conforming to accounting principles generally accepted in the United States of America were positive;
- General Fund Surplus (Reduction) was (\$59,230) (budgetary basis).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 and 16) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins on page 15. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial position, or *financial health*. Over time, increases or decreases in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads and sewers, to assess the *overall health* of the Town. The most significant component of the reporting changes in these two statements is the inclusion of the value of the Town's capital assets (original cost less depreciation) along with the long term debt that generally was used to purchase or construct these capital assets.

TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Net Assets includes the effect of this and several other items while the more traditional approach (Statements 3 & 4) does not. The differences are explained at the bottom of Statement 3 and in the Reconciliation shown in Statement 5.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – Most of the Town's basic services are reported here, including the police, fire/rescue, public works, sanitation, and recreation departments, planning and economic development, parks and recreation, and general administration. Property taxes, user fees, franchise fees, interest income, and state and federal grants finance most of these activities.
- Business-type activities – The Town owns the Ballpark facility, which is expected to be run like a business and to be self-supporting.

Reporting the Town's Most Significant Funds

Fund Financial Statements

Our analysis of the Town's major funds begins on page 17. The fund financial statements begin on page 45 and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State statute or by bond covenants. However, the Town establishes many other funds to help it control and manage money for particular purposes (like the Recreation programs) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the State Department of Education). The Town's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Town's basic services are reported in governmental funds, which focus on how much flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in the reconciliation shown in Statement 5.
- *Proprietary funds* – When the Town charges customers for the services it provides - whether to outside customers or to other units of the Town - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provides more detail. The only proprietary fund the Town has is for the Ballpark facility.

TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The Town as Trustee

Reporting the Town's Fiduciary Responsibilities

The Town, through its School Department, is the trustee for several scholarship funds. All of the Town's fiduciary activities are reported in Statements 10 and 11 on pages 25 and 26. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

The Town is providing condensed financial information for fiscal year 2008 with comparative information for fiscal year 2007. The analysis below focuses on the net assets of the Town's Governmental and Business-type Activities.

	Primary Government	
	2008 Total	2007 Total
Current & other assets	\$ 9,236,998	8,828,736
Capital assets	<u>15,769,332</u>	<u>16,005,326</u>
Total assets	<u>25,006,330</u>	<u>24,834,062</u>
Long-term debt	9,451,771	10,336,306
Other liabilities	<u>1,569,431</u>	<u>1,747,793</u>
Total liabilities	<u>11,021,202</u>	<u>12,084,099</u>
Net assets:		
Invested in capital assets	7,234,850	6,575,326
Unrestricted	<u>6,750,278</u>	<u>6,174,637</u>
Total net assets	<u>\$ 13,985,128</u>	<u>12,749,963</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,776,653	2,006,767
Operating grants & contributions	3,529,150	3,238,071
Capital grants & contributions	379,084	109,102
General Revenues:		
Property taxes	18,140,336	17,520,964
Payments in lieu of taxes	23,026	23,203
Excise taxes	1,357,886	1,413,385
Interest and costs on taxes	120,653	77,932
Franchise fees	190,298	169,806
Homestead exemption	152,143	156,768
State revenue sharing	831,295	823,107
Other State & Federal aid	8,723	7,714
Investment earnings	352,740	343,844
Miscellaneous revenues	<u>109,533</u>	<u>112,858</u>
Total revenues	<u>26,971,520</u>	<u>26,003,521</u>

TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Program expenditures:		
General government	\$ 1,980,521	1,823,530
Public Safety	4,341,807	4,198,453
Public Works	1,996,063	1,864,664
Sanitation	1,924,311	1,884,323
Recreation, culture & agencies	676,214	715,804
Health & welfare	74,298	76,463
Education	11,879,054	11,761,404
County tax	599,834	571,334
Unclassified	453,576	167,008
Interest on debt	358,337	396,174
Capital outlays	1,435,205	2,163,795
Ballpark	<u>17,134</u>	<u>17,134</u>
Total expenditures	<u>25,736,354</u>	<u>25,640,086</u>
Change in net assets, positive or (negative)	<u>\$ 1,235,166</u>	<u>363,435</u>

GOVERNMENTAL ACTIVITIES

The cost of all Governmental Activities this year was \$25,719,220. Of that amount, those who directly benefited from the programs paid \$1,776,653 and subsidies for specific programs were received from other governments and organizations totaling \$3,529,150 in operating expenses and \$379,084 in capital expenses. General purpose grants, aid and earnings on investments brought in a further \$1,454,434. Taxpayers were asked to contribute \$19,832,199 through property and excise taxes, interest and costs on delinquent taxes, and franchise fees. The Town had total revenues of \$26,971,520 available to fund its Governmental Activities programs.

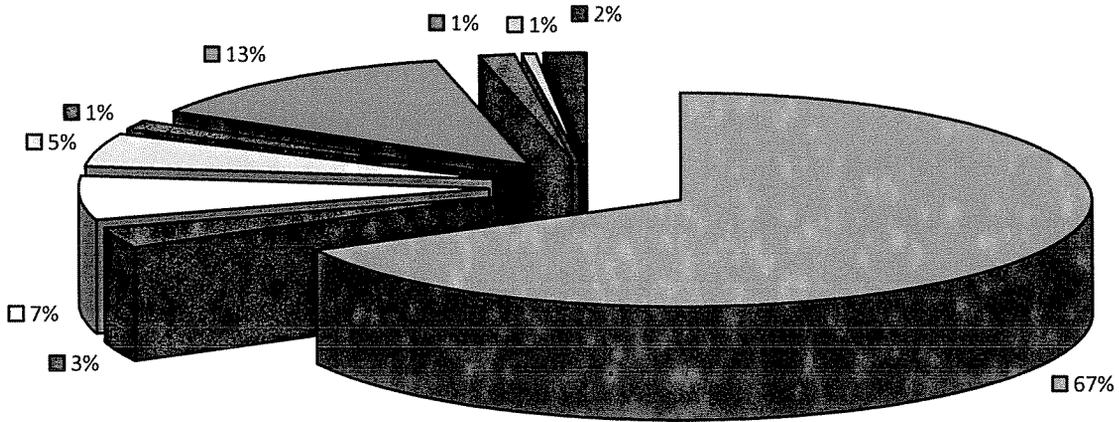
The Town's Governmental Activities programs are listed below with this year's net cost (total cost less revenues generated by the programs). Last year's net costs are shown for comparison purposes.

Governmental Activities:	<u>2008 Net (Expenses)</u>	<u>2007 Net (Expenses)</u>
General government	\$ (1,451,682)	(1,148,357)
Public safety	(3,618,011)	(3,495,735)
Public works	(1,919,963)	(1,795,792)
Sanitation	(1,865,396)	(1,771,823)
Recreation, culture & agencies	(431,015)	(470,522)
Health & welfare	(54,857)	(58,950)
Education	(8,327,888)	(8,100,746)
County tax	(599,834)	(571,334)
Unclassified	(351,229)	(387,559)
Interest on debt	(358,337)	(396,174)
Capital outlays	<u>(1,056,121)</u>	<u>(2,072,020)</u>
Total governmental activities	<u>\$ (20,034,333)</u>	<u>(20,269,012)</u>

Total resources available during the year to finance governmental operations were \$39,348,334, consisting of Net Assets at July 1, 2007 of \$12,376,814, program revenues of \$5,684,887 and general revenues of \$21,286,633. The total cost of Governmental Activities and Business-type Activities during the year was \$25,736,354. Net Assets were increased by \$1,235,166 to \$13,985,128.

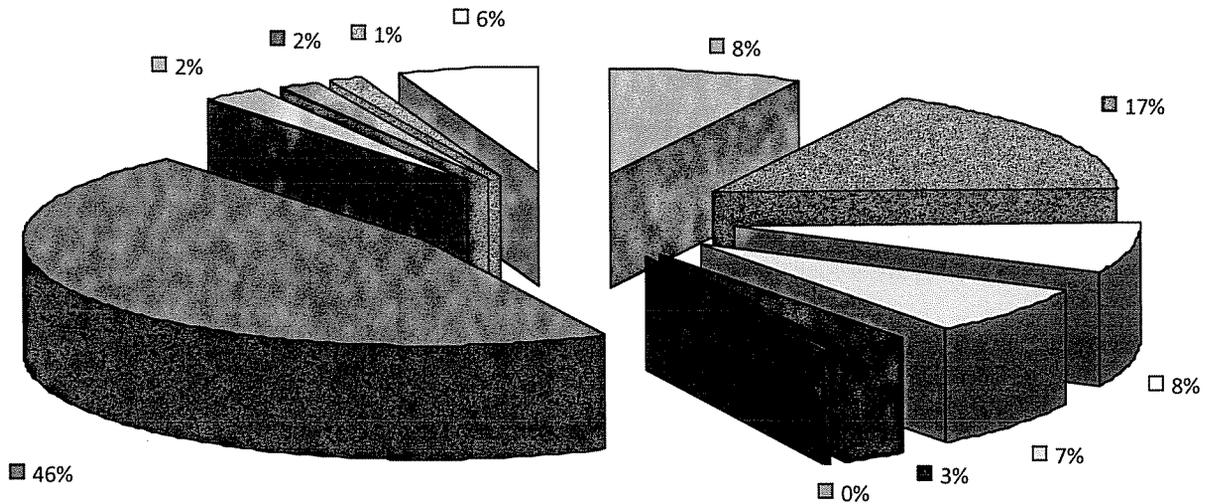
**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

2008 Governmental Activities Revenue



Property Taxes	State Revenue Sharing	Charges for Services
Excise Taxes	Investment Earnings	Operating grants & contributions
Capital grants & contributions	Homestead exemption	All other revenues

2008 Governmental Program Expenditures



General government	Public Safety	Public Works
Sanitation	Recreation, culture & agencies	Health & welfare
Education	County tax	Unclassified
Interest on debt	Capital outlays	

**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

BUSINESS-TYPE ACTIVITIES

The only Proprietary (Business-type) Activity the Town has is the Ballpark Facility. The Facility was not leased during the fiscal year.

The expense for the Facility was annual depreciation of capital assets for a total of \$17,134. Compare this figure to \$17,134 for the same purposes in the prior fiscal year.

Net Assets for the Proprietary (Business-type) Activity decreased \$17,134, from \$373,148 to \$356,014.

THE TOWN'S FUNDS

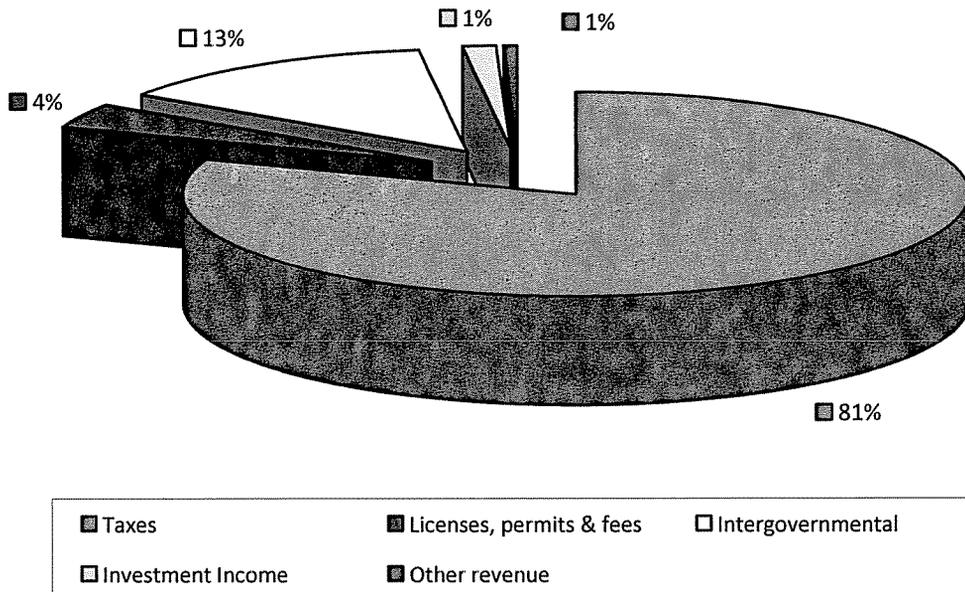
The following is an analysis of balances in the Town's major individual funds. Comparative information is provided for fiscal year 2007.

GENERAL FUND

Comparison of revenues of the General Fund for 2008 and 2007, respectively.

Revenues by source	2008	2007
Taxes	\$ 19,441,120	18,893,015
Licenses, permits & fees	940,062	1,132,286
Intergovernmental	3,252,204	3,222,696
Investment income	352,740	343,844
Other revenue	134,061	195,742
Total revenues	\$ 24,120,187	23,787,583

2008 Revenues by Source

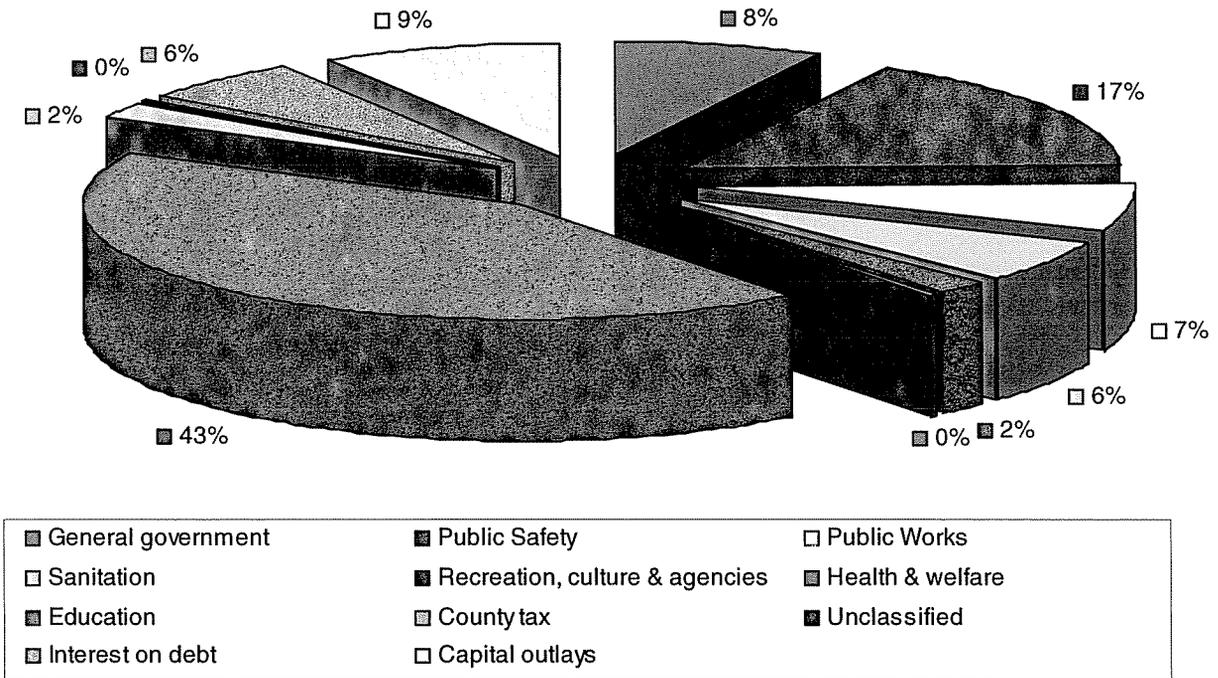


**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Comparison of expenditures of the General Fund for 2008 and 2007, respectively.

Expenditures by function:	2008	2007
General government	\$ 1,913,524	1,761,598
Public Safety	4,178,862	4,044,087
Public Works	1,618,224	1,482,509
Sanitation	1,542,780	1,496,170
Recreation, culture & agencies	505,462	471,937
Health & welfare	74,298	76,463
Education	10,675,002	10,260,455
County tax	599,834	571,334
Unclassified	46,508	50,559
Debt service	1,521,034	1,543,678
Capital outlays	2,215,271	2,242,068
Total expenditures	<u>\$ 24,890,799</u>	<u>24,000,858</u>

2008 Expenditures by Program



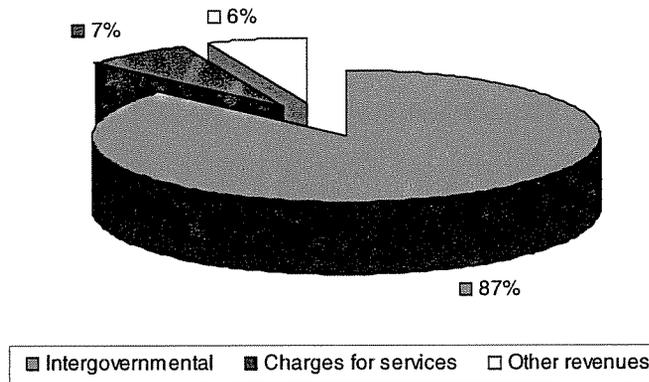
**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

SCHOOL SPECIAL REVENUES FUND

Comparison of revenues of the School Special Revenue Fund for 2008 and 2007, respectively.

Revenues by source:	2008	2007
Intergovernmental	\$ 1,259,907	1,001,164
Charges for services	102,347	110,709
Other revenues	93,029	94,828
Total revenues	\$ 1,455,283	1,206,701

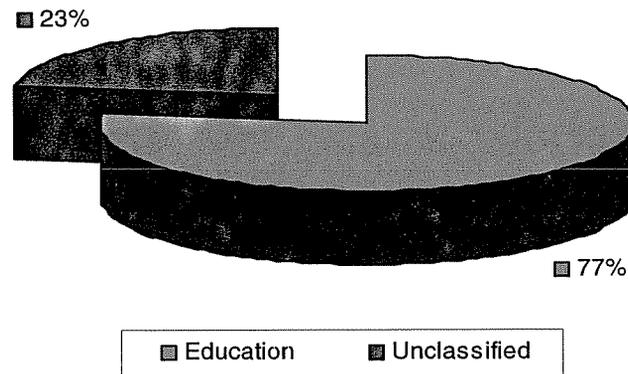
2008 Revenues by Source



Comparison of expenditures of the School Special Revenue Fund for 2008 and 2007, respectively.

Expenditures by function:	2008	2007
Education	\$ 1,126,504	1,074,942
Unclassified	332,061	331,260
Total expenditures	\$ 1,458,565	1,406,202

2008 Expenditures by Function



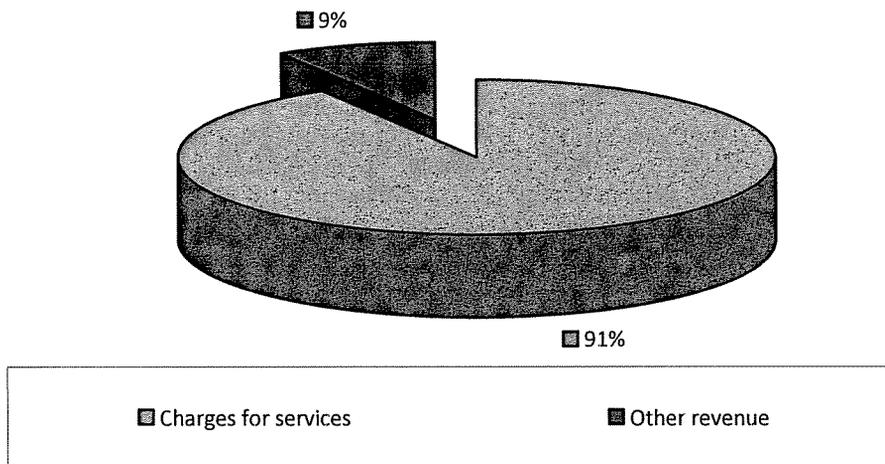
**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

RESCUE CALL FEES FUND

Comparison of revenues of the Rescue Call Fees Fund for 2008 and 2007, respectively.

Revenues by source:	2008	2007
Other revenues	\$ 39,972	-
Charges for services	422,888	359,294
Total revenues	\$ 462,860	359,294

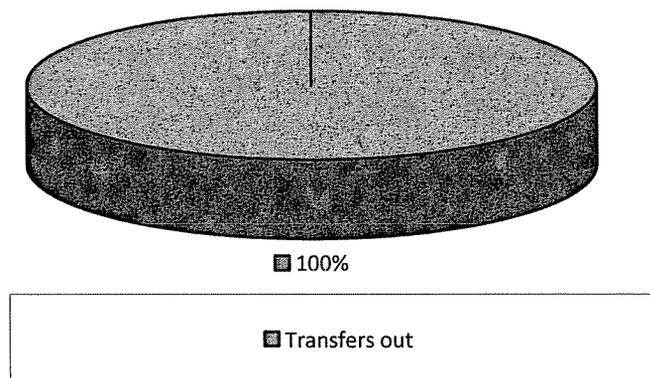
2008 Revenues by Source



Comparison of expenditures of the Rescue Call Fees Fund for 2008 and 2007, respectively.

Expenditures by function:	2008	2007
Unclassified	\$ -	-
Capital expenditures	-	61,805
Transfers out	250,000	225,000
Total expenditures and transfers	\$ 250,000	286,805

2008 Expenditures by Function



TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

BALLPARK FUND

The Town's only (and therefore major) Proprietary (Business-type) Fund is the Ballpark Fund. As its revenues, expenses, net assets and comparisons to the prior year were noted earlier, no further explanation is necessary.

DEBT ADMINISTRATION

Debt, considered a liability of Governmental Activities, decreased during fiscal year 2008 by \$1,150,000. Per capita debt decreased from \$1,072 to \$941 as a result of principal pay downs.

The Governmental Activity debt summary for fiscal year 2008 is as follows.

Debt payable at June 30, 2007	\$ 9,430,000
Less: debt retired	<u>1,150,000</u>
Debt payable at June 30, 2008	\$ 8,280,000

The debt payable does not include the long-term portion of compensated absences of \$791,289 or the long-term accrual for landfill monitoring of \$126,000. The Town received approval from the voters for \$5,300,000 for capital projects to be funded as follows: \$4,100,000 in General Obligation Bonds and \$1,200,000 through a Sewer Revolving Fund Loan both through the Maine Municipal Bond Bank.

CAPITAL ASSETS

The capital assets of the Town are those assets that are used in the performance of the Town's functions, including infrastructure assets (roads, sidewalks, sewers, etc.). At June 30, 2008, net capital assets of the Governmental Activities totaled \$15,392,382 and net capital assets of the Business-type Activities totaled \$376,952. Annual depreciation on capital assets is recognized in the Government-wide financial statements as an expense of the appropriate program in the Statement of Activities.

The Town has elected to use the Depreciation Method as defined by GASB Statement No. 34 for infrastructure reporting. Under this method, all capital assets except land are assigned an anticipated useful life and the initial cost of acquiring or constructing that asset is reduced each year by an amount equal to its cost divided by its years of useful life (depreciation). The depreciation is then treated as an expense in each year. Any capital improvements that renew the life of a capital asset are recorded in a similar fashion. For example, the replacement of a particular sewer line would trigger the following: (1) the historical cost of the replaced sewer line and its accumulated depreciation would be removed from the listing of capital assets, and (2) the cost of the new sewer line would be recorded in the listing of capital assets and assigned a useful life to begin its depreciation cycle. Capital improvement projects that significantly extend the useful life of a capital asset but fall short of a full replacement are recorded by adding the cost of the improvements to the remaining depreciated cost of the original asset and applying the revised useful life to depreciate from that point on.

Use of depreciation for capital assets forces the Town to recognize that there is still a cost associated with the aging of infrastructure even if no cash is spent on its improvement. The Town is continuously taking actions to arrest the deterioration of its infrastructure. These actions do not extend the useful life of the infrastructure, are considered to be maintenance, and are recorded as current year expenditures only.

TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

BUDGETS AND BUDGETARY ACCOUNTING

Comparing the fiscal year 2008 original (adopted) General Fund budget to the final (amended) budget on Statement 6 shows that there was no increase in the total amount budgeted.

The Town does not use "carry forward" or "encumbrance" budgeting to account for prior year items not spent by year-end. Instead, the Town Council is asked to appropriate these particular amounts as items in Designated Fund Balance for ease in tracking and recording. Therefore, additions to adopted budget amounts are rare and occur generally for extraordinary items needing attention during the year. There were none of these during this fiscal year.

Comparing the fiscal year 2008 actual results to the final budget shows that there was a positive variance for revenues and a positive variance for expenditures. Management's policy has been to estimate revenues conservatively but realistically, based on historical amounts and trends and on future economic forecasts. This approach has resulted in small amounts of extra revenue each year in the recent past. This year the most significant amounts were generated from property taxes, cable franchise fees, and investment income.

Three areas of expenditure went beyond their amended budget amounts. Public works exceeded their budget primarily due to overtime costs and increased fuel and electrical costs, Recreation, culture and agencies saw an increase due to the rising cost of heating fuel and electricity, and debt service interest due to interest on copiers that was not budgeted. It is Management's practice not to make budget amendments simply to cover unavoidable shortfalls in Department allocations, but rather to let these negative variances show into the future in order to highlight items that deserve closer scrutiny during the budget process. The basic philosophy of managing budgeted expenditures is to require the Department Head to monitor spending levels, to inform Management of anticipated problems and to hold down discretionary spending as much as possible while maintaining public services at an acceptable level. Management reports anticipated problems to the Town Council as they are identified.

Under other financing sources and uses, actual amounts for operating transfers in and out are skewed each year due to the uncertainty of the assessed valuation of property captured by a Tax Increment Financing (TIF) District. The final figure is not available at budget preparation time and, historically, the prior year's figure is used as an estimate. The Utilization of prior year fund balance amount shown in the budget columns is an offset to the amounts shown as budgeted expenditures from designated and undesignated fund balance within Capital outlays. The budgetary figures for these expenditures are listed and then reversed as they are not part of the budget adoption or adjustment processes but rather are authorized by the Town Council as separate appropriations from either Designated or Undesignated Fund Balance.

THE CLIMATE, THE PAST AND THE FUTURE

The Town is not dependent on an industrial tax base to fund its property tax levies. As a major summer vacation resort destination, the Town attracts businesses that are primarily seasonal. Management is exploring avenues to create more of a year-round appeal for tourism. Over the last two decades, there has been a marked increase in the number of seasonal residences being converted to year-round use by retirees and by commuters to the Portland area, New Hampshire and even to Massachusetts. New construction has emphasized more upscale properties, whether as primary or secondary residences.

While all of the states and many of the major municipalities in the nation have been experiencing economic conditions that have severely affected their revenue streams, the Town has not seen that strain. Several years of good financial management, conservative budgeting and watchful spending have brought increasing fund balances. In November 2006, Standard & Poor's upgraded its rating of the Town's outstanding bonded debt from A- to A, stating "The rating upgrade reflects strong reserves supported by well-thought-out fiscal policies, evidence of continued economic growth and a moderate debt burden with limited capital needs." This event is a significant achievement for Management.

TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Fund Balance

Town Council policy requires an Undesignated Fund Balance level at least equal to 12% of the current year's General Fund operating budget. This represents approximately one and a half months' worth of expenditures. Historically, available amounts above the 12% level have been used to fund capital projects or to hold when indications of economic downturn are seen, as a safeguard against falling revenues. The amounts of Undesignated Fund Balance and the excess above the 12% level for the last seven years are as follows:

<u>Year</u>	<u>Undesignated F.B.</u>	<u>Excess Amt.</u>
2001	\$ 2,322,811	87,913
2002	2,621,161	320,489
2003	2,891,132	545,716
2004	4,355,690	1,826,671
2005	4,954,874	2,277,667
2006	4,988,706	2,259,878
2007	4,949,578	2,097,414
2008	4,964,498	2,057,162

Next Year Budget

The Town Council approved a budget for fiscal year 2009 of \$24,227,801 a 1.9% increase over 2008's budget. Total property tax revenue to be raised was \$18,523,873, a 5.26% increase from the previous year. The tax rate was increased to 12.94 mils. This was accomplished through expansion of the tax base the use of \$460,000 of the available excess Fund Balance.

Further Historical Comparisons

The reader is strongly encouraged to study Tables 1-7 at the end of the Financial Statements to view 10-year comparisons of relevant data.

Significant Subsequent Events

Since the end of fiscal year 2008, there have been no significant events.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Town's citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the Finance Office at 1 Portland Avenue, Old Orchard Beach, ME 04064, phone 207-934-5714 ext. 222, or email finance@oobmaine.com.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 233,605	-	233,605
Investments	7,258,547	-	7,258,547
Receivables:			
Taxes receivable	902,049	-	902,049
Tax liens	335,447	-	335,447
Accounts receivable	453,499	-	453,499
Prepaid items	2,805	-	2,805
Inventory	51,046	-	51,046
Internal balances	20,937	(20,937)	-
Nondepreciable capital assets	1,800,728	-	1,800,728
Capital assets, net	13,591,653	376,951	13,968,604
Total assets	24,650,316	356,014	25,006,330
LIABILITIES			
Accounts payable and payroll withholdings	497,935	-	497,935
Accrued expenses	977,367	-	977,367
Refundable deposits	94,129	-	94,129
Noncurrent liabilities:			
Due within one year	1,341,732	-	1,341,732
Due in more than one year	8,110,039	-	8,110,039
Total liabilities	11,021,202	-	11,021,202
NET ASSETS			
Invested in capital assets, net of related debt	6,857,899	376,951	7,234,850
Unrestricted	6,771,215	(20,937)	6,750,278
Total net assets	\$ 13,629,114	356,014	13,985,128

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Activities
For the Year Ended June 30, 2008

Functions/programs	Net (expense) revenue and changes in net assets					
	Expenses	Program Revenues		in net assets		Total
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	
Primary government:						
Governmental activities:						
General government	\$ 1,980,521	528,839	-	-	(1,451,682)	(1,451,682)
Public safety	4,341,807	723,796	-	-	(3,618,011)	(3,618,011)
Public works	1,996,063	-	76,100	-	(1,919,963)	(1,919,963)
Sanitation	1,924,311	58,915	-	-	(1,865,396)	(1,865,396)
Recreation, culture and agencies	676,214	245,199	-	-	(431,015)	(431,015)
Health and welfare	74,298	-	19,441	-	(54,857)	(54,857)
Education	11,879,054	117,557	3,433,609	-	(8,327,888)	(8,327,888)
County tax	599,834	-	-	-	(599,834)	(599,834)
Unclassified	453,576	102,347	-	-	(351,229)	(351,229)
Interest on debt	358,337	-	-	-	(358,337)	(358,337)
Capital outlays	1,435,205	-	-	379,084	(1,056,121)	(1,056,121)
Total governmental activities	25,719,220	1,776,653	3,529,150	379,084	(20,034,333)	(20,034,333)
Business-type activities:						
Ballpark	17,134	-	-	-	(17,134)	(17,134)
Total business-type activities	17,134	-	-	-	(17,134)	(17,134)
Total primary government	\$ 25,736,354	1,776,653	3,529,150	379,084	(20,034,333)	(20,051,467)
General revenues:						
Property taxes, levied for general purposes		\$ 18,140,336			-	18,140,336
Payment in lieu of taxes					23,026	23,026
Excise taxes					1,357,886	1,357,886
Interest and costs on taxes					120,653	120,653
Franchise fees					190,298	190,298
Grants and contributions not restricted to specific programs:						
Homestead exemption					152,143	152,143
Other State and Federal aid					8,723	8,723
State Revenue Sharing					831,295	831,295
Unrestricted investment earnings					352,740	352,740
Miscellaneous revenues					109,533	109,533
Total general revenues					21,286,633	21,286,633
Change in net assets		1,252,300			(17,134)	1,235,166
Net assets - beginning		12,376,814			373,148	12,749,962
Net assets - ending	\$ 13,629,114	\$ 13,629,114	356,014	356,014	13,985,128	13,985,128

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Balance Sheet
Governmental Funds
June 30, 2008

	General	School Special Revenues	Rescue Call Fees	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	\$ 175,500	58,105	-	-	233,605
Investments	7,258,073	474	-	-	7,258,547
Receivables:					
Taxes receivable	902,049	-	-	-	902,049
Tax liens	335,447	-	-	-	335,447
Accounts receivable	132,506	123,992	197,001	-	453,499
Prepaid items	2,805	-	-	-	2,805
Inventory	46,783	4,263	-	-	51,046
Interfund loans receivable	-	91,075	291,424	374,567	757,066
Total assets	\$ 8,853,163	277,909	488,425	374,567	9,994,064
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and payroll withholdings	487,376	2,500	-	8,059	497,935
Accrued wages	807,314	56,865	-	-	864,179
Interfund loans payable	529,330	-	-	206,799	736,129
Deferred tax revenue	1,054,056	-	-	-	1,054,056
Refundable deposits	94,129	-	-	-	94,129
Total liabilities	2,972,205	59,365	-	214,858	3,246,428
Fund balances:					
Reserved	228,893	5,110	-	-	234,003
Unreserved:					
Designated	687,567	-	-	-	687,567
Undesignated, reported in:					
General Fund	4,964,498	-	-	-	4,964,498
Special Revenue Funds	-	213,434	488,425	279,828	981,687
Capital Project Funds	-	-	-	(120,119)	(120,119)
Total fund balances	5,880,958	218,544	488,425	159,709	6,747,636
Total liabilities and fund balances	\$ 8,853,163	277,909	488,425	374,567	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					15,392,381
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					1,054,056
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.					
General obligation bonds			8,280,000		
Capital leases			254,482		
Landfill closure			126,000		
Accrued vacation and sick leave			791,289		
Accrued interest			113,188		
					(9,564,959)
Net assets of governmental activities					\$ 13,629,114

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General	School Special Revenues	Rescue Call Fees	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 19,441,120	-	-	206,334	19,647,454
Licenses, permits and fees	940,062	-	-	20,141	960,203
Intergovernmental	3,252,204	1,259,907	-	379,084	4,891,195
Charges for services	-	102,347	422,888	-	525,235
Program income	-	-	-	172,117	172,117
Investment income	352,740	-	-	-	352,740
Other revenues	134,061	93,029	-	10,741	237,831
Total revenues	24,120,187	1,455,283	422,888	788,417	26,786,775
Expenditures:					
Current:					
General government	1,913,524	-	-	-	1,913,524
Public safety	4,178,862	-	-	-	4,178,862
Public works	1,618,224	-	-	-	1,618,224
Sanitation	1,542,780	-	-	-	1,542,780
Recreation, culture and agencies	505,462	-	-	182,467	687,929
Health and welfare	74,298	-	-	-	74,298
Education	10,675,002	1,126,504	-	-	11,801,506
Intergovernmental - County tax	599,834	-	-	-	599,834
Unclassified	46,508	332,061	-	49,024	427,593
Debt service	1,521,034	-	-	-	1,521,034
Capital outlays	2,215,271	-	(39,972)	157,142	2,332,441
Total expenditures	24,890,799	1,458,565	(39,972)	388,633	26,698,025
Excess (deficiency) of revenues over (under) expenditures	(770,612)	(3,282)	462,860	399,784	88,750
Other financing sources (uses):					
Capital lease proceeds	300,432	-	-	-	300,432
Transfers - in	459,334	74,180	-	-	533,514
Transfers - out	(74,180)	-	(250,000)	(209,334)	(533,514)
Total other financing sources (uses)	685,586	74,180	(250,000)	(209,334)	300,432
Net change in fund balances	(85,026)	70,898	212,860	190,450	389,182
Fund balances (deficit), beginning of year	5,965,984	147,646	275,565	(30,741)	6,358,454
Fund balances, end of year	\$ 5,880,958	218,544	488,425	159,709	6,747,636

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, 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, 2008

Net change in fund balances - total governmental funds (from Statement 4)	\$	389,182
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. More specifically, this is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
		(218,859)
Statement 4 Capital outlays	2,332,441	
Statement 2 Capital outlays	1,435,205	
Variance	897,236	
Less: depreciation	1,116,095	
To reconciliation	(218,859)	
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.</p>		
		184,745
<p>Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. More specifically, this represents the net amount of principal increases (decreases) in debt service during the year.</p>		
		895,518
New debt incurred	-	
New capital leases	300,432	
Lease payments	(45,950)	
Retired debt	(1,150,000)	
Net debt service	(895,518)	
<p>Long-term debt accrues interest between payments that is a liability in the statement of net assets. However, this accrual is not recorded in the governmental funds as a current liability. More specifically, this represents the change in the amount of accrued interest on long-term debt.</p>		
		12,697
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in all non-debt long-term liabilities.</p>		
		(10,983)
Change in landfill reserve	6,000	
Change in long-term accrued vacation and sick	(16,983)	
To reconciliation	(10,983)	
<p>Change in net assets of governmental activities (see Statement 2)</p>		<p>\$ 1,252,300</p>

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budgeted amounts		Actual	Variance with final budget positive negative)
	Original	Final		
Revenues:				
Taxes	\$ 19,083,529	19,083,529	19,441,120	357,591
Licenses, permits and fees	1,065,300	1,065,300	940,062	(125,238)
Intergovernmental	2,246,540	2,246,540	2,210,043	(36,497)
Investment income	200,000	200,000	352,740	152,740
Other revenue:				
Municipal	20,000	20,000	109,533	89,533
School	93,000	93,000	24,528	(68,472)
Total revenues	22,708,369	22,708,369	23,078,026	369,657
Expenditures:				
Current:				
General government	1,952,120	1,952,120	1,913,524	38,596
Public works	1,442,949	1,442,949	1,618,224	(175,275)
Sanitation	1,567,852	1,567,852	1,542,780	25,072
Public safety	4,259,699	4,259,699	4,178,862	80,837
Recreation, culture and agencies	503,199	503,199	505,462	(2,263)
Health and welfare	74,771	74,771	74,298	473
Education	9,616,320	9,616,320	9,607,045	9,275
Intergovernmental	599,834	599,834	599,834	-
Other expenditures	60,000	60,000	46,508	13,492
Debt service	1,512,595	1,512,595	1,521,034	(8,439)
Capital outlays	1,898,184	2,932,170	1,914,839	1,017,331
Total expenditures	23,487,523	24,521,509	23,522,410	999,099
Excess (deficiency) of revenues over (under) expenditures	(779,154)	(1,813,140)	(444,384)	1,368,756
Other financing sources (uses):				
Transfers - in	459,334	459,334	459,334	-
Transfers - out	(74,180)	(74,180)	(74,180)	-
Utilization of prior year fund balance	394,000	1,427,986	-	(1,427,986)
Total other financing sources (uses)	779,154	1,813,140	385,154	(1,427,986)
Net change in fund balance	-	-	(59,230)	(59,230)
Reconciliation to GAAP:				
Less: Prior year encumbrances			(34,490)	
Less: Increase in school summer salaries			(3,416)	
Add: Current year encumbrances			12,110	
Fund balance, beginning of year			5,965,984	
Fund balance, end of year	\$		5,880,958	

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Proprietary Fund - Ballpark Facility
Statement of Net Assets
June 30, 2008

Business-type Activities - Enterprise Funds		
ASSETS		
Noncurrent assets:		
Capital assets	\$	993,250
Accumulated depreciation		(616,299)
Total noncurrent assets		376,951
Total assets		376,951
LIABILITIES		
Interfund loans payable		20,937
Total liabilities		20,937
NET ASSETS		
Invested in capital assets, net of related debt		376,951
Unrestricted		(20,937)
Total net assets	\$	356,014

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Proprietary Fund - Ballpark Facility
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

Business-type Activities - Enterprise Funds		
Operating revenues:		
Other revenues	\$	-
Total operating revenues		-
Operating expenses:		
Depreciation		17,134
Total operating expenses		17,134
Operating loss		(17,134)
Nonoperating revenues (expenses):		
Interest expense		-
Total nonoperating expense		-
Change in net assets		(17,134)
Net assets, beginning of year		373,148
Net assets, end of year	\$	356,014

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Proprietary Fund - Ballpark Facility
Statement of Cash Flows
For the Year Ended June 30, 2008

Business-type Activities - Enterprise Funds		
Cash flows from operating activities:		
Cash received from property lease	\$	-
Net cash provided by (used in) operating activities		-
Cash flows from noncapital financing activities:		
Interfund transactions with General Fund		-
Net cash provided by noncapital financing activities		-
Cash flows from capital and related financing activities:		
Principal paid on capital debt		-
Interest paid on capital debt		-
Net cash used in capital and related financing activities		-
Net decrease in cash		-
Cash, beginning of year		-
Cash, end of year	\$	-
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss		(17,134)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense		17,134
Net cash provided by (used in) operating activities	\$	-

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private-purpose Trust Funds (Scholarships)	Agency Funds Student Activities
ASSETS		
Cash and cash equivalents	\$ -	96,195
Investments	569,111	-
Total assets	569,111	96,195
LIABILITIES		
Amounts held for student groups	-	96,195
Total liabilities	-	96,195
NET ASSETS		
Held in trust	\$ 569,111	-

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2008

		Private-purpose Trust Funds (Scholarships)
Additions:		
Investment income	\$	48,285
Unrealized gains (losses)		(56,219)
Contributions and other receipts		49,580
Total additions		41,646
Deductions:		
Scholarships		41,686
Total deductions		41,686
Change in net assets		(40)
Net assets, beginning of year		569,151
Net assets, end of year	\$	569,111

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements

THE REPORTING ENTITY AND ITS SERVICES

The Town of Old Orchard Beach, Maine was incorporated in 1883 and is located in southeastern Maine, 12 miles south of Portland. A popular summer resort with 7 miles of sandy beaches, the Town encompasses 7.8 square miles. Its year round population of approximately 8,800 expands to 100,000 during the summer. The Town has operated under a Council-Manager form of government since 1950.

The Town provides the full range of municipal services contemplated by State statutes. These include public safety, public works, sanitation, health and welfare services, parks and recreation, education, planning, zoning and general administrative services.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by accounting principles generally accepted in the United States of America. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Libby Memorial Library - The Library provides library services and is not considered to be a component unit because it is a separate legal organization whose board is not controlled by officials of the Town. The only activity that flows through the Town's financial records is the Town's yearly appropriation to the Library. All other financial activity of the Libby Memorial Library has not been reported in the Town's financial statements.

Biddeford-Saco-Old Orchard Beach Transit Committee - The Town is a member of the Biddeford-Saco-Old Orchard Beach Transit Committee, which is a jointly governed organization. The Committee operates a public mass transit passenger bus service within and between the three municipalities under a voluntary interlocal agreement. The Town of Old Orchard Beach's contribution to the committee for the year ended June 30, 2008 was \$55,000. The Transit Committee does not meet the definition of a component unit or a joint venture because there is no ongoing financial interest or responsibility by the participating governments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity 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.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for property taxes and one year for all other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The School Special Revenue Fund is used to account for grants for educational purposes, the School Lunch program and the Adult Education program, all of which require separate accounting because of legal or regulatory provisions or administrative action.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Rescue Call Fees Fund is established to account for revenues derived from the billings of fees for rescue calls, which are earmarked by Council action to provide for the purchase of Public Safety vehicles.

The Town reports the following major proprietary fund:

The Ballpark Fund accounts for the ownership and expenses of a leased sports facility.

Additionally, the Town reports the following fund types:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include private-purpose trust funds and agency funds for the student activity programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Town's proprietary fund is lease payments by the lessee of the facility, however, the facility is not currently rented; operating expenses consist solely of depreciation on capital assets at this time. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Investments

Investments are stated at fair value, unless otherwise indicated.

D. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 60 years.

For the business-type fund, an estimated useful life of 40 years is used to compute depreciation.

The Town performed an inventory of all other capital assets and conducted a survey of all infrastructure assets for fiscal year 2003 and completes an internal update annually. This process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

E. Vacation and Sick Leave

Under the terms of personnel policies and a union contract, vacation and sick leave are granted in varying amounts according to length of service. In some cases, employees are entitled to payment for unused vacation and a percentage of sick leave upon termination or retirement. The Town and the School Department accrue accumulated vacation leave and vested sick leave. In the fund financial statements, no amount is recorded unless the amount is to be paid out shortly after year-end. The full liability is recorded in the government-wide statements.

F. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as bond issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G. Inventory

Inventory consists of vehicle fuel, trash bags and the School Lunch Program food, supplies and donated commodities and is recorded at the lower of cost or market on the first-in, first-out basis.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Interfund Transactions

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets and service debt. These transactions are reported as transfers.

I. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

J. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

K. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances do not constitute expenditures or liabilities, except that they are included as expenditures for budgetary purposes (Statement 6).

L. Comparative Data/Reclassifications

Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget is formally adopted for the General Fund each year through the passage of the Town budget and is prepared on a basis consistent with generally accepted accounting principles with the exception of on-behalf payments and that encumbrances are treated as expenditures for budgetary purposes. The Town's other funds do not have legally adopted budgets but have adopted budgets through formal authorizations by the Town Council or School Committee and through grant agreements.

In the General Fund, the level of control (level at which expenditures may not exceed budget) is the Department. The gross appropriation for each department shall not be exceeded except by consent of the Town Council. The Town Council may, by resolution, transfer an unencumbered appropriation balance or portion thereof including surplus between the general accounts.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

For the School Department, the level of control is also the Department. Generally, all unexpended School budgetary accounts lapse to the School Department's fund balance at the close of the fiscal year. Once adopted, the budget can be amended by the School Committee, but only through transfers between expenditure accounts.

B. Budgetary vs. GAAP Basis of Accounting

As required by generally accepted accounting principles (GAAP), the Town has recorded a revenue and expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the Old Orchard Beach School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$1,042,161. These amounts have been included as an intergovernmental revenue and an education expenditure on both Statements 2 and 4 (GAAP basis). There is no effect on the fund balance at the end of the year.

Additionally, the School Department compensates its teachers under a contract for services rendered between the months of September and June. However, compensation is remitted over a twelve-month period, September through August. At June 30, 2008, the balance on such contracts amounted to approximately \$616,613 and is fully accrued and reflected in the financial statements.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, expenditures exceeded appropriations in the following departments:

Town Council	\$ 396
Administration	46,498
Legal	5,518
Elections	3,825
Code Enforcement	15,179
Building Maintenance	5,764
Planning, Zoning & Registration Board	358
Public Works	175,275
Animal Control	83
Public Safety Complex	2,814
Lifeguards	3,181
Fire/Rescue Department	12,506
Recreation	8,741

D. Deficit Fund Balance

The Recreation Fund deficit of \$81,899 is due to the timing of purchases for the Summer Playground Program and will be repaid from program revenues collected next year. The Gateway Grant has a deficit of \$784 that will be repaid with future grant funds from the State. The Playground Grant Fund has a deficit of \$6,013 that will be repaid with future grant funds from the State. The Conservation Tree Grant Fund has a deficit of \$3,517 will be repaid with future grant funds. The FEMA Fund has a deficit of \$120,924 that will be repaid with future grant funds. These obligations are accounted for as an interfund liability in the Recreation Fund, Playground Grant Fund, Gateway Grant Fund, Conservation Tree Grant Fund and the FEMA Fund and an interfund asset in the General Fund.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

E. Ballpark Update

On April 15, 2001, the Town entered into a lease with Seacoast Sports, LLC for the Ballpark. The lease was renewed in 2002 and 2003. In 2006, a master plan was developed for the development of the ballpark. The citizens of Old Orchard Beach have to vote on the master plan before it can be implemented. At this time, this has not been scheduled to go to referendum.

DEPOSITS AND INVESTMENTS

The Town's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The funds are invested in liquid investments with maturities planned to coincide with the Town's cash needs during the year.

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Town policy is that deposits can only be made in financial institutions insured by the FDIC and that funds over the \$100,000 insurance limit be collateralized or placed in other financial institutions.

At year end, the carrying amount of the Town's deposits was \$329,800 and the bank balance was \$555,268, all of which was covered by Federal Depository Insurance or collateral securities.

Deposits have been reported as follows:

Reported in governmental funds	\$ 233,605
Reported in fiduciary funds	96,195
Total deposits	\$ 329,800

B. Investments

Credit Risk: Maine statutes authorize the Town to invest in obligations of the U. S. Treasury and U. S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests such excess funds in a government money market mutual fund accounts and the School Department invests the excess funds of its trust funds and certain special revenue funds in stocks and money market accounts through an investment company.

At June 30, 2008, the Town reported investments with the following maturities:

	Fair value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Money funds/sweep options	\$ 3,029,827	3,029,827	-	-	-
Certificate of deposits	4,305,777	4,305,777	-	-	-
Equities/stocks	177,495	-	Not applicable		
Mutual funds (1)	314,559	-	Not applicable		
Total investments	\$ 7,827,658	7,335,604	-	-	-

(1) Mutual funds are not considered securities and are exempt from risk disclosure noted above.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Investments have been reported as follows:

Reported in the general fund	\$ 7,258,547
Reported in fiduciary funds	569,111
Total deposits	\$ 7,827,658

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town currently does not have an investment policy for custodial credit risk. Of the Town’s \$3,029,827 investment in money funds/sweep options, \$618,258 was exposed to custodial credit risk because they were uninsured and uncollateralized, the rest was collateralized by underlying securities held by the related bank, which were not in the Town’s name. Of the Town’s \$4,305,777 in certificates of deposits, 100% was insured by the FDIC.

Interest rate risk – The Town does not have a deposit policy for interest rate risk.

PROPERTY TAX

Property taxes for the current year were committed on 8/8/07 on the assessed value listed as of April 1, 2007 for all real and personal property located in the Town. All real property taxes were due in two installments, 50% on 9/7/07 and 50% on 3/14/08. All personal property taxes were due in full on September 7, 2007. Interest at the rate of 12% per annum was charged on any amounts remaining unpaid after these respective due dates. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value. The assessed value was 100% of the estimated market value and 92% of the 2008 state valuation of \$1,565,250,000.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$508,179 for the year ended June 30, 2008.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the 2008 and 2007 levies:

	<u>2008</u>	<u>2007</u>
Valuation:		
Land	\$ 527,255,700	488,231,200
Buildings	948,944,400	859,629,300
Personal property	23,691,240	23,392,100
Less - Exemptions and tax-exempt property	(58,035,500)	(57,991,100)
Total assessed valuation	\$1,441,855,840	1,313,261,500

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX, CONTINUED

	<u>2008</u>	<u>2007</u>
Total assessed valuation	\$ 1,441,855,840	1,313,261,500
Tax rate (per \$1,000)	12.56	13.32
Commitment	18,109,709	17,492,643
Supplemental taxes assessed	8,678	10,392
	18,118,387	17,503,035
Less - collections and abatements	17,505,853	17,047,707
Receivable at end of year	\$ 612,534	455,328
Consisting of:		
Taxes	612,534	455,328
Liens	-	-
Receivable at end of year	\$ 612,534	455,328
Collection rate	96.62%	97.11%

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,800,728	-	-	1,800,728
Capital assets, being depreciated:				
Buildings and improvements	9,771,824	-	-	9,771,824
Equipment, furniture and fixtures	3,656,820	116,066	-	3,772,886
Vehicles	4,546,229	520,762	-	5,066,991
Infrastructure	17,356,029	260,408	-	17,616,437
Total capital assets being depreciated	35,330,902	897,236	-	36,228,138
Less accumulated depreciation for:				
Buildings and improvements	5,554,912	194,138	-	5,749,050
Equipment, furniture and fixtures	2,725,423	141,610	-	2,867,033
Vehicles	2,499,796	326,940	-	2,826,736
Infrastructure	10,740,258	453,407	-	11,193,665
Total accumulated depreciation	21,520,389	1,116,095	-	22,636,484
Total capital assets being depreciated, net	13,810,513	(218,859)	-	13,591,654
Governmental activities				
 capital assets, net	\$ 15,611,241	(218,859)	-	15,392,382

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

Business-type activities:

Capital assets, being depreciated:				
Buildings and improvements	\$ 993,250	-	-	993,250
Less accumulated depreciation for:				
Buildings and improvements	599,164	17,134	-	616,298
<u>Total capital assets being depreciated, net</u>	<u>394,086</u>	<u>(17,134)</u>	<u>-</u>	<u>376,952</u>
<u>Business-type activities capital assets, net</u>	<u>\$ 394,086</u>	<u>(17,134)</u>	<u>-</u>	<u>376,952</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 66,997
Public safety	162,945
Public works, including depreciation of general infrastructure assets	412,074
Sanitation	387,531
Education	86,548
<u>Total depreciation expense – governmental activities</u>	<u>\$ 1,116,095</u>
Business-type activities:	
Ballpark Fund	\$ 17,134
<u>Total depreciation expense - business activities</u>	<u>\$ 17,134</u>

PENSION PLANS

Maine Public Employees Retirement System (Maine PERS) - Consolidated Plan

Description of the Plan - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800. The Town Council has authorized the Town to rejoin the Maine Public Employees Retirement System as a full member effective July 1, 2003.

Funding Policy - All plan members except those included in the Teacher Group are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The rate for the year ended June 30, 2008 and 2007 was 2.8% of covered payroll for the regular plan and 4% of covered payroll for the special plan which covers police and fire employees. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended June 30, 2008 and 2007 were \$99,298 and \$92,233, respectively.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

PENSION PLANS, CONTINUED

Maine Public Employees Retirement System - School Employees

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State Legislature. All plan members are required to contribute 7.65% of their annual covered salary to the retirement system. The School Department's payroll for employees covered by this group, for the fiscal year ended June 30, 2008, was \$5,570,075. The State of Maine Department of Education is required, by state statute, to contribute the employer contribution, which amounts to 18.71% of compensation. Contributions paid by the State totaled approximately \$1,042,161 for the year ended June 30, 2008. There is no contribution required by the School Department except for federally funded teachers for which the School Department contributes 18.71% of their compensation. This cost is charged to the applicable grant.

Deferred Compensation Plan

The Town offers all its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets are not included in the Town's financial statements.

LONG-TERM DEBT

The Town is in compliance with all significant limitations and restrictions contained in the various bond indentures.

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2008:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 9,430,000	-	1,150,000	8,280,000	1,290,000
Capital leases	-	300,432	45,950	254,482	45,732
Landfill closure	132,000	-	6,000	126,000	6,000
Accrued vacation and sick	774,306	25,983	9,000	791,289	-
Governmental activities long-term liabilities	\$ 10,336,306	326,415	1,210,950	9,451,771	1,341,732

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

Long-term debt payable at June 30, 2008 is comprised of the following:

	Original amount <u>issued</u>	Interest <u>rate</u>	Final maturity <u>date</u>	Balance end of <u>year</u>
Governmental activities:				
1989 Capital improvement bond	\$ 1,840,000	7.45 – 7.75%	2009	80,000
1998 General obligation refunding bond	5,975,000	4.15 – 5.20%	2018	3,045,000
2003 General obligation refunding bond	7,520,000	2.00 – 4.50%	2023	5,155,000
Total governmental activities				\$ 8,280,000

The annual requirements to amortize all debt outstanding as of June 30, 2008 are as follows. Such amounts exclude overlapping debt requirements but include school debt requirements to be reimbursed by the State of Maine (currently there are none). The general fund pays all governmental activities long-term debt service requirements.

Year ended <u>June 30,</u>	<u>Governmental activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2009	\$ 1,290,000	320,568	1,610,568
2010	1,325,000	272,564	1,597,564
2011	1,330,000	217,293	1,547,293
2012	1,375,000	159,498	1,534,498
2013	715,000	115,259	830,259
2014-2018	1,045,000	385,665	1,430,665
2019-2023	990,000	154,942	1,144,942
2024	210,000	4,725	214,725
Totals	\$ 8,280,000	1,630,514	9,910,514

OBLIGATIONS UNDER CAPITAL LEASES

The Town has entered into three lease agreements. These leases qualify as capital leases for accounting purposes, and therefore have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of inception. These assets are recorded as capital assets in the government-wide financial statements. The amount of assets capitalized as equipment and vehicles under capital leases for the year ended June 30, 2008 was \$300,432 with accumulated depreciation of \$17,634, for a net book value of \$282,798.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

OBLIGATIONS UNDER CAPITAL LEASES, CONTINUED

Minimum future lease payments under capital leases are:

<u>Year ended June 30,</u>	
2009	\$ 56,472
2010	56,472
2011	56,472
2012	44,757
2013	44,757
Thereafter	34,235
Total minimum lease payments	293,165
<u>Less amount representing interest</u>	<u>38,683</u>
Present value of future	
<u>minimum lease payments</u>	<u>\$ 254,482</u>

STATUTORY DEBT LIMIT

In accordance with Maine law, no municipality shall incur debt for specified purposes in excess of certain percentages of State valuation of such municipality. At June 30, 2008, the Town was in compliance with these limitations.

OVERLAPPING DEBT

The Town is subject to an annual assessment of its proportional share of York County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation. At June 30, 2008, the Town's State valuation of \$1,565,250,000 was 5.06% of the County's State valuation of \$30,950,350,000. The Town's share is 5.06% or \$698,280 of York County's \$13,800,000 long-term debt outstanding as of June 30, 2008.

RESERVED/DESIGNATED FUND BALANCES

At June 30, 2008, portions of fund balance were reserved and designated for future periods as follows:

	<u>General</u>	<u>Special</u>
	<u>Fund</u>	<u>Revenue</u>
		<u>Funds</u>
Reserved:		
Education:		
Special education tuition	\$ 150,000	-
MSMA unemployment fund	10,000	-
System support recertification	10,000	-
Encumbrances	12,110	847
School lunch inventory	-	4,263
Town inventory	46,783	-
Totals	<u>\$ 228,893</u>	<u>5,110</u>

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

RESERVED/DESIGNATED FUND BALANCES, CONTINUED

	<u>General Fund</u>
Unreserved -- designated:	
Memorial Park	\$ 28,722
Police Security cameras	3,189
Milliken/Walnut flood mitigation	7,119
Police computer system upgrade	(1,172)
Public Safety radios	(21,166)
East Grand Avenue - Harrisburg to Walnut	14,475
Smithwheel outlet project	47,181
Stormwater-West Grand Ave.	10,639
Temple Ave./Manor St. improvements	56,904
CDBG grant - local match	9,862
Summit Street drainage	1,306
PWD Vac All	100,101
Little River/Jones Creek Watershed	5,407
Waste water treatment plant capital improvements	425,000
Total	\$ 687,567

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2008:

Capital assets	\$ 38,028,865
Accumulated depreciation	(22,636,484)
Bonds payable	(8,280,000)
Capital leases	(254,482)
Add back unspent bond proceeds	-
Total invested in capital assets net of related debt	\$ 6,857,899

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual interfund receivables, payables (due from/to other funds) and transfers at June 30, 2008, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Net Transfers In (Out)</u>
General Fund	\$ -	529,330	385,154
Special revenue funds:			
Rescue call fees fund	291,424	-	(250,000)
Sewer special revenue fund	289,098	-	-
Police grants fund	11,263	-	-
Recreation fund	-	76,663	-
Playground grant fund	-	6,013	-
Gateway grant	-	784	-
Conservation Tree grant	-	3,517	-
School special revenues fund	91,075	-	74,180
Special dog fund	2,880	-	(3,000)
Smithwheel impact fees fund	68,800	-	-
Total special revenue funds	754,540	86,977	(178,820)
Capital project funds:			
Downtown TIF District	-	-	(206,334)
FEMA fund	-	119,822	-
Landfill closure fund	2,526	-	-
Total capital project funds	2,526	119,822	(206,334)
Enterprise funds:			
Ballpark facility	-	20,937	-
Totals	\$ 757,066	757,066	-

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when the activity is accounted for through the centralized checking account.

Transfers were budgeted transfers to and from the General Fund and in the case of the \$206,334 transfer to the General Fund from the Downtown TIF to reimburse for debt service paid by the General Fund each year.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association and the School Department participates in a public entity risk pool sponsored by the Maine School Management Association for workers' compensation coverage.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

RISK MANAGEMENT, CONTINUED

Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2008.

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Under existing state law, Maine communities are required to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town presently has two landfills that have been closed under an approved plan and one additional landfill whose closure was completed during fiscal year 1998. The only additional costs that remain are postclosure care costs on all three of the landfills. The estimated remaining postclosure care costs at June 30, 2008 are \$126,000, which would include two mowings of each site during the year and well monitoring. This amount has been accrued in the entity-wide financial statements and is being amortized over 30 years at \$6,000 per year, as it is not expected that any of these costs will be funded with current financial resources. The actual cost of postclosure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

SCHOOL ADMINISTRATIVE REORGANIZATION

On June 6, 2007, and as amended in April of 2008, the Maine House and Senate enacted the two-year state budget including the school administrative reorganization legislation "School Administrative Reorganization" ("SAR") as Public Law 2007, Chapter 240. The law sets forth state policy to ensure that schools are organized as units in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All school units and municipal school units (collectively School Administrative Units or "SAU") are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the unit would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to create a maximum of 80 school units or the number of units appropriate to achieve administrative efficiencies.

The law requires existing SAUs to file a "Notice of Intent" with the Commissioner by August 31, 2007. The Notice of Intent must elect either to engage in planning and negotiating with other SAUs for the purpose of developing a reorganization plan to form a regional school unit ("RSU"), or the intent to submit an alternative plan to achieve efficiencies. The Notice of Intent is subject to approval by the Commissioner of Education (the "Commissioner"), including approval of the election to file an alternative plan. SAUs are then required to submit a reorganization plan, or, if a SAU is exempted by the members of the general public, develop the reorganization plans. Reorganization plans approved by the Department of Education ("DOE") are submitted to the voters in the proposed RSU.

If the reorganization plan is approved by the voters, elections will then be held for seats on the RSU school board.

TOWN OF OLD ORCHARD BEACH, MAINE
Notes to Basic Financial Statements, Continued

SCHOOL ADMINISTRATIVE REORGANIZATION, CONTINUED

All reorganization plans are subject to voter approval. A SAU whose plan is approved by the Commissioner in December 2007 must hold a referendum on the plan on or before January 15, 2008. A SAU whose plan is received or revised after December 15, 2007 and approved by the Commissioner in December 2007 but has exercised due diligence and acted in good faith in developing a reorganization plan, must hold a referendum of the plan on June 10, 2008. The DOE will fund the cost of a referendum held on or before January 15, 2008.

SAU's, not otherwise exempt, that fail to approve a reorganization plan by November 4, 2008 and to implement that plan by July 1, 2009 will face financial penalties, starting on July 1, 2009. Penalties for SAUs that do not form appropriate RSUs by the beginning of FY 2010 include:

- A 50% reduction in minimum subsidy (the special education minimum);
- A 50% reduction in system administration costs includable for purposes of the funding model;
- Less favorable consideration in approval and funding for school construction;
- Loss of eligibility for transition adjustments; and
- The percentage of state subsidy will not increase to the highest level as called for in the four-year "ramp-up" of state funding for education (i.e., GPA will be consistent with a statewide average contribution of 53.86% instead of the 55% overall state share).

The School Department has met all legal requirements to date regarding the school consolidation law.

GENERAL FUND

TOWN OF OLD ORCHARD BEACH, MAINE
General Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 175,500	156,236
Investments	7,258,073	7,208,612
Receivables:		
Taxes receivable	902,049	716,167
Tax liens	335,447	299,865
Accounts receivable	132,506	160,060
Prepaid items	2,805	3,057
Inventory	46,783	20,245
Total assets	\$ 8,853,163	8,564,242
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and payroll withholdings	487,376	573,904
Accrued wages	807,314	775,994
Interfund loans payable	529,330	264,803
Deferred tax revenue	1,054,056	869,311
Refundable deposits	94,129	114,246
Total liabilities	2,972,205	2,598,258
Fund balance:		
Reserved	228,893	224,735
Unreserved:		
Designated	687,567	791,671
Undesignated	4,964,498	4,949,578
Total fund balance	5,880,958	5,965,984
Total liabilities and fund balance	\$ 8,853,163	8,564,242

TOWN OF OLD ORCHARD BEACH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2008
(with comparative actual amounts for the year ended June 30, 2007)

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 17,598,363	18,140,336	541,973	17,520,964
Less TIF financing	(206,334)	(206,334)	-	(206,334)
Change in deferred property tax revenue	-	(184,745)	(184,745)	(105,941)
Excise taxes	1,455,500	1,357,886	(97,614)	1,413,385
Interest and costs on taxes	100,000	120,653	20,653	77,932
Cable television franchise taxes	110,000	190,298	80,298	169,806
Contributions in lieu of taxes	26,000	23,026	(2,974)	23,203
Total taxes	19,083,529	19,441,120	357,591	18,893,015
Licenses, permits and fees:				
Business licenses	101,000	118,523	17,523	133,906
Building, plumbing and electrical permits	147,000	38,010	(108,990)	156,122
Town Clerk fees	10,000	17,992	7,992	15,882
Town Agent fees	31,500	27,278	(4,222)	28,392
Parking fees	65,000	73,082	8,082	71,512
Parking meters and fines	300,000	296,026	(3,974)	322,051
Sewer impact fees	31,500	31,500	-	31,500
Sewer user and dumping fees	32,000	10,615	(21,385)	32,050
Other permits and fees	347,300	327,036	(20,264)	340,871
Total licenses, permits and fees	1,065,300	940,062	(125,238)	1,132,286
Intergovernmental:				
State Revenue Sharing	865,000	831,295	(33,705)	823,107
State education subsidies	1,131,540	1,131,541	1	1,102,684
Homestead exemption	155,000	152,143	(2,857)	156,768
M.D.O.T. block grant	75,000	66,900	(8,100)	67,072
Human services reimbursement	11,000	19,441	8,441	17,513
Other state revenue	9,000	8,723	(277)	7,714
Total intergovernmental	2,246,540	2,210,043	(36,497)	2,174,858
Investment income	200,000	352,740	152,740	343,844
Other revenues:				
School Department	93,000	24,528	(68,472)	82,884
Miscellaneous	20,000	109,533	89,533	112,858
Total other revenues	113,000	134,061	21,061	195,742
Total revenues	22,708,369	23,078,026	369,657	22,739,745

TOWN OF OLD ORCHARD BEACH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Town Council	\$ 40,958	41,354	(396)	40,360
Administration	330,965	377,463	(46,498)	314,089
Legal	80,000	85,518	(5,518)	78,054
Tax collector	91,810	87,862	3,948	75,793
Finance Director/Treasurer	118,395	113,108	5,287	105,205
Assessor	180,671	167,383	13,288	168,351
Town Clerk	107,279	100,115	7,164	97,987
Elections	15,375	19,200	(3,825)	11,465
Planning	178,834	128,395	50,439	184,281
Code enforcement	166,039	181,218	(15,179)	202,424
Building maintenance	102,042	107,806	(5,764)	98,357
Planning, Zoning and Registration Boards	42,052	42,410	(358)	45,988
Miscellaneous	10,000	9,721	279	8,975
Contingency	101,500	100,194	1,306	1,000
Insurances	386,200	351,777	34,423	329,269
Total general government	1,952,120	1,913,524	38,596	1,761,598
Public works:				
General	1,442,949	1,618,224	(175,275)	1,482,509
Total public works	1,442,949	1,618,224	(175,275)	1,482,509
Sanitation:				
Treatment plant	1,015,352	1,011,775	3,577	992,470
Solid waste	545,000	529,610	15,390	502,299
Comfort station	7,500	1,395	6,105	1,401
Total sanitation	1,567,852	1,542,780	25,072	1,496,170
Public safety:				
Police department	1,789,844	1,763,220	26,624	1,679,555
Parking enforcement	58,668	51,631	7,037	56,713
Communication center	500,000	452,390	47,610	451,830
Emergency management	1,115	-	1,115	-
Animal control	59,885	59,968	(83)	58,342
Public safety complex	67,700	70,514	(2,814)	90,773
Lifeguards	111,360	114,541	(3,181)	94,376
Fire/rescue department	1,338,127	1,350,633	(12,506)	1,287,438
Hydrants	115,000	113,052	1,948	110,333
Street lights	218,000	202,913	15,087	214,727
Total public safety	4,259,699	4,178,862	80,837	4,044,087

TOWN OF OLD ORCHARD BEACH, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Recreation, culture and agencies:				
Recreation	\$ 200,734	209,475	(8,741)	185,343
Conservation Commission	5,000	4,238	762	3,617
Donations to provider agencies	42,325	37,491	4,834	32,627
Memorial Library	187,125	187,125	-	188,385
Historical Society	13,015	12,133	882	13,965
Transit Committee subsidy	55,000	55,000	-	48,000
Total recreation, culture and agencies	503,199	505,462	(2,263)	471,937
Health and welfare:				
General assistance	74,771	74,298	473	76,463
Total health and welfare	74,771	74,298	473	76,463
Education	9,616,320	9,607,045	9,275	9,109,874
Intergovernmental - county tax	599,834	599,834	-	571,334
Abatements and write offs	60,000	46,508	13,492	50,559
Debt service:				
Principal	1,150,000	1,150,000	-	1,135,000
Interest	362,595	371,034	(8,439)	408,678
Total debt service	1,512,595	1,521,034	(8,439)	1,543,678
Capital outlays:				
Computer plan update	10,000	1,529	8,471	-
Computer system upgrade	8,000	12,917	(4,917)	8,017
Video production equipment	4,450	4,091	359	-
Town Hall vehicles	30,000	29,250	750	-
Lifeguard response vehicle	-	-	-	7,995
Police equipment and vehicles	124,334	110,230	14,104	42,986
Rescue hydraulic stretcher	10,000	10,030	(30)	-
SCBA equipment	20,000	16,132	3,868	-
GIS program	91,400	89,017	2,383	71,458
Road maint./improvements	805,000	687,342	117,658	216,436
Sidewalk maint./improvements	75,000	88,536	(13,536)	72,834
Public works vehicles	130,000	132,954	(2,954)	200,755
Public works building Improvement	70,000	31,161	38,839	-
Public works signs	-	-	-	8,301
Sewer maintenance/improvement	240,000	189,536	50,464	204,665
Treatment plant equipment	250,000	162,758	87,242	290,107
Recreation vehicle	30,000	11,715	18,285	-
Memorial Park improvements	-	-	-	26,389
Drainage improvements	-	-	-	351,383
Expenditures from designated fund balance	1,033,986	346,419	687,567	642,015
Expenditures from undesignated fund balance	-	(8,778)	8,778	98,727
Total capital outlays	2,932,170	1,914,839	1,017,331	2,242,068
Total expenditures	24,521,509	23,522,410	999,099	22,850,277

TOWN OF OLD ORCHARD BEACH, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Excess (deficiency) of revenues over (under) expenditures	\$ (1,813,140)	(444,384)	1,368,756	(110,532)
Other financing sources (uses):				
Transfers - in	459,334	459,334	-	434,334
Transfers - out	(74,180)	(74,180)	-	(65,680)
Utilization of prior year fund balance	1,427,986	-	(1,427,986)	-
Total other financing sources (uses)	1,813,140	385,154	(1,427,986)	368,654
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	(59,230)	(59,230)	258,122
Reconciliation to GAAP (Statement 4):				
Less: Prior year encumbrances		(34,490)		(131,725)
Decrease (increase) in school summer salaries		(3,416)		(5,508)
Add: Current year encumbrances		12,110		34,490
Net change in fund balance		(85,026)		155,379
Fund balance, beginning of year		5,965,984		5,810,605
Fund balance, end of year	\$	5,880,958		5,965,984

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF OLD ORCHARD BEACH, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2008

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Other Governmental Funds
ASSETS			
Accounts receivable	\$ -	-	-
Interfund loans receivable	372,041	2,526	374,567
Total assets	\$ 372,041	2,526	374,567
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and payroll withholdings	5,236	2,823	8,059
Interfund loans payable	86,977	119,822	206,799
Total liabilities	92,213	122,645	214,858
Fund balances:			
Unreserved:			
Undesignated	279,828	(120,119)	159,709
Total fund balances (deficit)	279,828	(120,119)	159,709
Total liabilities and fund balances	\$ 372,041	2,526	374,567

TOWN OF OLD ORCHARD BEACH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the Year Ended June 30, 2008

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Other Governmental Funds
Revenues:			
Taxes	\$ -	206,334	206,334
Licenses, permits and fees	20,141	-	20,141
Intergovernmental	38,244	340,840	379,084
Program income	172,117	-	172,117
Other revenues	10,741	-	10,741
Total revenues	241,243	547,174	788,417
Expenditures:			
Current:			
Recreation, culture and agencies	182,467	-	182,467
Unclassified	49,024	-	49,024
Capital outlays	-	157,142	157,142
Total expenditures	231,491	157,142	388,633
Excess (deficiency) of revenues over (under) expenditures	9,752	390,032	399,784
Other financing sources (uses):			
Transfers - in	-	-	-
Transfers - out	(3,000)	(206,334)	(209,334)
Total other financing sources (uses)	(3,000)	(206,334)	(209,334)
Net change in fund balances	6,752	183,698	190,450
Fund balances (deficit), beginning of year	273,076	(303,817)	(30,741)
Fund balances (deficit), end of year	\$ 279,828	(120,119)	159,709

NONMAJOR SPECIAL REVENUE FUNDS

TOWN OF OLD ORCHARD BEACH, MAINE
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2008

(with comparative totals for June 30, 2007)

	Recreation Fund	Special Dog Fund	Police Grants Fund	Sewer Special Revenue	Gateway Grant Fund	Park Bench Program	Playground Grant Fund	Conservation Tree Grant	CDBG Grant Fund	Smithwheel Impact Fees	Totals	
											2008	2007
ASSETS												
Assets:												
Interfund loans receivable	\$ -	2,880	11,263	289,098	-	-	-	-	-	68,800	372,041	393,183
Total assets	\$ -	2,880	11,263	289,098	-	-	-	-	-	68,800	372,041	393,183
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and payroll withholdings	5,236	-	-	-	-	-	-	-	-	-	5,236	32,143
Interfund loans payable	76,663	-	-	-	784	-	6,013	3,517	-	-	86,977	87,964
Total liabilities	81,899	-	-	-	784	-	6,013	3,517	-	-	92,213	120,107
Fund balances:												
Unreserved:												
Undesignated	(81,899)	2,880	11,263	289,098	(784)	-	(6,013)	(3,517)	-	68,800	279,828	273,076
Total fund balances (deficit)	(81,899)	2,880	11,263	289,098	(784)	-	(6,013)	(3,517)	-	68,800	279,828	273,076
Total liabilities and fund balances	\$ -	2,880	11,263	289,098	-	-	-	-	-	68,800	372,041	393,183

TOWN OF OLD ORCHARD BEACH, MAINE
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2008
 (with comparative totals for the year ended June 30, 2007)

	Special		Police		Sewer		Gateway		Park		Playground		Conservation		CDBG		Smithwheel		Totals		
	Recreation	Dog	Grants	Grants	Special	Special	Grant	Grant	Bench	Bench	Program	Fund	Grant	Tree	Grant	Fund	Grant	Impact	Fees	2008	2007
Revenues:																					
Licenses and permits:																					
Dog fees	-	3,341	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,341	2,840
Ordinance fees and assessments	-	-	-	-	16,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,800	48,950
Total licenses and permits	-	3,341	-	-	16,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,141	51,790
Intergovernmental:																					
Federal grants and commodities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,244	-	-	-	38,244	105,155
Total intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,244	-	-	-	38,244	105,155
Other revenues:																					
Recreation programs	172,117	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	172,117	173,770
Other	-	-	1,541	-	-	-	-	-	9,200	-	-	-	-	-	-	-	-	-	-	10,741	3,006
Total other revenues	172,117	-	1,541	-	-	-	-	-	9,200	-	-	-	-	-	-	-	-	-	-	182,858	176,776
Total revenues	172,117	3,341	1,541	1,541	16,800	16,800	-	-	9,200	-	-	-	-	-	-	38,244	-	-	-	241,243	333,721
Expenditures:																					
Recreation	182,467	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	182,467	243,867
Unclassified	-	-	4,524	-	33,500	-	-	-	11,000	-	-	-	-	-	-	-	-	-	-	49,024	35,017
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81,849
Total expenditures	182,467	-	4,524	4,524	33,500	33,500	-	-	11,000	-	-	-	-	-	-	-	-	-	-	231,491	360,733
Excess (deficiency) of revenues over (under) expenditures	(10,350)	3,341	(2,983)	(2,983)	(16,700)	(16,700)	-	-	(1,800)	-	-	-	-	-	-	38,244	-	-	-	9,752	(27,012)
Other financing sources (uses):																					
Transfers - in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers - out	-	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)
Total other financing sources (uses)	-	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)
Net change in fund balances	(10,350)	341	(2,983)	(2,983)	(16,700)	(16,700)	-	-	(1,800)	-	-	-	-	-	-	38,244	-	-	-	6,752	(30,012)
Fund balances (deficit), beginning of year	(71,549)	2,539	14,246	14,246	305,798	305,798	(784)	(784)	1,800	(6,013)	(3,517)	(38,244)	68,800	273,076	303,088						
Fund balances (deficit), end of year	\$ (81,899)	2,880	11,263	11,263	289,098	289,098	(784)	(784)	-	(6,013)	(3,517)	(38,244)	68,800	273,076	303,088	68,800	279,828	273,076	273,076	273,076	

NONMAJOR CAPITAL PROJECT FUNDS

TOWN OF OLD ORCHARD BEACH, MAINE
Nonmajor Capital Project Funds
Combining Balance Sheet
June 30, 2008
(with comparative totals for June 30, 2007)

	Landfill Closure	Downtown TIF	FEMA Fund	Totals	
				2008	2007
ASSETS					
Accounts receivable	\$ -	-	-	-	-
Interfund loans receivable	2,526	-	-	2,526	2,526
Total assets	\$ 2,526	-	-	2,526	2,526
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and payroll withholdings	1,721	-	1,102	2,823	20,971
Interfund loans payable	-	-	119,822	119,822	285,372
Total liabilities	1,721	-	120,924	122,645	306,343
Fund balances:					
Unreserved:					
Undesignated	805	-	(120,924)	(120,119)	(303,817)
Total fund balances (deficit)	805	-	(120,924)	(120,119)	(303,817)
Total liabilities and fund balances	\$ 2,526	-	-	2,526	2,526

TOWN OF OLD ORCHARD BEACH, MAINE
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	Landfill Closure	Downtown TIF	FEMA Fund	Totals	
				2008	2007
Revenues:					
Property taxes	\$ -	206,334	-	206,334	206,334
Intergovernmental	-	-	340,840	340,840	3,947
Total revenues	-	206,334	340,840	547,174	210,281
Expenditures:					
Capital improvements:					
Construction costs	-	-	-	-	317,338
Miscellaneous	-	-	157,142	157,142	3,307
Debt service	-	-	-	-	-
Total expenditures	-	-	157,142	157,142	320,645
Excess (deficiency) of revenues over (under) expenditures	-	206,334	183,698	390,032	(110,364)
Other financing sources (uses):					
Transfers - in	-	-	-	-	-
Transfers - out	-	(206,334)	-	(206,334)	(206,334)
Total other financing sources (uses)	-	(206,334)	-	(206,334)	(206,334)
Net change in fund balances	-	-	183,698	183,698	(316,698)
Fund balances (deficit), beginning of year	805	-	(304,622)	(303,817)	12,881
Fund balances (deficit), end of year	\$ 805	-	(120,924)	(120,119)	(303,817)

TOWN OF OLD ORCHARD BEACH, MAINE
Capital Project Funds
Cumulative Statement of Revenues and Expenditures
Beginning of project to June 30, 2008

	Landfill Closure	Downtown TIF	FEMA Fund
Revenues:			
Property taxes	\$ -	2,472,815	-
Grant proceeds	186,681	628,115	1,321,010
Investment income	3,624	121,511	-
Sewer reimbursements	-	-	-
Other revenues	150	183,671	12,620
Total revenues	190,455	3,406,112	1,333,630
Expenditures:			
Capital improvements:			
Engineering costs	2,282	360,124	198,171
Consultant costs	18,900	-	-
Construction costs	122,513	3,762,086	1,176,272
Equipment and associated expenses	41,631	-	4,850
Town labor and equipment	61,231	-	-
Miscellaneous	4,746	292,293	126,325
Debt service	-	3,471,299	-
Total expenditures	251,303	7,885,802	1,505,618
Deficiency of revenues under expenditures	(60,848)	(4,479,690)	(171,988)
Other financing sources:			
Transfers - in	61,653	1,079,690	51,064
Proceeds of general obligation bonds	-	3,400,000	-
Total other financing sources	61,653	4,479,690	51,064
Cumulative excess (deficiency) of revenues and other sources over (under) expenditures	\$ 805	-	(120,924)

PRIVATE-PURPOSE TRUST FUNDS

TOWN OF OLD ORCHARD BEACH, MAINE
Private-purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

	Net assets beginning of year			Additions			Deductions			Net assets end of year		
	Principal	Unexpended income	Total	Investment income	Unrealized gains and (losses)	Contributions and other receipts	Expenses	Transfers In/(Out)	Principal	Unexpended income	Total	
Alumni Scholarship	\$ 6,903	43,736	50,639	2,956	8,546	26,732	3,120	(85,753)	-	-	-	
Angelosante Scholarship	15,000	19,235	34,235	4,712	(2,254)	-	1,735	(34,958)	-	-	-	
Ola Brownrigg Scholarship	6,664	4,873	11,537	925	-	-	400	(12,062)	-	-	-	
Brandy Butterfield Scholarship	5,255	15,687	20,942	1,455	-	-	1,200	(21,197)	-	-	-	
Centennial Scholarship	2,899	(1,606)	1,293	84	41	-	106	(1,312)	-	-	-	
Melanie Cook Scholarship	7,228	649	7,877	2,904	(2,244)	-	500	(8,037)	-	-	-	
E. Emerson Cummings Scholarship	1,780	2,125	3,905	182	55	100	255	(3,987)	-	-	-	
Charles A. Greer Scholarship	65,652	13,582	79,234	10,737	5,556	3,105	13,003	(85,629)	-	-	-	
George C. Grover Golf	1,426	343	1,769	301	101	-	201	(1,970)	-	-	-	
David Jordan Scholarship	6,145	3,304	9,449	690	252	50	701	(9,740)	-	-	-	
W. Warren Harmon Kiwanis Scholarship	30,180	13,612	43,792	1,903	26	-	2,000	(43,721)	-	-	-	
Gilbert C. "Sonny" McBay Scholarship	3,916	5,860	9,776	882	-	-	400	(10,258)	-	-	-	
Harold E. & Shirley M. Mullen Scholarship	9,903	13,383	23,286	1,419	-	-	1,100	(23,605)	-	-	-	
William & Robert Murphy Scholarship	6,210	3,626	9,836	820	-	-	400	(10,256)	-	-	-	
Agnes Murphy/Paula Mixer Scholarship	15,000	2,053	17,053	1,068	-	-	700	(17,421)	-	-	-	
Ralph Perreault Scholarship	62,691	90,884	153,575	7,718	1,055	-	5,748	(156,600)	-	-	-	
Susan Powers Memorial Scholarship	1,009	5,475	6,484	337	-	-	300	(6,521)	-	-	-	
Robert H. Phillips Scholarship	1,113	3,693	4,806	265	41	116	304	(4,924)	-	-	-	
Sandy Seagull Scholarship	10,250	16,679	26,929	1,974	394	-	1,292	(28,005)	-	-	-	
Margorie Saucier/Kerry Scholarship	4,500	5,112	9,612	734	143	-	790	(9,699)	-	-	-	
Gladys Tarbox Scholarship	1,980	21,917	23,897	1,485	-	-	900	(24,482)	-	-	-	
Jay Bartner Scholarship	1,504	(286)	1,218	96	1,029	151	112	(2,382)	-	-	-	
John Trull Scholarship	2,085	3,852	5,937	341	-	-	350	(5,928)	-	-	-	
100F Scholarship Fund (Atlantic Lodge #74)	10,000	2,070	12,070	875	218	-	280	(12,883)	-	-	-	
Robert J. Gallant Scholarship	-	-	-	262	-	19,326	76	(19,512)	-	-	-	
Old Orchard Beach High School Scholarship	-	-	-	3,160	(69,178)	-	5,713	640,842	279,293	289,818	569,111	
Totals	\$ 279,293	289,858	569,151	48,285	(56,219)	49,580	41,686	-	279,293	289,818	569,111	

LONG-TERM DEBT

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Changes in Long-term Debt
For the Year Ended June 30, 2008

	Interest rate	Final maturity date	Annual principal payments	Amounts authorized	Issued previous years	Retired previous years	Balance beginning of year	Current Period Issued	Retired	Balance end of year
<u>General Obligation Bonds</u>										
Town issues:										
1989 Capital improvement bond	7.45 - 7.75%	2009	\$ 40,000	1,840,000	1,840,000	1,720,000	120,000	-	40,000	80,000
1998 General obligation - refunding bond	4.15 - 5.2%	2018	Various	5,975,000	5,975,000	2,555,000	3,420,000	-	375,000	3,045,000
2003 General obligation - refunding bond	2.0 - 4.5%	2023	Various	7,520,000	7,520,000	1,630,000	5,890,000	-	735,000	5,155,000
Total general obligation bonds				15,335,000	15,335,000	5,905,000	9,430,000	-	1,150,000	8,280,000
Total long-term debt				\$ 15,335,000	5,905,000	9,430,000	9,430,000	-	1,150,000	8,280,000

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

TOWN OF OLD ORCHARD BEACH, MAINE
Capital Assets Used in the Operation of Governmental Funds - By Source
June 30, 2008

Capital assets:		
Land and buildings	\$	11,572,552
Equipment		3,772,885
Vehicles		5,066,991
Infrastructure		17,616,438
Total governmental fund capital assets		\$ 38,028,866
Investments in capital assets by source:		
General Fund		38,028,866
Capital Project Funds		-
Total governmental fund capital assets by source		\$ 38,028,866

TOWN OF OLD ORCHARD BEACH, MAINE
Schedule of Capital Assets used in the Operation of Governmental Funds - By Function and Activity
June 30, 2008

Function and Activity	Land and Buildings	Equipment	Vehicles	Infrastructure	Total
Town Hall	\$ 1,011,923	265,641	117,019	-	1,394,583
Public Works	1,268,344	266,998	2,370,846	13,374,308	17,280,496
Waste Water	2,925,331	1,708,018	289,370	4,242,130	9,164,849
Compost/Transfer Facility	304,550	-	-	-	304,550
Comfort Station	167,277	-	-	-	167,277
Police Department	439,224	370,839	493,934	-	1,303,997
Fire and Rescue	-	159,205	1,497,180	-	1,656,385
School Department	5,093,830	1,002,184	298,642	-	6,394,656
Tidal Gates	54,394	-	-	-	54,394
Animal Facility	826	-	-	-	826
Train Platform	306,853	-	-	-	306,853
Total governmental fund capital assets	\$ 11,572,552	3,772,885	5,066,991	17,616,438	38,028,866

Exhibit G-3

Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the Year Ended June 30, 2008

Function and Activity	Balance 2007	Additions	Deletions	Balance 2008
Town Hall	\$ 1,273,173	121,410	-	1,394,583
Public Works	11,771,089	556,048	-	12,327,137
Waste Water	14,100,707	17,500	-	14,118,207
Compost/Transfer Facility	304,550	-	-	304,550
Comfort Station	167,277	-	-	167,277
Police Department	1,141,469	162,528	-	1,303,997
Fire and Rescue	1,616,635	39,750	-	1,656,385
School Department	6,394,657	-	-	6,394,657
Tidal Gates	54,394	-	-	54,394
Animal Facility	826	-	-	826
Train Platform	306,853	-	-	306,853
Totals	\$ 37,131,630	897,236	-	38,028,866

TABLES

Table 1

TOWN OF OLD ORCHARD BEACH, MAINE
Revenues, Expenditures, and Changes in Fund Balances -
General Fund - GAAP Basis
Last Ten Fiscal Years

	1999	2000	2001	2002+	2003+	2004+	2005+	2006+	2007+	2008+
Revenues:										
Property taxes	\$ 11,852,519	12,020,115	12,234,946	13,199,080	14,676,830	15,043,333	15,535,851	16,265,640	17,208,689	17,749,257
Other taxes	1,127,566	1,251,905	1,283,991	1,481,602	1,535,620	1,658,127	1,787,674	1,649,581	1,684,326	1,691,863
Licenses and permits	202,942	199,398	244,333	575,411	657,588	787,862	1,120,948	1,164,742	1,132,286	940,062
Intergovernmental revenues	3,104,596	3,451,608	3,481,271	3,420,726	3,104,603	2,744,653	2,378,948	2,470,827	2,174,858	2,210,043
Investment income	240,533	284,785	355,894	160,005	89,177	97,957	134,125	224,977	343,844	352,740
Other revenues	478,485	368,800	367,469	51,589	37,752	183,408	232,794	92,151	195,742	134,061
Total revenues	17,006,641	17,576,611	17,967,904	18,888,413	20,101,570	20,515,340	21,190,340	21,867,918	22,739,745	23,078,026
Expenditures:										
General government	851,250	827,762	888,028	2,242,861	1,523,897	1,842,364	1,855,934	1,797,347	1,761,598	1,913,524
Public works	546,817	595,624	672,082	714,867	941,985	1,005,234	1,059,881	1,127,144	1,482,509	1,618,224
Sanitation	1,174,603	1,228,623	1,301,527	1,400,267	1,684,667	1,576,873	1,455,194	1,677,526	1,496,170	1,542,780
Public safety	2,179,117	2,254,987	2,708,389	2,662,228	3,383,987	3,543,140	3,670,572	3,844,767	4,044,087	4,178,862
Recreation, culture and agencies	57,789	54,812	68,317	274,752	287,190	332,191	386,875	443,249	471,937	505,462
Health and welfare	36,470	43,477	41,116	55,649	56,515	62,202	80,503	70,732	76,463	74,298
Education	7,568,922	7,980,650	8,270,240	8,717,626	8,821,298	8,614,579	8,965,400	9,032,509	9,212,617	9,632,841
Debt service (excluding education)	1,688,498	1,577,472	1,766,217	1,635,917	1,621,046	1,561,729	1,238,346	1,616,746	1,543,678	1,521,034
Employee benefits and insurance	851,424	927,214	1,136,922	-	-	-	-	-	-	-
Capital outlays	357,896	535,167	1,137,159	533,291	778,051	1,149,814	1,937,383	2,710,375	2,242,068	1,914,839
Other	423,560	481,960	297,940	444,627	494,758	367,993	527,990	599,307	621,893	646,342
Total expenditures	15,736,346	16,507,748	18,287,937	18,682,085	19,593,394	20,056,119	21,178,078	22,919,702	22,953,020	23,548,206
Other financing sources	50,000	204,000	445,037	304,869	299,374	7,826,334	309,334	434,334	434,334	459,334
Other financing uses	(722,194)	(522,529)	(634,320)	(356,000)	(75,638)	(7,342,491)	(56,180)	(59,680)	(65,680)	(74,180)
Net change in fund balances	598,101	750,334	(509,316)	155,197	731,912	943,064	265,416	(677,130)	155,379	(85,026)
Fund balances, beginning	3,409,952	4,008,053	4,758,387	4,249,071	4,404,268	5,136,180	6,222,319	6,487,735	5,810,605	5,965,984
Fund balances, ending	\$ 4,008,053	4,758,387	4,249,071	4,404,268	5,136,180	6,079,244	6,487,735	5,810,605	5,965,984	5,880,958

+ Beginning in 2002, some classifications have been changed to better conform to reporting requirements under GASB 34.

Employee benefits and insurances have been allocated to department expenditures.

++ includes a prior period adjustment

Table 2

TOWN OF OLD ORCHARD BEACH, MAINE
Property Tax Levies and Collections
Last Ten Fiscal Years

Year	Current		Collection		Total current		Total		Percent of delinquent taxes and liens to tax levy
	tax levy	tax levy	Delinquent tax	Total	year collections as a percent of total tax levy	collections as a percent of total tax levy	outstanding June 30,		
1999	\$ 11,867,245	11,399,713	710,574	12,110,287	96.06%	102.05%	1,011,121	8.52%	
2000	12,031,301	11,578,169	551,756	12,129,925	96.23%	100.82%	912,496	7.58%	
2001	12,579,926	12,066,392	381,531	12,447,923	95.92%	98.95%	984,499	7.83%	
2002	13,296,446	12,876,295	504,220	13,380,515	96.84%	100.63%	898,153	6.75%	
2003	14,955,562	14,335,676	484,339	14,820,015	95.86%	99.09%	1,050,437	7.02%	
2004	15,356,300	14,975,298	681,477	15,656,775	97.52%	101.96%	833,776	5.43%	
2005	15,707,863	15,320,115	429,348	15,749,463	97.53%	100.26%	842,318	5.36%	
2006	16,606,072	16,183,713	455,240	16,638,953	97.46%	100.20%	905,428	5.45%	
2007	17,503,035	16,997,147	455,329	17,452,476	97.11%	99.71%	1,016,033	5.80%	
2008	18,118,387	17,505,853	391,071	17,896,924	96.62%	98.78%	1,237,496	6.83%	

Table 3

TOWN OF OLD ORCHARD BEACH, MAINE
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Year	Assessed Value			Estimated actual value	Ratio of total assessed value to total estimated actual value		State equalized valuation	Ratio of total assessed value to state equalized value
	Real	Personal	Total		assessed value to total estimated actual value	State equalized valuation		
1999	\$ 486,237,200	15,024,348	501,261,548	511,491,376	98.00%	499,750,000	100.30%	
2000	506,579,300	15,989,927	522,569,227	533,233,905	98.00%	533,700,000	97.91%	
2001	531,735,300	17,620,800	549,356,100	560,567,449	98.00%	560,550,000	98.00%	
2002	560,259,200	18,432,350	578,691,550	609,149,000	95.00%	623,600,000	92.80%	
2003	776,373,600	19,692,966	796,066,566	796,066,566	100.00%	697,300,000	114.16%	
2004	779,156,600	20,500,743	799,657,343	799,657,343	100.00%	786,450,000	101.68%	
2005	812,166,500	20,816,750	832,983,250	832,983,250	100.00%	969,950,000	85.88%	
2006*	1,206,181,200	21,605,000	1,227,786,200	1,227,786,200	100.00%	1,150,850,000	106.69%	
2007	1,289,869,400	23,392,100	1,313,261,500	1,313,261,500	100.00%	1,368,350,000	95.97%	
2008	1,418,164,600	23,691,240	1,441,855,840	1,441,855,840	100.00%	1,565,250,000	92.12%	

* The Town did a revaluation that became effective in 2006.

Table 4

TOWN OF OLD ORCHARD BEACH, MAINE
Property Tax Rates - All Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Year	Total	Town	School	County	Water quality control
1999	23.65	6.86	15.14	0.47	1.18
2000	23.65	10.48	11.52	0.44	1.21
2001	23.40	10.66	11.21	0.31	1.22
2002*	24.40	8.68	11.87	0.68	3.17
2003	20.10	7.65	9.33	0.65	2.47
2004	20.10	6.67	9.64	0.59	3.20
2005	20.10	7.57	9.71	0.59	2.23
2006**	13.50	5.10	6.26	0.44	1.70
2007	13.32	5.20	6.09	0.44	1.59
2008	12.56	4.73	5.94	0.43	1.46

* Beginning in 2002, the rate for Water Quality Control is calculated on all expenses related to Wastewater Treatment, including related debt service.

** The Town did a revaluation that became effective in 2006.

TOWN OF OLD ORCHARD BEACH, MAINE
Ratio of General Bonded Debt to Assessed Value
and General Bonded Debt Per Capita
Last Ten Fiscal Years

	Estimated population	Assessed value (in thousands)	Gross bonded debt (1)	Ratio of			Estimated average population (2)	Gross bonded debt per average population
				gross bonded debt to assessed value	Gross bonded debt per capita	Gross bonded debt per average population		
1999	7,790	\$ 501,262	17,539,700	3.50%	2,252	24,457	717	
2000	7,790	522,569	16,313,185	3.12%	2,094	24,457	667	
2001	8,800	549,356	15,074,469	2.74%	1,713	25,467	592	
2002	8,800	578,692	13,904,562	2.40%	1,580	25,467	546	
2003	8,800	796,067	13,034,440	1.64%	1,481	25,467	512	
2004	8,800	799,657	12,420,000	1.55%	1,411	25,467	488	
2005	8,800	832,983	11,740,000	1.41%	1,334	25,467	461	
2006	8,800	1,227,786	10,565,000	0.86%	1,201	25,467	415	
2007	8,800	1,313,262	9,430,000	0.72%	1,072	25,467	370	
2008	8,800	1,441,856	8,280,000	0.57%	941	25,467	325	

(1) Includes all long-term general obligation debt excluding accrued vacation and sick leave. Certain school debt is reimbursed by the State of Maine

(2) Includes estimated population for twelve months plus 100,000 seasonal population for two months.

TOWN OF OLD ORCHARD BEACH, MAINE
Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Fund Expenditures
Last Ten Years

Year	Principal	Interest	Total debt service	Total General Fund expenditures	Ratio of debt service to total General Fund expenditures
1999	\$ 900,524	787,974	1,688,498	15,788,701	10.69%
2000	938,538	638,934	1,577,472	16,455,506	9.59%
2001	916,699	849,518	1,766,217	18,424,005	9.59%
2002	836,630	799,287	1,635,917	18,509,600	8.84%
2003	870,122	750,924	1,621,046	19,596,364	8.27%
2004	880,000	681,729	1,561,729	20,153,706	7.75%
2005	680,000	558,346	1,238,346	21,154,646	5.85%
2006	1,175,000	441,746	1,616,746	22,807,881	7.09%
2007	1,135,000	408,678	1,543,678	22,850,277	6.76%
2008	1,150,000	371,034	1,521,034	23,522,410	6.47%

Table 7

TOWN OF OLD ORCHARD BEACH, MAINE
Ten Largest Taxpayers
For the year ended June 30, 2008

Name	Type of Operation	Taxes	% of Net Tax Levy
Palace Playland Association	Amusements	\$ 89,611	0.50%
Portland Ave Associates	Hotel	77,061	0.43%
Seagate Limited Partnership	Mobile Home Park	76,539	0.42%
Lafayette Old Orchard LLC	Hotel	69,459	0.38%
Pinehirst RV Resort	Resort	66,197	0.37%
Birch Ridge Limited	Apartments	63,947	0.35%
Wild Acres LLC	Resort	63,919	0.35%
Powderhorn Family Camping Resort	Resort	61,563	0.34%
Central Maine Power	Utility	53,861	0.30%
Donavan, Daniel T & John W	Hotel	51,000	0.28%